



**International
Finance Corporation**
World Bank Group



A Year of Implementing the IFC Performance Standards

Community of Learning

May 2007

Board's Comments on PPS in 2006



- How will IFC implement the PPS and ensure consistent implementation?
- What will be the cost of the new policy framework implementation to IFC and clients?
- How will IFC ensure that the new policy framework will not slow down IFC's business?
- How will we know it's working?
- How will IFC help clients and external stakeholders in need of information and assistance?

Management System



CES Quality Assurance System

- New Environmental and Social Review Procedure (ESRP) for implementing the PSs
- Environmental and Social Review Document (ESRD) is the electronic interface between the ESRP and the project
- Internal FAQ on PS related questions
- Peer Review Meetings
- Monitoring and Reporting
- Quality control on ESRD

PPS Training - Internal & External



Internal Training

- CES ran a total of 42 sessions—23 in HQ and 19 in the regions between December 2005 to April 2007
- Thematic training on “Labor and Working Conditions” and “Security Personnel Requirements”

External Training

- 9 sessions for Consultants & Clients in 9 countries (Indonesia, China, Hong Kong, Russia, Turkey, India, Kenya, South Africa, and Ghana)
- Equator Principles Financial Institutions and project developer training through licensed trainers

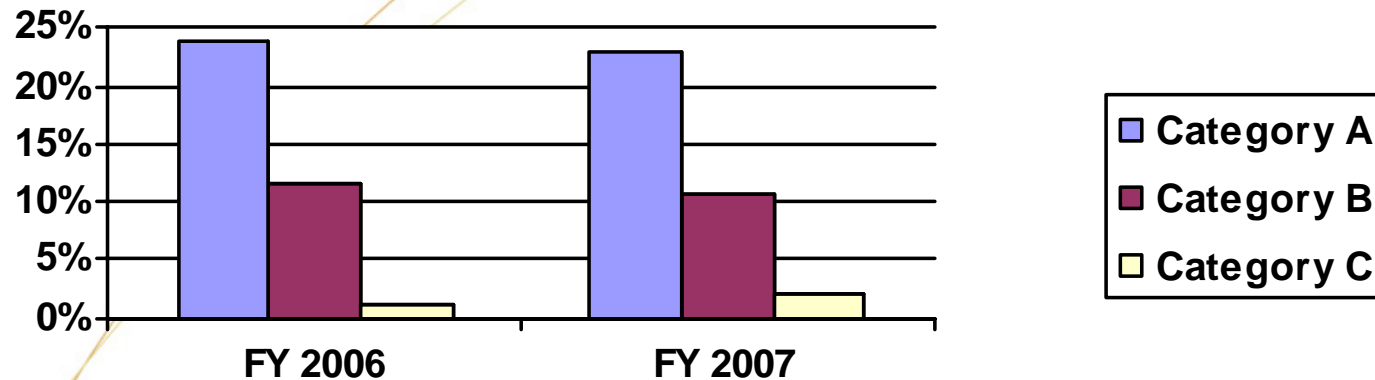
IFC's Total Commitment FY03-07 (excluding syndications)



	In \$millions
FY03 Actual	3,852.0
FY04 Actual	4,753.0
FY05 Actual	5,372.9
FY06 Actual*	6,702.6
FY 07 Target*	7,499.9
FY 07 Forecast*	8,019.8

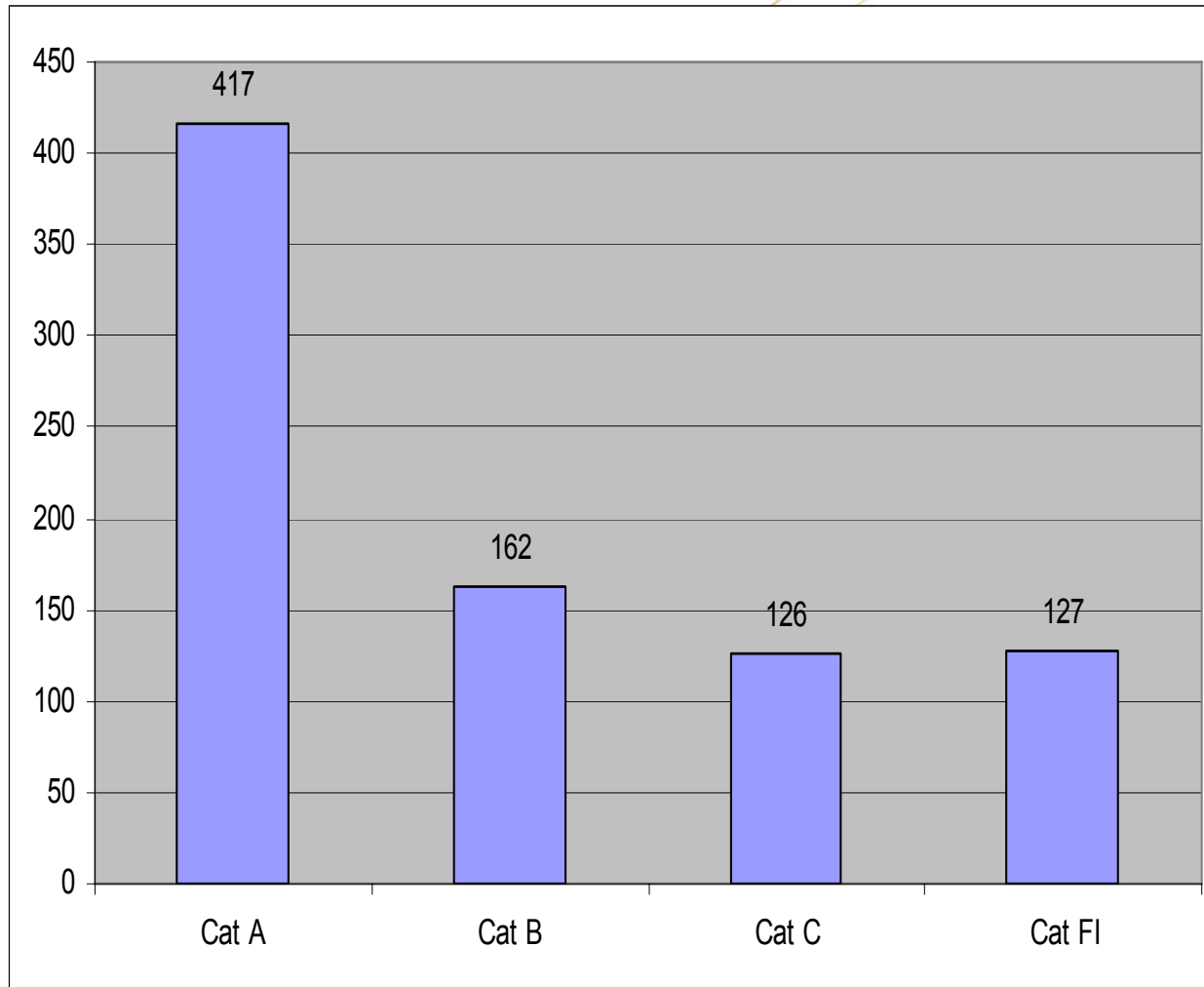
*including CGF Trade Finance

CES processing cost as % of total IFC processing cost by project category



- The CES processing cost as percentage of total IFC processing cost for all project categories remained almost the same as before the application of the new PSs
- At the same time the nominal cost of E&S due diligence/processing cost in category "B" projects increased almost by 30% in FY 2007

Project Processing Time



- Average dates between approval of Project Data Sheet- Early Review and Board Approval.
- Does not necessarily reflect appraisal time

Preliminary Observations on Internal Processing Cost / Time



- Increase in internal processing cost attributed in part to more due diligence on Category B projects
- Internal processing time seems consistent with the past but data needs to be consistently tracked moving forward
- Client cost of compliance will be through review of the client cost of the Action Plan
 - Divided into mitigation cost to be incurred regardless of IFC financing vs. cost of meeting IFC requirements?
- Will also carry out client perception survey on cost of compliance
- FY07 data will be our baseline
- Additional data to be available in November 07

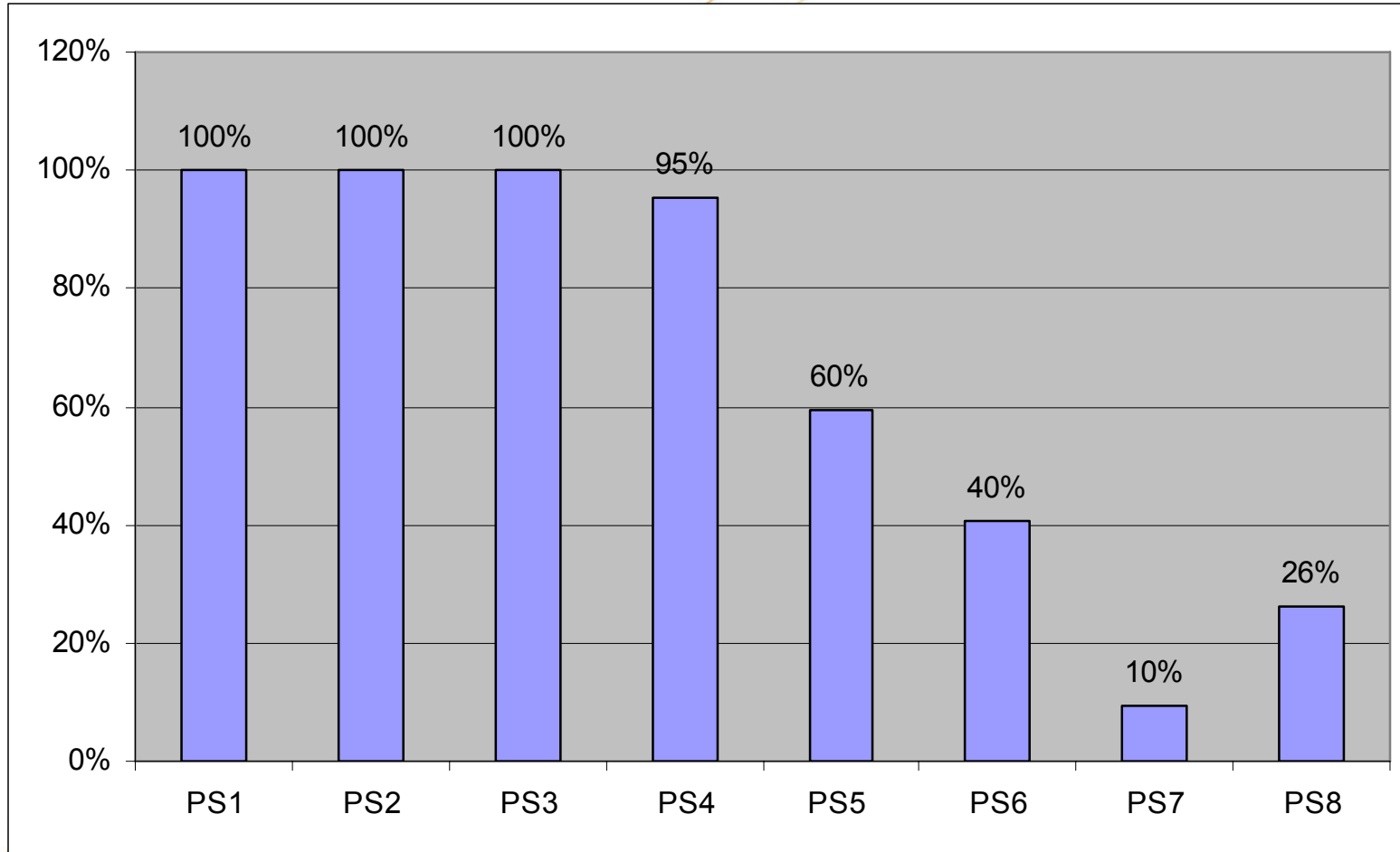
PS Application to Projects



	Screened against PPS
Category A	3
Category B	39
Category C	16
Category FI	39
Total	97

- ❖ 9 projects applied PPS prior to April 30, 2006
(Category B: 6 projects, Category FI: 3 projects)

Which PS Triggered?



❖ Total of 42 projects (excluding Category C & FI projects)

PS 1 S & E Assessment and Management Systems



- 52% of projects (22) engaged external experts
- 57% of projects (24) committed to establish new S&E management systems
- Helpful guidance:
 - Stakeholder Engagement: *A Good Practice Handbook for Companies Doing Business in Emerging Markets* (launched on May 15, 2007)
 - *Human Rights Impact Assessment Guidance* for road testing (Forthcoming - June 2007)

PS 1 S & E Assessment and Management Systems



- Instances of FPIC/BCS application

	Screened against PPS	FPIC/BCS	%
Category A	3	3	100 %
Category B	39	5	13 %
Category C	16	0	-
Category FI	39	0	-
Total	97	8	-

FPIC & BCS



- The **client** conducts free, prior and informed consultation, and enabled the informed participation of affected communities
- **IFC** ascertains the level of support and dissent among the affected communities for the project
 - Looking at all types of expressions – formal, informal, evidence of specific agreements, keeping commitments, etc.
 - Defining affected communities: within project's area of influence, those most directly affected both positively and negatively
 - identified through stakeholder identification process
- Objections by some members of the affected communities will not necessarily negate BCS
- IFC has procedural guidance on FPIC/BCS

Reflections on FPIC/BCS So Far



- Good written record of client disclosure and consultation is crucial, including record of follow up showing client response to concerns
- Grievance mechanisms – structure, procedure, and application – can influence BCS
- Opinion polls have limited value; perception surveys may be a better option
- Outreach and community development programs do not necessarily indicate BCS
- BCS involves IFC's judgment call – a call made jointly by Director of CES and Director of Investment Department

PS 2

Labor and Working Conditions



- Detailed training on labor issues in IFC investment cycle
- Internal procedure and tools established
- Convened a Labor Advisory Group and sought advice
- 55% of projects (24) with actions plans in the labor area
- No experience for detailed labor audits yet
- Ongoing engagement with ILO in the project and TA areas
- Ongoing enagement with labor unions on project issues
- Helpful guidance: *Good Practice Note on Freedom of Association and Collective Bargaining* (Forthcoming - June 2007)

PS 3 Pollution Prevention and Abatement



- 56 EHS Guidelines finalized on April 30, 2007
 - Technical reference documents for good international industry practice for EHS performance
 - Establish IFC's expectations for managing industrial EHS impacts in support of aspects of PS2, PS3, PS4, and PS6.
 - They form part of the Equator Principles, specifically Principle 3
 - 7 more to be published shortly
- GHG emissions quantification over 100,000 tons/year
 - So far, 8 projects triggered the quantification requirement

PS 4 Community Health, Safety and Security



- Detailed training on use of security personnel
- 64% of projects hired Security Personnel
 - Of which 26% of projects developed a Security Personnel Management Plan
- Helpful Guidance: Guidance on Community Health (Forthcoming - June 2007)

PS 5 Land Acquisition and Involuntary Resettlement & PS 6 Biodiversity Conservation



PS 5

- 18 projects with physical and/or economic displacement out of 42 projects
 - Physical only: 2% (1)
 - Economic (loss of income or livelihood) only: 19% (8)
 - Both physical and economic: 21% (9)
- Of the 18 projects, private sector-managed resettlement vs. Gov't-managed resettlement:
 - Carried out solely by the government: 6%
 - Carried out solely by the private sector: 39%
 - Carried out by the government in collaboration with the private sector: 44%
 - Resettlement planned in the future & terms to be negotiated: 11%

PS 6

- No project in critical natural habitat or legally designated areas

PS 7 Indigenous Peoples & PS 8 Cultural Heritage



PS 7

- No project with “good faith negotiation” requirement
- No project with commercialization of IP cultural resources
- Helpful guidance: *ILO 169 and the Private Sector: Questions & Answers for IFC Clients* (March 2007)

PS 8

- No projects in critical cultural heritage area/ legally protected cultural heritage area
- No instance of commercialization of cultural heritage

IFC's FI Investments



- New Policy and procedure for FI projects
- Focus on the Social and Environmental Management System
 - SEMS/evidence of S&E procedures now a condition of disbursement
- Timebound SEMS Plan or Action Plan detailing Supplemental Actions
- Applicable Performance Requirements
 - IFC Exclusion List, applicable national S&E laws, IFC Performance Standards
- Analysis of risk based on the IFC financed portfolio, type of FI business, tenor of financing, sectors of operation, client capacity etc
- The FI portfolio with high Environmental and Social risks are required to apply PPS
 - Out of 39 FI Projects, 6 projects (15%) applied the Performance Standards
- Moving to e-learning, customizing SEMS, guidance notes for clients

New Publications / Updates of E&S Procedure and Guidance Notes



- In addition to specific guidance supporting the PS implementation:
 - *BTC Lessons of Experience* (Sept 2006)
 - *External Monitoring of the Chad Cameroon Pipeline* (Sept 2006)
 - *Good Practice Note on Animal Welfare* (Oct 2006)
 - *Banking on Sustainability* (Jan 2007)
- Updated Guidance Notes (May 2007)
- Updated Environmental and Social Review Procedure (ESRP) (May 2007)

IFC's Outreach Activities and Sharing of Learning



- Outreach activities promoting the Equator Principles in emerging markets
 - Remaining European banks, BRICs countries, etc.
- Worked with the OECD on the Common Approaches for the export credit agencies
- Sharing of Learning: Community of Learning Event (May 14-16, 2007)
 - IFC's sharing of its learning from PS application with MFIs, BFIs, ECAs, and EPFIs
 - Expect to maintain relationship with these financial institutions on an ongoing basis
- Broader convergence of standards among international financial institutions

An Update on the Equator Principles



- Based on IFC's Performance Standards and Environmental, Health and Safety Guidelines
- First announced in June 2003 with ten banks
- Relaunched as "EP2" in July 2006, referring to the new IFC standards
- Now 51 financial institutions, including 6 in Latin America
 - Many EPFIs have taken Performance Standard training
- Around 88% of emerging markets project finance refers to Equator
 - Source: [Infrastructure Journal](#)

Next Steps



- Soliciting ongoing comments on the Performance Standards, Guidance Notes, and observations on implementation through website www.ifc.org/enviro (April 2007)
- For FY08, new e-learning program supplemented by periodic face-to-face training
- More outreach to emerging market banks who wish to improve their E&S performance; outreach to other segments of the financial sector beyond banking
- Ongoing data collection and analysis
 - Data on client cost of compliance
 - More comprehensive performance indicators
- Will return to the Board with 18 month implementation report in November