

IFC Policy and Performance Standards on Social & Environmental Sustainability and Policy on Disclosure of Information

New, Better and Expanded Standards

The Performance Standards are a major step forward in strengthening all aspects of IFC's social and environmental policies:

► New standards.

Integrated Assessment and Management Systems: a new standard integrates social and environmental assessments and requires use of management systems to ensure effective performance in these areas throughout a project's life

Labor Rights: a new standard addresses all four core ILO labor standards (forced labor, child labor, nondiscrimination, and freedom of association and collective bargaining) and requires a comprehensive approach to labor and working conditions.

Community Health and Safety: a new standard requires firms to consider a project's effects on health and safety in the surrounding community beyond the project itself.

Pollution Prevention and Abatement: a new standard requires clients to prevent or minimize pollution and its impact on the environment and quantify a project's greenhouse gas emissions.

► Expanded social review.

Integrated social and environmental assessment means that the performance standards now encompass all vulnerable groups and related social issues, while continuing to put special attention on the complexity of involuntary resettlement, Indigenous Peoples and cultural heritage. It also includes:

Human Rights. IFC now references human rights and incorporates key concerns including adequate housing, security of tenure, and voluntary principles on security into its performance standards.

► Increased community engagement.

IFC requires early and informed community participation in developing a project and ongoing community engagement throughout a project's life cycle. Related new requirements:

Broad community support. IFC must be satisfied that this is in place before it supports large projects with significant impacts.

A grievance mechanism must be established by the community to address any community concerns.

► New comprehensive approach to biodiversity.

IFC is expanding its focus beyond preservation of natural habitats to a broader view of protection and conservation of biodiversity.

Habitat destruction and invasive alien species are recognized as the major threats to biodiversity, and the standard specifies how to address them in natural and modified habitats.

Sustainable management of all renewable natural resources is required, to be demonstrated by *independent certification* in sectors such as forestry.

Policy Highlights

The Sustainability Policy & Performance Standards and Disclosure Policy support and reflect IFC's commitment to sustainability. They introduce:

- **New, better, and broader standards** that strengthen IFC policies to protect people and the environment, engage communities, and achieve high-impact development.
- **A new, outcomes-based approach** that moves from a system of rules to a system of principles with clear requirements for client performance and project outcomes.
- **Greater transparency** through more disclosure of information to the public.
- **Clarity, by better defining roles** and responsibilities in a clear, concise and comprehensive way for IFC and its private sector clients, thus increasing accountability.

For more information, visit the Environment & Social website: <http://www.ifc.org/EnvSocStandards>

New Outcomes-based Approach

IFC's new approach moves from a system of rules to one of principles with clear requirements for implementation and outcomes.

Experience shows that good outcomes derive from whether or not a company can run all aspects of its business well. IFC's role is to help clients identify the risks that are intrinsic to their business and then help them manage those risks well. Better-run businesses mean fewer impacts, better risk management, better outcomes, and better bottom lines.

- ▶ **Integrated business model.** The standards require clients to have in place effective management systems to manage social and environmental risks as an integral part of their overall operations and business model. This has proven to be key to good outcomes — systems in place to carry out requirements on a day-to-day basis and to address issues as they arise over the life of a project.
- ▶ **Required actions tailored to specific risks.** Since no policy can anticipate all scenarios and risks, the Performance Standards define clear outcomes and help companies identify and assess the risks specific to the project. The requirements for achieving specific outcomes go into an Action Plan, which is disclosed to the public and becomes part of the legal agreement with IFC.
- ▶ **Adaptable means to strong outcomes.** The new approach lets companies consider diverse means, and seize new opportunities, for achieving required outcomes. This enables the private sector to do what it does best—manage projects efficiently, innovate, improve performance over time—for the long-term benefit of local people and the environment.

A Clearer Policy Structure

The new policy structure is clearer and defines the roles and responsibilities of IFC and its private-sector clients and thereby increases accountability. The new structure revises the existing Disclosure Policy and separates the current Safeguard Policies into two modules, one for IFC, the other for the private sector:

- ▶ **The Sustainability Policy** defines IFC's responsibility for supporting project performance in partnership with clients.
- ▶ **The Performance Standards** define clients' roles and responsibilities for managing their projects and the requirements for receiving and retaining IFC support. The standards include client requirements to disclose information to the public.
- ▶ **The Disclosure Policy** defines and expands IFC's obligations to disclose information about itself as an institution and its activities.

Three other supporting documents, which are not policy, serve as advisory or reference material for the new policy framework:

- ▶ **Guidance Notes**, which are companion documents to the Performance Standards and provide additional guidance to clients (and IFC staff) in fulfilling their roles and responsibilities under the standards.
- ▶ **Environmental and Social Review Procedure**, which gives direction to IFC staff in implementing the Sustainability Policy and reviewing compliance and implementation by private sector projects.
- ▶ **Environment, Health & Safety (EHS) Guidelines**, which are technical guidance informing those parts of the new policy structure related to environmental, health and safety issues.

Greater Transparency through Disclosure

Transparency is an important business value of IFC and is central to achieving strong social and environmental outcomes. The new policies clarify and expand the responsibilities of IFC and its clients to disclose information.

More disclosure by IFC. The draft Disclosure Policy improves IFC's process for disclosing information and expands the types of information disclosed. A new, request-driven disclosure process and internal review mechanism makes it easier for the public to:

- ▶ request information
- ▶ receive a timely response or an explanation if any of the request is denied
- ▶ challenge disclosure decisions by filing a complaint with the proposed Disclosure Policy Advisor, whose role will be to review these decisions

An expanded group of documents for routine disclosure includes:

- ▶ IFC's budget and business plan, and minutes from IFC Board meeting
- ▶ annual reporting on the aggregate development impact of IFC's activities and investments
- ▶ a summary of IFC's environmental and social review as well as information on expected development impacts in the public Summary of Proposed Investment for each investment project

More disclosure by client companies. The Policy and Performance Standards define responsibilities for timely disclosure by IFC's clients in support of community engagement throughout the life of a project. Requirements include:

Disclosure of key information at the beginning of a project, including its size, purpose, and duration; potential risks and impacts; social and environmental assessment; and the Action Plan to address any problems identified.

Ongoing disclosure to address implementation of the Action Plan and issues raised by affected communities, particularly those related to health, safety, and the environment.

About the International Finance Corporation

The International Finance Corporation is the private sector arm of the World Bank Group and is headquartered in Washington, D.C. IFC coordinates its activities with the other institutions of the World Bank Group but is legally and financially independent. Its 178 member countries provide its share capital and collectively determine its policies.

The mission of IFC is to promote sustainable private sector investment in developing and transition countries, helping to reduce poverty and improve people's lives. IFC finances private sector investments in the developing world, mobilizes capital in the international financial markets, helps clients improve social and environmental sustainability, and provides technical assistance and advice to governments and businesses. From its founding in 1956 through FY05, IFC has committed more than \$49 billion of its own funds and arranged \$24 billion in syndications for 3,319 companies in 140 developing countries. IFC's worldwide committed portfolio as of FY05 was \$19.3 billion for its own account and \$5.3 billion held for participants in loan syndications. For more information, visit www.ifc.org