

Review and Update of the Policy and Performance Standards on Social and Environmental Sustainability and Policy on Disclosure of Information

Location of Consultation: Moscow, Russia

Date: July 9, 2010

Participants: See annex.

Consultation Process: The consultation included: (i) brief introduction of all participants and the expectations of the process, (ii) overview of the Performance Standards and review process, (iii) plenary on the key proposed changes and cross-cutting themes, (iv) breakout group discussion and report back to plenary on key issues, (v) management responses and next steps, and (vi) closing comments.

Note: This interim report from the consultation workshop summarizes key points and suggestions made by the participants. It does not contain detailed responses from IFC. The issues are under review and discussion, and IFC is preparing a summary of responses to key issues related to these and other topics during the second half of September 2010. These will be posted to the www.ifc.org/policyreview website.

IFC wishes to thank all the participants in this consultation as well as others who have contributed to the consultation process on IFC's revised Sustainability Framework. While we have tried to be as comprehensive and accurate as possible in capturing participants' views and observations, there may be errors or omissions in the summary. We welcome corrections.

Key Themes, Recommendations, and Questions Raised

Revision of the Sustainability Framework and Performance Standards

Environment/Climate Change

- The title of PS1 should be clarified. Can we manage *impacts* or *activities*? Management is more of activities than impacts. From this perspective, the wording is inaccurate.
- PS1 has grown quite cumbersome. IFC should retain PS1 as the “umbrella” standard and leave details to other standards. Within PS1, definition of terms needs clarification: “assessment” vs. “plan” vs. “activities.” The standard is large enough – for details maybe it would be better to break it into two, and separate the management system from the evaluation process. Keep PS1 about assessment, and then have a separate standard for evaluation/implementation.
- Has IFC taken into consideration invasive species and genetically modified organisms (GMOs)? These are emerging issues that will become more and more important. They are covered under the Convention on Biological Diversity (CBD) and should be addressed in the policy and PSs.
- The term “ecosystem services” needs more clarification, because it’s a very broad notion. IFC also needs to consider the scale and scope of application and compensation.
- Over the last 10 years, many private sector companies have been actively using ISO standards – it is already a model used by many companies. ISO is not as “deep” as IFC’s PSs – IFC provides more details. IFC’s framework does not contradict ISO standards, but it would be advisable for IFC to try to synchronize its standards with ISO.

- IFC's resource efficiency approach regarding climate change is critical and topical, but there are serious doubts about how these can be tackled/managed under Russian conditions, just due to third party involvement. Clients can only manage climate change within their own project, but this needs to be addressed throughout the supply chain. This may not be implementable in Russia.
- With regard to resource efficiency in the supply chain, when a project or client is dealing with one monopoly supplier, as can be the case in Russia, our ability to influence the supplier is limited.
- Why is the GHG emission number set at 20,000? Why not 10 or another number? Calculating emissions not very difficult, and GHG emissions should be calculated when feasible for any project using resources and emitting GHGs.
- IFC should consider stating that it gives priority to renewable energy, and less to fossil fuels.
- For PS6, the client should allocate financial reserves for providing particular compensatory measures. Provision for compensation should be clearly stated, so there's no doubt that the measure should be strictly implemented, and the client understands that there will be financial implications.
- ISO is not necessarily less detailed. On the contrary, it is more detailed regarding legal and other requirements. Clients need to make their own decisions on ISO or other standards to follow. It's better that there's no reference to ISO in the standards.
- In the Russian translation of PS3, it is still the previous title of the standard. "Resource efficiency/management" is not in the title.

Financial Intermediaries/Risk Definition/Project Categorization

- The final decision on what category a project is given is based on the ESIA. But first there should be benchmarks and criteria. This is important for Russian purposes.
- IFC's categorization methodology is vague and problematic. It raises more questions than answers. Others have recommended looking at the EBRD approach, and their approach also has advantages and disadvantages.
- IFC needs to pay more attention to guidance notes, and do more in-depth analysis. Whatever concepts and ideas are fully crystallized will stay in the standards, and the rest can be placed in the Guidance Notes.
- Category A should include all oil and gas projects.
- High-risk FIs should be required to report and disclose more information.

Engagement/Disclosure/Consultation

- Is there a special assessment process required by IFC to identify risks related to Indigenous Peoples (IPs)?
- Information is needed for all projects, not just particular categories of projects.
- IFC should reference the Global Reporting Initiative (GRI) in its reporting and disclosure requirements for clients.
- IFC should consider the timeliness of the information being disclosed. Disclosure after Board approval is problematic.
- Disclosure and flow of information should be adjusted according to stakeholder category, to ensure the information is received and understood.

- The World Bank Group is affiliated with the United Nations, which adapted a bill of rights where *consent* was accepted as a requirement for work with indigenous people.
- IFC develops its own strategy, standards, and criteria even outside national legislation frameworks. We have to allow national frameworks to go ahead, but “supranational” entities such as IFC should have mandatory requirements.
- IFC is an important player in the Russian Federation. The Arctic is a source of resources, and is also home to 40 indigenous communities. Oil, gas, and mining activities should not damage the living conditions of IPs, but rather benefit them.
- The distinction between consultation and consent should be discussed. “Consent” implies that indigenous people have the right to decision-making. We have to provide a level playing field for all stakeholders in a project. People residing in a territory should have a right to make a decision, because succeeding generations will have to live with it. IFC should take into account comments from IPs before a final decision is made.
- “Broad community support” is an ambiguous term. Different actors will always interpret BCS in their own way.
- How can consent be defined? What if only 5% or 13% of a community are against a project – is that a lot or a little? These kinds of things cannot be resolved by introducing definitions. IFC made a good first step, but this should be further developed.
- IFC needs to update its best practice publications on the issue of consent and engagement, to review good and bad practice. A review will give impetus for updating its good practice publications.
- It is important to systematize the documentation of the client’s consultation process. IFC should help clients work out a mechanism to document, write and keep minutes, and/or use other technology for documentation, such as video.

Sustainability Framework Review and Update General/Process

- IFC should reconsider the use of the word “will.” ISO uses “shall” or “should” rather than “will,” which is neutral.
- Investors and clients will have difficulties complying with voluminous requirements, especially in cases where IFC requirements are in conflict with local authorities or regulations.
- The risk-based approach of IFC the right approach. However, it’s not sufficient to declare that this is the approach – IFC needs to verify, and make sure the methodology behind it is robust.

List of Participants

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