

IFC Draft Disclosure Policy: Minuses and Pluses

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The World Bank's private sector lending arm has proposed [a new disclosure policy](#) that offers a few advances, but generally falls short of the standard set late last year by its parent organization.

Among other things, the International Finance Corporation has not followed suit on the disclosure of staff recommendations in advance of board meetings.

Nor does it do as well with regard to disclosure of project evaluations, in some cases indicating that a summary will be issued.

The IFC proposal, now subject to public comment, does provide a promise of presumed disclosure, but restricts this pledge with broadly worded exemptions.

For example, the IFC draft policy would prevent the release of "financial, business, proprietary or other non-public information provided to IFC by its clients or other third parties." Similarly, the "deliberative process" exemption completely bans the release of materials exchanged with countries or within the IFC.

Proactive Disclosure Positives

There are a few advances concerning the disclosure of information for projects under consideration.

The IFC is proposing to periodically update the primary public document about proposed projects, now to be called the Summary of Investment Information (SII) instead of the Summary of Proposed Investment (SPI). The draft states that the IFC "makes publicly available information about an investment while it is still under consideration by IFC and also provides periodic updates on the investment, once made..."

In addition, the IFC now is indicating there will be a kind of dual disclosure, stating that "where possible" the IFC will release the information prepared by an IFC client "even before IFC has completed, or in some cases even started" its own environmental and social assessment of the project.

The disclosure of information about proposed projects is governed not only by the disclosure policy, but also by the [IFC's policy performance standards on social and environmental sustainability](#). Changes to that policy are being simultaneously proposed.

The primary responsibility for early disclosure of information to affected communities will continue to be placed on the project promoter — the “client” in IFC parlance — and their disclosure responsibilities are being somewhat increased. Much of the early information about a proposed project would likely come from the client.

Under the current and proposed IFC disclosure policies, Section 14(e), the key summary document, the SII, would be publicly available no later than 60 days before consideration by the Board in the case of Category A projects (usually the most controversial and sensitive ones), and no later than 30 days in advance of Board consideration for Category B projects. The policy allows exceptions to these timelines.

Disclosures could come earlier, however.

The proposed policy retains current language stating that the SII's release will occur “... once [the IFC] has assured itself that the client can be expected to undertake the project in a manner consistent with the Performance Standards and that the client has undertaken its disclosure obligations and where applicable, conducted an effective consultation process consistent with the performance standards.”

The IFC, in Section 13, on “Social and Environmental Information,” obligates clients to engage with affected stakeholders and disclose information. These responsibilities are amplified in the social and environmental performance standards. “Stakeholder engagement” is encouraged “as early as possible” in the process. The disclosure of various documents, including the “Action Plan” about mitigating risks, is required.

The social and environmental performance standard would require clients to assess who is affected, to develop an appropriate “Stakeholders Engagement Plan” and to disclose relevant documents. The terms for a consultation process are also laid out.

One somewhat beefed up section states: “The information provided should be transparent, objective, meaningful, easily accessible, in culturally appropriate local language(s) and format, and understandable to Affected Stakeholders.”

“Periodic” reports describing implementation of the Action Plan must be provided to affected “stakeholders” — a term changed from “communities” — no less than once a year.

The performance standard speaks about the need for monitoring projects and “where appropriate” involving stakeholders “to complement or verify monitoring activities.” The policy does not require disclosure of the results, however.

SII Updates to Be Required

The proposed policy would require that SIIs be updated throughout the life of the project.

The policy defines the contents of an SII, adding a few new items, the major one being “development outcome indicators” for projects with potentially significant adverse social or environmental risks and/or impacts.

For some of these projects an expanded Project Supervision Report (XPSR) would be prepared. The policy, however, would only permit a “summary” of the XPSR to be released. The client could review the summary in advance.

Before the time of Board approval, “updates” of SIIs are required “to reflect any significant changes” since the initial posting, but such updates would not restart the time periods of Section 14(e) unless the changes could have a “material impact.”

The IFC policy would give clients pre-release rights to review the contents of SIIs for accuracy, Section 14(d).

Summaries, Not Full Documents

In a number of other areas, the proposed disclosure policy would provide only for the release of summaries of documents. Other sections of the policy would make it all but impossible to obtain the full document.

For example, the IFC in Section 13(d) offers to disclose only “a summary of the process outlining” how a decision was made that Broad Community Support exists for a project.

Likewise, in pledging to release an annual update on the Action Plan “for direct investments with potential significant adverse social or environmental risk and/or impacts” the IFC says the update will include “a summary” of key actions that have been taken to implement the plan.

Advisory Services Largely Exempted

The IFC does not release advance information about “advisory services” projects — a significant proportion of IFC spending, but is proposing to offer a little more information after approval.

One such recently approved “advisory service” project, for example, would provide \$3.6 million to “assist Russian homeowner associations and housing management companies with gaining access to finance for the purpose of improving the energy efficiency (EE) of the country’s existing housing stock.”

Section 17 would provide for the release of periodic updates on development outcomes for advisory services projects worth more than \$2 million. When evaluations are completed for randomly selected projects, the policy states, summaries of the findings will be disclosed.

Other Provisions

The IFC would not follow the World Bank’s lead in releasing summaries of meetings, Section 20(d).

The IFC proposes to add an appeals process allowing requesters to bring their complaints to a three-person body composed of three outside experts. The standard, however, is restrictive — that the appellant must have “a prima facie case that IFC had no reasonable basis for determining that there is a compelling reason not to disclose the information” pursuant to the exemptions in Section 9.

Unlike the new World Bank policy, the draft IFC policy does not permit the IFC to override its disclosure policy if the benefits of disclosure would outweigh the costs. Rather, the IFC draft policy retains a provision that would permit disclosure in “exceptional circumstances” defined as necessary “to avert imminent and serious harm to public health or safety, and/or imminent and significant adverse impacts on the environment.”

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