

IFC Safeguards Policies Update & Disclosure Policy Review

Lima Consultation Meeting

December 7, 2004

AGENDA

IFC's consultation process took place on December 7 2004 at 14:30 in the Salon Pizarro of the Marriott Hotel of Lima, located in the Miraflores district.

The Agenda was the following:

2:30 – 2:50 PM	WELCOME AND PARTICIPANTS INTRODUCTION.
2:50 – 3:10 PM	INTERNATIONAL FINANCE CORPORATION PRESENTATION.
3:10 – 3:50 PM	GENERAL DISCUSSION AMONG PARTICIPANTS. IDENTIFICATION OF PARTICIPANTS MAIN ISSUES. Q&As.
3:50 – 4:00 PM	COFFE BREAK.
4:00 – 4:45 PM	GROUPS DISCUSSION.
4:45 – 5:15 PM	PLENARY FEEDBACK TO PARTICIPANTS.
5:15 – 6:00 PM	FINAL CONCLUSIONS. <u>International Finance Corporation</u>

IFC's mission is to promote sustainable private sector investment in developing countries, helping to reduce poverty and improve people's lives.

To assist private enterprise in developing countries, IFC:

- Provides loans and equity for viable projects
- Mobilizes capital from other sources
- Provides technical assistance and advisory services.

IFC Products and Services

IFC makes various types of investments such as project finance, corporate loans, restructuring debt and investments to intermediaries.

IFC uses many different financing instruments:

- Loans
- Equity
- Quasi-equity.

IFC Investment Guidelines

A project must be :

- In the private sector
- Financially, economically, environmentally, and socially sound
- IFC's share of project cost up to 25 percent

- Investment size
 - \$1 - 100 million in standard projects
 - Investments in local financial institutions often support on-lending to small and medium enterprises

Regional Portfolio

Largest country exposures in Latin America and the Caribbean are:

Brazil	1,316*
Mexico	1,068*
Argentina	817*
Colombia	401*
Peru	338*

(* US\$ million)

Sector	\$ millions	Percent
Finance and insurance	1,284	21
Utilities	942	16
Transportation and warehousing	626	10
Food and beverages	539	9
Oil, gas, and mining	464	8

Performance Standards

- PS 1: Social and Environmental Assessment
- PS 2: Labor and Working Conditions
- PS 3: Pollution Prevention and Abatement
- PS 4: Community Health and Safety
- PS 5: Land Acquisition and Involuntary Resettlement
- PS 6: Conservation of Biodiversity and Sustainable Natural Resource Management
- PS 7: Indigenous Peoples and Natural Resource Dependent Communities
- PS 8: Cultural Heritage
- PS 9: Social and Environmental Management System

Questions and Comments from participants

1. Financing retailers seems not to match and the same goes for other projects within IFC's sustainable management role. For a financial institution such as "Mi Banco", how can we meet the goal of financing s&m companies and IFC requirements such as child labor, at the same time?
2. How can IFC make sure that the financial and insurance sector meet the requirements expected?
3. Within the cultural and intangible areas there are other defined areas. Is the intangible clearly defined?
4. Transparency in information. Additionally to IFC demands with clients and partners, are these the same transparency demands from third parties? Does IFC take into consideration that third parties carry out the same transparency performance standards (e.g. NGOs)?
5. Does IFC change its capacity when supervising clients and partners according to the investment type? What's IFC's perspective to supervise clients and partners (CP and LP financing)?
6. These new guidelines imply more work for IFC. Will there be a new system to work and spread these standards? Will IFC develop this program?
7. What criteria is used to consider projects as feasible? Are external issues relevant (i.e. political) within the project assessment process?
8. What are the main international rules that can be included in the safeguards?
9. Are you planning on incorporate conditionalities to some projects (large projects that show interest for the country) that give credit according to its impact?
10. How will these new standards in the ongoing projects at IFC? Will the conditions change in these projects?
11. About the project sustainability, what's IFC's point of view with the free and informed participation vs. free and informed consent?
12. Has a MIGA-IFC merge been thought about?
13. Will financial economic growth be affected by these standards if the project presents an environmental and social impact? What are the careful considerations between financial, economic and RSE?

14. Do the new standards emphasize more when making the project studies (previous assessment mechanisms)?
15. There is an emphasis on environment issues rather than on social ones, will the new standards suggest a better way to face this challenge? Will they work on environmental and social aspects in a integrated or separated way, since there are other organizations that allow for this flexibility?
16. About PS 8, is it restricted to physical and environmental characteristics or is it a broader concept? Are more cultural practices included?
17. A lot of the issues presented today are control policies, they are making sure that IFC support don't generate any problems, but is any work being done to implement or promote auto control actions that will allow the companies not to be punished but awarded?

Session Summary

Once all questions were asked, they were divided in three main topics: IFC, Implementation and Capacity.

International Finance Corporation

- Third parties control
- Development impact
- Retroactivity and new policy
- MIGA

Implementation

- Fis: exclusion list
- Third parties transparency
- Feasibility criteria: environmental and social aspects
- International laws
- "Previous, free and informed consent"

Capacity

- IFC's supervision: loan and investment distinction
- Stakeholder-client management

FINAL SUGGESTIONS AND COMMENTS:

- Environmental and social impacts from medium companies are sometimes significantly larger than big firms' impacts. It's important that intermediaries comply with the same standards.
- World Bank must speak of SHARED Social Accountability.
- Governments need to attract private sector investment, which means that they are the first ones that have to take active and effective part.
- The Corporation's standards or policies should focus on good practices (performance excellence). Have a broader vision. I.e. companies auto control to overcome minimum standards.
- There should be a companies acknowledge mechanism. Not an award but a moral acknowledgment.
- IFC could have an influence on private banking to homogenize management policies when conceding loans. Mega projects should not have different standards than other projects (exceptionality).
- What is the correspondence between the WB and IFC about standard policies? Will there be explanatory documents with less interpretation and more execution (interpretation notes)?
- What's a private company's role after an investment has been made? Can IFC contribute to general policies and community development plans?
- To promote the compliance of these new standards, IFC could offer more help through the WB.
- PS 9 it's a positive action to increase the number of performance standards to answer empty holes.
- Community comments must be also taken into account as well as employee ones from companies. It's more effective to achieve a sustainable development.
- IFC should make a performance standard for its performance standards. I.e. it could become an element that could lead to this auto control vision, to this way of seeing the excellence beyond law compliance. A sustainable development plan carried out by a company can have IFC's support. That answer these issues: a better life quality, education, resettlement among others. Compliance standard innovation can be promoted and motivated (elimination of strictness).
- Is or isn't mining a sustainable activity? Activities are more or less sustainable but not completely. This activity can contribute to sustainability if it generates projects that go beyond the mine and its extractive activity.
- Explore lessons learned in the Camisea case study.
- What are IFC's effectiveness resolution mechanisms such as partners or lenders?
- Impact and development. How do projects generate development within the community? Mechanisms must be sought for this accomplishment and these resources don't get lost.

ATTENDANCE LIST:

Participants:

1. **Ricardo Gordillo**, Mi Banco.
2. **Roque Benavides**, Compañía de Minas Buenaventura.
3. **Raúl Farfán**, Consultor.
4. **Eduardo Rubio Roach**, Minera Quellaveco S.A.
5. **Carlos Abanto Kcomnt**, Labor Perú.
6. **Patricia Patrón**, Labor Perú.
7. **Ana Leyva**, FEDEPAZ.
8. **Guillermo Albareda**, Sociedad Nacional de Minería, Petróleo y Energía.
9. **Marcelo Barcelli Razuri**, Knight Piésold Consultores S.A.
10. **Steven Botts**, Compañía Minera Antamina.
11. **Edward Bickham**, Anglo American.
12. **Karim Bernal**, Huntoil.
13. **Susan Joyce**, On Common Ground Consultants Inc.
14. **Alan Dabbs**, Social Capital Group.
15. **Jaime Rubio**, Social Capital Group.
16. **Camilo León**, Social Capital Group.
17. **Amanda Fulmer**, Regional Office for South Americas Oxfam America Lima Perú.
18. **Richard Stodart**, Consultor en Desarrollo Sostenible.
19. **Lise Chénard**, Oficina de Cooperación Canadiense.
20. **Carlos Aranda**, Sothern Perú Copper Corporation.
21. **Ronald Luethe**, Consultor.
22. **Antonio Bernales**, Futuro Sostenible.
23. **Mónica Belling**, ProActivo.
24. **Marc Tristart**, IFC – Lima.

IFC team:

25. **William Burman**, Team leader.
26. **Mauricio Athie**.

27. **José Zevallos.**

Facilitators:

28. **Pedro Franco**, Universidad del Pacífico.

29. **Israel Velarde**, Universidad del Pacífico.