

WBG ANNUAL MEETINGS

IFC's Policy and Performance Standards on Social and Environmental Sustainability

and

Policy on Disclosure of Information

Summary of Consultation Meeting

Location: Halic Hall, Istanbul Conference Center, Turkey

Date/Time: October 5, 2009; 9:00 am-12:30 pm

Attendees: 70 participants from Civil Society Organizations (CSOs)

Overview: The following summary is IFC's attempt to capture comments and questions made by the participants during the meeting (left hand column) and IFC's response and supplemental information to these comments/questions (right hand column).

Participant Questions and Comments:	IFC Response to Questions:
Will the meeting notes from the October 12, 2009 Equator Bank meetings be shared with the public?	A summary for Equator Principles Financial Institutions' meeting will be posted on the IFC website: http://www.ifc.org/policyreview
Need to establish a clear definition of the community consultations and what the involvement of the CSOs would be in this process. A related comment was that indigenous people should also be included in these consultations and consulted on all of the Performance Standards (PSs) and not just PS7.	IFC is committed to an open and transparent process with all stakeholders including NGOs. The policy review website will be the central repository. As part of this process, IFC will specifically consult with a sample of directly affected communities that were affected by IFC financed projects that applied the PSs. This sample will include projects with Indigenous Peoples and will include consultation on all of the PSs. IFC will also take into account information from communities received as part of our regular supervision program in which we visit projects and communities and also from the information gleaned from CAO's consultations with affected communities. A draft methodology for selecting project with affected communities is available for comment at www.ifc.org/policyreview .
Need to update the policy taking into consideration the UN declaration on indigenous rights, in terms of free prior informed consent and rights on land property, natural resources and sacred sites. EBRD has implemented free prior informed consent.	IFC will consider these issues during the update process.
There are some concerns related to the availability of a policy on the utilization of natural resources for a long period of time and the criteria for sustainability of energy. A similar comment was: Need to provide	IFC will only support projects that are fully compatible with its environmental and social (E&S) Policies and PSs. In addition it assesses each project for its economic sustainability as a part of its appraisal process. In its Summary of Project Information, IFC makes public each

<p>evidence on how IFC analyzes a project that is supposed to be sustainable in economic and environmental terms and if the feasibility studies and risk analyses include possible scenarios.</p>	<p>project's expected development impacts. IFC is currently considering the issue of if and how it should make more information available about the individual projects it finances.</p> <p>IFC's approach strategic approach to energy investments and climate change is being analyzed at the corporate level. The current approach is consistent with the overall WBG one that was set out in the WBG Strategic Approach to Development and Climate Change. This laid out how the WBG will address and balance the development and climate demands that its member countries face. The WBG is currently preparing to begin a consultation process on a proposed WBG Energy Strategy that will further consider these issues.</p>
<p>Need to establish a clear criteria on the process of setting an offset to mitigate environmental issues.</p>	<p>PS6 discusses when offsets might be appropriate. The need for clearer criteria in providing offsets is a valid comment and IFC is looking into it.</p>
<p>Need to establish a benchmark standard for the client in order to develop a comprehensive management action plan on environment and to report to the public periodically so that IFC could evaluate the quality and application progress of these action plans by consulting with communities.</p>	<p>While developing the PSs, the aim was to create a system that holds clients accountable for the impacts on the ground. Clients are required to report to IFC, at least on an annual basis, on how they are doing and also to the directly affected communities on issues that may affect them. Monitoring by IFC is important to ensure that the client is in fact implementing projects correctly.</p>
<p>How does the Human Rights Impact Assessment Guide fit within the IFC framework? Is it a policy? Is it a PS?</p>	<p>The IFC <i>Guide to Human Rights Impact Assessment and Management</i> tool can be found at http://www.ifc.org/ifcext/policyreview.nsf/Content/Resources This is a supporting tool and is not a policy or a PS.</p>
<p>To what extent does IFC see the scope and value of joining internationally agreed human rights standards and principles in strengthening PS and due diligence to ensure that there is more robust human rights protection? Also when does IFC conduct human rights due diligence and does it also take into account human rights track records of the clients and companies that it funds?</p>	<p>The intent is to take a pragmatic approach, incorporating human rights issues relevant to the private sector into the PSs and staying out of political debates which are forbidden by IFC's articles of incorporation. The current policy includes a number of provisions consistent with the overall approach to avoid and minimize potential project risks that are highlighted in the internationally agreed human rights law. At the project level tangible connection between project and human rights can be made in the areas of working conditions, project use of security personnel or treatment of IPs.</p>
<p>There have been some IEG concerns on the insufficient evaluation of what is happening in financial intermediary (FI) investments and concerns related to agribusiness expansion in tropical forest areas.</p>	<p>IFC decided to deepen the development impacts of its activities by reaching out and working with FIs operating in smaller countries and frontier regions. This approach was seen as critically important to allow IFC to reach a larger number of impoverished people in order to provide or improve access to financial services. This meant working with FIs that are new to the sustainability agenda and with more modest capacity to develop and implement environmental and social management systems. While the share of IFC's business with FIs has grown in recent years, the FI portfolio remains one that is largely characterized by lower risk. Only about 30% of the FI portfolio processed so far under the PSs includes the possibility of higher risk sub-</p>

	<p>projects. The requirement in terms of E&S due diligence in such cases is for the application of the PS requirements.</p> <p>One of the most important developments on the operational front in the last two years is the increase in E&S support for appraisal, supervision and portfolio management to IFC's growing portfolio of operations through FIs, including funds. While IFC's efforts with FIs have increased significantly in the last two years, this has yet to translate into tangible outcomes in terms of FI performance. While the E&S success rate for the 2008 program of expanded project status reviews (XPSRs) quoted by IEG is based on pre-PS projects, it does highlight the challenges of working with FIs with limited capacity on the E&S risk management front. It also supports IFC's view that the pre-PS approach to FIs needed to be updated and upgraded. This was largely accomplished through a much more robust approach to managing FI E&S risk developed in parallel to the development and introduction of the PSs.</p>
<p>To what extent could IFC improve and increase transparency for its contracts by adopting a disclosure requirement for all projects and all contracts in the extractive sector that would be enhanced by a CSO follow up.</p>	<p>IFC already requires the publication by all of its investors of the payments that extractive industry (oil, gas mining) projects make to governments. A number of other IFIs are now following IFC's lead. The issue of contract disclosure is something that IFC reviews regularly.</p>
<p>Woud like to make sure that IFC pays attention to the national laws of the country. Sometimes the regulations and stabilization clauses in the contracts can override and undermine the ability of citizens to create, protect, and enforce these laws.</p> <p>A related question was: What is IFC's position for projects with stabilization clauses which have huge effects on human rights?</p>	<p>In some cases, investors are reluctant to commit large investments unless they have some assurance that there will not be major changes in the terms and conditions that undercut the viability of their investment. Contracts with governments that give companies this assurance are likely to remain a vehicle by which some governments will choose to attract investment. IFC supported a study on the issue of contracts that contain stabilization clauses that was carried out under the auspices of the UN. A general conclusion from this study suggests that such contracts may serve a purpose but their provisions need to be tightly drawn to cover only areas relevant to providing investors with reasonable security and not to be overreaching in terms of the restrictions they impose on governments (e.g., changing environmental, and labor laws and laws on access to information). In many cases, the publication of the terms of such contracts would enable stakeholders to better understand their coverage and implications.</p> <p>An additional reference is <i>Stabilization Clauses and Human Rights, A Research Project Conducted for IFC and the United Nations Special Representative of the Secretary-General on Business and Human Rights</i> http://www.ifc.org/ifcext/policyreview.nsf/Content/Resources</p>
<p>IFC funding intensified industrial livestock units as they have impacts on animal welfare, water, pollution and contribute to climate change through GHG emissions. To ensure food security, food production needs to move away from industrialized multinational</p>	<p>We will assess this point during the update process.</p>

systems and toward moderate scale humane methods with local supply chains.	
How is categorization of projects determined? A related point was that in some countries the dollar size of the project should cause a project to be categorized as an A.	Categorization is assigned based upon the potential impacts of the project. IFC does not have a default list of what types of projects are A or B because this is not reflective of a risk-base approach and does not take into account the specifics of the project. Regardless of their category, both of the Cat. A and Cat. B projects are required to meet requirements of the PSs.
It is recommended that IFC lists credible consultants so that companies can choose among them an expert to do the EIA ensuring there are certain standards and no conflict of interests.	IFC can assess the quality of the EIA and can reject substandard ones but we cannot choose the consultant to do the assessment.
IFC relies entirely on reporting from its clients' action plans. IFC could evaluate the progress of action plans by asking numerous communities to consider how robust the actions plans are. The lack of information speaks to a need on supervision reports and more transparency.	IFC does rely on reporting from clients on their operations but depending upon the risk and performance we also conduct site visits to projects to verify the information. In addition, we require clients to report on the projects to communities on an annual basis. IFC is looking more into what it can do to make more information available through the project cycle.
IFC should make it mandatory for clients to inform the community about the CAO so that they can raise their issues related to IFC-funded projects.	Making the public aware of the existence of CAO is an important comment. The client is also required to have a grievance mechanism to address concerns as ideally, concerns can be worked out between the project and the community.
IFC should ensure that the PSs systematically integrate gender and women rights perspectives and ensure equal participation of women and men at all levels.	PS1 contains the requirement for the assessment to identify individuals and groups that may be differentially or disproportionately affected by the project because of their disadvantaged or vulnerable status. The definition of vulnerabilities includes gender. The consultation process also requires that clients conduct an inclusive process that is tailored to the needs of vulnerable or disadvantaged groups, which would include women. We will continue to study this issue during the review process.
There should be a clause referring to the redundancy plan on abusive layoffs. If it is unavoidable then it should be done in accordance with the involvement of trade unions. If no trade union exists then the client should provide mechanisms for workers to express their claims and complaints. Also subcontracting should be prohibited even if national law allows it.	We are currently updating the Good Practice Note on Managing Retrenchment based on what we have learned from the global economic crisis. This work, along with continued PS consultations, will feed into the review and update.
Need of a brand new PS to address climate change. IFC should be looking at less CO ₂ intensive, non-carbon energy projects.	IFC will be looking for areas to strengthen our approach to climate change through this process. One way would be to have a standalone PS on climate change but another is to thread the issue throughout all of the PSs as has been done with other cross cutting issues like human rights. We will study both of these approaches.
All projects should include corporate social responsibility and IFC should insist on social obligations to improve community life.	We believe that most of our projects result in improved community life through creation of employment opportunities and through social development programs. We will, however, consider how to strengthen this.

Language in PS regarding feasibility of land compensation during negotiations should be changed so that the needs of the community are met.	We will assess this point during the update process.
The IFC reporting system inherently obscures the opportunity to comment on a specific case because IFC provides aggregate results.	IFC currently aggregates project-level information for our institutional reporting. We are conducting several pilot projects to examine if we could report results on a project level.
What is IFC's policy regarding the use of offshore financial centers in its transactions?	This is an important issue, and IFC shares the concerns of Civil Society about the risks potentially posed by using offshore financial centers in IFC transactions. IFC has implemented heightened due diligence procedures for all transactions involving offshore financial centers, in order to be satisfied that the structure has been chosen for legitimate reasons and not to evade taxes. IFC is also a member of an IFI working group to establish and harmonize best practices with respect to the use of offshore financial centers in our transactions.
Part of the update process could be making a comparison of how IFC performance standards compare to other IFIs safeguard policies (i.e., ADB, EBRD).	IFC acted as a catalyst and raised the bar among the public and private sector by introducing the PSs in 2006. Since this time, other institutions have developed newer standards and we will benchmark against these to learn from their experiences.
There should be clear development indicators on broad community support (BCS) and public disclosure of the BCS determination. There were related BCS questions about the need to provide clearer guidance on expectations and also the need for the community to be aware that they are giving BCS to the project.	We will assess these points during the update process.
Project-level grievance mechanisms should meet the criteria identified by John Ruggie, including being legitimate (independent) and it should be rights compatible.	We will assess this point during the update process. We would also like to refer you to the recently published <i>Good Practice Note: Addressing Concerns and Grievances from Project-Affected Communities</i> . http://www.ifc.org/ifcext/policyreview.nsf/Content/Resources
PS5 should be clearer about information regarding the actual impacts that communities are going to experience, to the environment and to their health and safety, in addition to information on land acquisition and land valuation.	PS 1 requires clients to disclose information about the risks or adverse impacts from a project so that communities understand the risks, impacts, and opportunities of the project.