

PART III. DISCLOSURE POLICY: KEY CHANGES

INTRODUCTION

49. Transparency and disclosure of information about IFC's activities is important for building trust from our stakeholders and increasing organizational efficiency. The recent approval by the Board of IBRD's new Access to Information Policy represents a shift in policy towards more proactive disclosure of information about almost every category and every stage of activity undertaken by IBRD. Many of IBRD's changes, such as the shift to a presumption in favor of disclosure, were already implemented by IFC in 2006. IFC's current review of its Disclosure Policy presents the opportunity to move IFC's current disclosure practice from a point prior to Board consideration to a process that extends the lifecycle of an investment. This policy review and update will allow IFC to promote better awareness of IFC's activities and communicate its development impact to stakeholders, as well as to provide opportunity for feedback.

CONSULTATION PROCESS AND FEEDBACK

50. The report *IFC's Policy and Performance Standards on Social and Environmental Sustainability and Policy on Disclosure of Information: Report on the First Three Years of Application* found that, since the adoption of the new Disclosure Policy in 2006, IFC is generally effective in meeting its institutional requirements, as defined in the Disclosure Policy. However, the report also found that disclosure of information regarding IFC's activities throughout the life cycle of the project remains inconsistent and that the degree of disclosure, evidence of community engagement, and quality of information disclosed varies widely across IFC's portfolio. The result is that stakeholders must look both to IFC and to the client to piece together a picture of what the project is, whom it affects, the expected development outcomes, how the project is being implemented, and whether the project accomplished its intended development impact.

51. Phase I consultation on the Disclosure Policy included those consultations referenced in Part I of this paper, in addition to one-on-one meetings with various CSOs. IFC hosted the first private sector IFI meeting on disclosure and stakeholder engagement on December 4, 2009, convening staff working on disclosure and stakeholder engagement issues from nine different institutions (European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, Inter-American Investment Corporation, Asian Development Bank, MIGA, IBRD, Export-Import Bank of the United States, and IFC).

52. The comments and feedback received fall into the following themes: (i) more systematic reporting of project-level information (including project status, development impact, E&S performance, implementation of the Environmental and Social Action Plan (ESAP), etc.) during implementation and evaluation; (ii) reporting of project-level development impacts; (iii) greater transparency regarding the contracts related to extractive industry projects and tariffs related to

utility projects; and (iv) greater transparency related to the consultation and broad community support (BCS) process.

KEY CHANGES

53. Key changes would broaden IFC's current disclosure practice in the following ways:

- Establish new disclosure procedures along the lifecycle of an investment, including disclosure of selected project-level development outcomes tracking system (DOTS) indicators, information regarding implementation of the ESAPs, and project evaluative information;
- Improve transparency regarding notification of IFC's potential involvement in a project to local communities and IFC's summary of the process for the determination of BCS;
- Better incorporate Advisory Services into IFC's disclosure framework; and
- Establish a two-stage independent disclosure appeal mechanism.

NEW DISCLOSURE REQUIREMENTS

Development Impact

54. IFC proposes disclosing indicators from DOTS for certain investment and advisory projects. IFC is committed to enhanced reporting of project-level development information, but must also deal with the reality of resource constraints and ability to gather information from a diverse client base. IFC will continue to work toward expanding the scope of project-level DOTS information it would disclose through a phased-in approach of other project categories as appropriate.

55. For direct investments with potential significant adverse social or environmental risks and/or impacts, IFC will begin disclosing project-level DOTS indicators. For these investments, IFC will indicate which DOTS indicators it will monitor and disclose during IFC's involvement in the project at the time IFC releases a summary of information regarding the potential investment prior to Board consideration. A section in the Summary of Investment Information entitled Development Impacts will provide a summary of the expected development impact and an overview of the DOTS indicators to be reported. Thereafter, IFC will provide updates on an annual basis for each indicator for the life of IFC's involvement in the project. IFC will only disclose non-confidential information in consultation with the client.

56. For advisory services projects, DOTS performance is reported when the project is closed. IFC currently discloses information regarding its advisory activities for programs and projects over a significant value (currently \$2million). Consistent with this framework, DOTS indicators will be disclosed at project completion.

Project Performance

57. For direct investments with significant potential adverse social or environmental risks and/or impacts, IFC will disclose a summary of the actions taken by the client on an annual basis to implement the ESAP, which is disclosed as part of IFC's Environmental and Social Review Summary during IFC's involvement in the project or until ESAP implementation is complete. For advisory services projects, IFC will disclose indicators of project performance on an annual basis as well, consistent with IFC's framework for disclosure of advisory services projects.

58. For investments made with and through FIs, IFC examines the FI's ability to effectively manage the environmental and social risks associated with their portfolio, through a Social and Environmental Management System (SEMS). In order to be more transparent and better differentiate the levels of potential risks associated with an FI's portfolio, IFC is working to clarify and strengthen the categorization of its FI investments into high, medium, and low. This enhanced categorization will be disclosed prior to Board Approval. IFC is also developing indicators to capture the performance of its FI clients in managing the environmental and social risks in their portfolios, and will also consider, during Phase II consultation period, ways to disclose these on an on-going basis. These indicators are expected to take into account the nature of IFC's exposure to environmental or social risks in the FI's portfolio and focus on the FI's capacity and effectiveness in developing and implementing a SEMS.

Evaluative Information

59. IFC currently undertakes expanded project supervision reports for a random sample of projects who have reached early operating maturity (typically five years after approval). For this sample of projects, including investments and advisory services projects, IFC will disclose a summary of the evaluation findings, including any non-confidential project ratings. In tandem, IFC will work with IEG to disclose a summary of its evaluation of the project, including any non-confidential ratings and lessons learned.

IMPROVEMENTS TO THE CURRENT DISCLOSURE PROCESS

Disclosure of Broad Community Support Determination

60. In projects where IFC makes a determination of BCS, IFC will disclose a public summary of this determination.

Notification of IFC's Potential Involvement in a Project

61. In order to improve transparency regarding IFC's operations in local communities, IFC will now verify that the client has locally disclosed IFC's potential participation in a proposed investment.

Disclosure Appeals Process

62. Consistent with IBRD's approach toward establishing a more independent review and appeal mechanism for its Access to Information Policy, IFC will also implement a new two-stage independent disclosure appeal process. For requesters who feel that a disclosure request has been

denied in a manner inconsistent with the Disclosure Policy, they can appeal this decision to IFC's Disclosure Policy Advisor. If a requester believes the Disclosure Policy Advisor has unduly upheld the decision not to disclose the information, he or she will be able to appeal that decision to an independent committee of experts. This Disclosure Policy Committee will be comprised of three individuals, with expertise in transparency regarding commercial matters, who will be confirmed by IFC's Board of Directors for fixed renewable terms. Their decision will be final.

CONTINUING WORK

Translation

63. IFC recognizes that Affected Stakeholders should have access to information in their native languages and through mediums that are appropriate to them. Performance Standard 1 requires that clients provide information to Affected Stakeholders in a format that is appropriate. IFC will be reviewing its capabilities to translate documents it discloses, consistent with its Disclosure Policy obligations, as part of review of the World Bank Group Translation Framework.