

Rio de Janeiro, Brazil – Open Forum
29 September 2004
2.30 – 4.30pm

Participants:

Anabella Testino, interested citizen, Peru
Daniel Taillent, Centre De Derechos Humanos y Ambiente, Argentina
Denise Pereira Barros, Fundação Getulio Vargas, Brazil
Eduardo Miranda, Fundação Getulio Vargas, Brazil
Eduardo Rubio Roach, Minera Quallaveo S.A., Peru
George Blankenship, Blankenship Consulting, USA
José Luiz Zamith, Fundação Getulio Vargas, Brazil
Luciana Uchoa Mitidieri, Fundação Getulio Vargas, Brazil
Luis Guardarrama, Centro Mexicano De Derecho Ambiental
Romulo Gouvea, Fundação Getulio Vargas, Brazil
Ronaldo Guimaraes Guerardi, Fundação Getulio Vargas, Brazil

IFC Staff:

Ann Pasco, David Cowan, Jean-Marie Masse, Julia Lewis, Motoko Aizawa, Rachel Kyte, Suellen Lazarus.

Presentation:

After an explanation of the earlier regional consultation workshop, Rachel Kyte, Director of Environment and Social Development Department at IFC gave a presentation on the changing climate for the private sector – and IFC's changing approach over the last few years. The institution has embraced sustainability and considers these issues as integral to the way in which it does business. The policy and performance standards will determine the way in which IFC does its business and what it expects from its clients; as such they need to be understandable, operational and comprehensive. Suellen Lazarus gave an overview of the Disclosure Policy review. Jean Marie gave an overview of what IFC is doing in the financial intermediaries part of the business in relation to social and environmental issues and how this has developed over time.

Consultation documents for both these policy reviews were made available for attendees.

A discussion followed the presentation:

Question:

How would you describe the process of merging the international level labor standards with national law and local practice?

- **Answer:** Brazil has signed and ratified the ILO core labor standards. These should now find their expression in national law, then enforced. While most countries have signed the core labor standards and put them into national law. However systems of enforcement are weak in many countries. These standards therefore depend on not only legal framework but also the policy of the companies themselves. There are a number of drivers for best practice including reputation management – i.e. maintain a

good relationship with your workforce. As an investor that works exclusively in emerging markets, we ask our clients to adhere to national law, and then beyond that to understand international standards and take steps to be in line with international standards. There can be tension when we wish the client to follow international standards – if they are not consistent with national law. So the question is how can IFC monitor our clients practices in this regard? Some sectors have third party monitoring systems that have been established, but what about other sectors? In some sectors our clients will find that their buyers send an inspector to the factories – but our clients tell us that they don't want dozens of inspectors visiting the factories – as this can become unmanageable for the client. We welcome your ideas.

Question:

Could an independent agency to do this work?

- Answer: The International Labor Organization is responsible for this. They do train inspectors in different countries, but they need more resources to meet the demand. The private sector is therefore trying to fill that gap themselves.

Comment:

There are some good laws in Brazil, but sometimes they [government] overprotect the label and sometimes they don't apply the law. This is the case in the major Brazilian cities – it is even more difficult in the regional areas; maybe the private sector should ask the governments to do their work better?

Question:

When you finance a company do the standards apply to the whole company or just the project?

- Response: If the investment is project financing then it applies only to the project. But IFC is discussing how we might apply the standards to corporate loans. A recent example was given of due diligence process to determine the capacity and approach to these issues before making a corporate loan. It depends therefore on what kind of investment we are making.

Comment:

IFC plays a fundamental role in making sure that projects such as a mine has a positive impact upon the people of the country but in particular the people in the region and environmental issues. The mining sector has embarked since 1999 the Global Mining Initiative to try to understand better the contribution of the mining sector in sustainable development. It concluded in 2002 with a set of rules that the sector will try to apply. There is also a voluntary code of conduct that companies are trying to implement. It is not an easy process, but strongly believe in the triple bottom line –there must be social and environmental returns alongside economic ones. We are interested in the Global Compact, World Business Council on Sustainable Development and have a strong corporate culture that address those issues.

Comment:

It is important for stakeholders to input into the process through the web based tool.