



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

Review and Update

“Progress Report on Phase I of Consultation”

International Finance Corporation

January 11, 2010

I. BACKGROUND

On September 8, 2009 IFC launched the first review and update process of the Policy and Performance Standards on Social and Environmental Sustainability and the Policy on Disclosure of Information since their adoption in April 2006. These two Policies, the Performance Standards and the Performance Standard Guidance Notes complemented by the World Bank Group Environment, Health and Safety Guidelines collectively form IFC's Sustainability Framework.

Before IFC began consulting with stakeholders, it conducted its own review of the last three years of implementation of its Sustainability Framework. This study is available at the IFC Policy Review website <http://www.ifc.org/policyreview> in a report titled *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*. The report concludes that the framework is sound, serves IFC's clients well, helps to deliver development outcomes and has catalyzed the convergence of standards in the global financial markets. The report identified a number of areas that would benefit from improvements.

IFC issued the *Overview of Consultation and Engagement Process* report dated August 26, 2009 which provided an overview of the proposed consultation and engagement process, outlined how stakeholders could participate, and provided a timeline for the review. This report also described the three consultation phases as follows: Phase I: consultation for 60 days to identify the key issues and challenges in the Sustainability Framework; Phase II: consultation for 60 days on the proposed revised text changes of the Sustainability Framework; and Phase III: consultation for 30 days on the final proposed draft text changes of the Sustainability Framework. Phase I consultation has been completed.

II. PROCESS

Phase I consultations (September 15-November 13, 2009) were focused on soliciting stakeholder comments in three main areas:

1. Clarity of Language: how can IFC increase clarity and reduce ambiguity in language.
2. Implementation Effectiveness: provide suggestions on how to improve the Sustainability Framework implementation, especially from those who have implemented the Performance Standards on projects, or from those who have been directly impacted by projects that implemented the Performance Standards.
3. Gaps in Current Coverage: help identify areas that are not currently addressed in the Sustainability Framework and provide accompanying guidance on ways to implement new requirements on the ground.

IFC engaged with stakeholders through a combination of web-based tools (IFC Policy Review website, e-mail, and live web chats), teleconferences and face-to-face consultations to receive input.

During Phase I IFC consulted with a wide group of stakeholders from various regions that included: multilateral banks, bilateral banks, commercial financial institutions including the Steering Committee of Equator Principles Financial Institutions (EPFIs), trade unions, select UN agencies, Indigenous Peoples, conservation organizations, business associations, individual companies, the NGO and CSO community, World Bank Group colleagues and the External Advisory Group. This Phase also benefited from recent extensive global (Brazil, India, England, South Africa, Malaysia, Washington, D.C.) consultations that

IFC conducted on issues related to gender in conjunction with Global Reporting Initiative (GRI). The specific results of the project are captured in the report *Embedding Gender in Sustainability Reporting - A Practitioner's Guide* which can be found at <http://www.ifc.org/gender>. Information from these consultations will also feed into the review of the Sustainability Framework.

In total, IFC held over 55 consultation meetings, including three open sessions in Istanbul, Washington, D.C., and Brussels and one External Advisory Group meeting which totaled consulting with over 500 stakeholders. Meeting summaries are posted on the website from the three open meetings and also from a meeting with the EPFI steering committee. IFC organized two live webchats during which the review team answered more than 30 specific questions related to the review process and the scale of the update exercise. The questions and answers from these sessions are posted on the website. IFC also disclosed publicly its methodology for selecting and consulting communities affected by projects financed by IFC. In total, IFC received over 60 detailed written comments from external stakeholders through the IFC Policy Review website or separately through e-mails directly to staff.

During this Phase, IFC benchmarked its Sustainability Framework against other International Financial Institutions' policies to study the differences. In some cases differences were discussed with the other institutions to learn about their implementation experience so that IFC can better understand where it might want to incorporate some of the differences.

III. STAKEHOLDERS' FEEDBACK

The nature of comments received was broad in scope and ranged from very detailed to high level and have been summarized in Annex I. This summary along with the notes from consultation meetings which are posted on the IFC Policy Review website form the total summary of comments. The summary is IFC's attempt to reflect the comments and it should be noted that some comments were submitted by several different contributors and were not repeated in the summary. IFC also received comments that were of a general nature and that were not requesting a change but that were supportive of the Sustainability Framework and acknowledged that it has had an impact on market practices and has converged the standards in global financial markets.

IV. NEXT STEPS

The next steps are to reflect upon what IFC has heard and, in some instances, commission internal studies or seek further input or technical guidance prior to making a decision about inclusion or exclusion of suggestions in the first draft revision. Not all comments received will find their way into the final draft but all comments will be carefully considered.

In addition, IFC will work on addressing issues such as climate change, water, and human rights which are topics that were identified in the *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*.

Between January and May 2010, IFC will be redrafting the April 30, 2006 version of the Sustainability Policy, Performance Standards, Guidance Notes and the Policy on Disclosure of Information. The first draft will benefit from recommendations included in the upcoming reports by the IFC Compliance Advisor and Ombudsman and the World Bank Group (WBG) Independent Evaluation Group.

IFC will also consult with communities that were directly affected by IFC projects that applied the Performance Standards such that the results can feed into the first proposed track change documents

(Version 1). Additional community consultations will also be held during Phase II and Phase III consultation periods.

IFC intends to seek approval of its Board of Directors through the Board subcommittee, Committee on Development Effectiveness (CODE), to publically release and consult upon the first version of track change documents in May 2010. Once these documents are approved for external consultation, IFC will make the documents available in the six official WBG languages (English, French, Spanish, Portuguese, Russian and Chinese) and will then initiate Phase II of consultation for 60 days which is currently planned for June-July 2010. In conjunction with Phase II, IFC will hold additional thematic and stakeholder specific meetings, a number of regional events (a tentative calendar of events is included in Annex II), open houses in Europe and Washington, D.C., community consultations and live webchats to solicit a wide range of views. Information about those meetings will be published on the IFC Policy Review website. Please check back periodically to verify that the dates and locations remain the same. IFC will produce a Phase II consultation summary report that will be publically available.

IFC will then incorporate stakeholders' feedback, to the extent possible, and produce the second set of proposed track change documents (Version 2). IFC will again seek CODE's approval to publically consult on these changes for a final 30 day period, Phase III consultation. The draft documents will again be made available in the six official WBG languages. It is estimated that Phase III consultation will begin in October 2010. IFC will hold open house events in Europe and Washington, D.C., several regional consultation events, community consultations and live webchats. A summary of the comments received during Phase III will be made publically available.

The final Sustainability Policy and Performance Standards and Disclosure of Information Policy will be submitted to the Board for approval in December 2010. Assuming that the Board approves these documents, IFC will implement the revised framework in early 2011.

Annex I

Summary of Phase I Consultation

I. Where does the Sustainability Framework need to be clarified?

Sustainability Policy

Categorization of Projects

- Provide greater transparency on how categorization is determined, particularly of category A and B projects, to minimize differing interpretations from the project and lender’s perspectives.
- Enhance the social/labor factor in the categorization process - categorization should reflect both social and environmental risks appropriately.

Community Engagement and Broad Community Support

- Enhance the transparency of Broad Community Support (BCS) determination. IFC should ensure that communities are aware of BCS and other stakeholders groups have the opportunity to provide or withhold their support.
- Define how the concept of ‘consent or broad community support’ will be balanced with the sovereignty of host governments.
- Clarify if client’s employees are considered part of affected communities. Paragraph 19 requires that IFC clients must disclose information, consult and seek informed participation from communities affected.

Sector Specific Initiatives on Governance and Disclosure

- Include clear requirements for IFC clients to publicly disclose information regarding delivery of essential services under monopoly situations, particularly disclosure of pricing information. In paragraph 23 where it states, “*IFC encourages the public disclosure...*” replace the word ‘*encourages*’ with ‘*requires.*’
- Provide guidance on how to engage local and national governments on the local distribution of revenues (beyond the Extractive Industries Transparency Initiative).
- Require public disclosure of all Extractive Industries (EI) operations/investments without setting any threshold size or scope.
- Define clear revenue reporting requirements for EI projects. All IFC supported EI projects must disclose the following: i) all types of material project payments from EI operations to the government, ii) report revenue disclosure according to payments made to each level of government, and iii) report project-level revenues on an annual basis.
- Improve client disclosure of tariff information.

	<p>Exclusion List</p> <ul style="list-style-type: none"> • Harmonize the Exclusion List with PSs by strengthening the language in paragraph 17 that refers to ‘<i>Production of activities involving harmful or exploitative forms of forced labor/harmful child labor.</i>’ Terms and definitions in the footnotes are less stringent than those in PS 2 regarding forced and child labor. • Provide language in the Exclusion List to prohibit investments in the ‘<i>Production of and use or trade in asbestos fibers or asbestos-containing products</i>’ with no minimum content threshold.
<p>Performance Standards</p>	
<p>Environment</p>	<p>PS 1</p> <ul style="list-style-type: none"> • Clarify how PS requirements are passed onto contractors and sub-contractors. Clients need to be aware before they seek financing that PSs apply even when contractors are used. • Strengthen the language on Social and Environmental Assessment (SEA) to clarify that SEA is a mandatory process for IFC clients. • Provide a clearer definition of supply chains and outline IFC’s responsibilities. • Provide additional guidance on how and when disclosure and stakeholder involvement should take place, to ensure that the same information is available to all stakeholders at the same time. • Clarify client’s responsibilities to exert control and management of ‘<i>the area under its influence</i>’ over contractors and sub-contractors and how far down the supply chain this will be required. • Clarify different types of E&S assessments (e.g. assessment of already operating facilities, etc.). • Clarify specifically the term ‘<i>appropriate</i>’ implementation to avoid wide interpretation in cases where the underlying risk assessment is flawed; “<i>The client will establish and maintain a Social and Environmental Management System appropriate to the nature... ”.</i> • Provide language on water issues/access/human rights - PS 1, PS3 not specific enough. • Provide guidelines as to what exactly should be provided, for example: type of project, process outline, projected production capacity, process materials, raw material sources, project life cycle, anticipated impacts, and anticipated benefits, as part of IFC requirements to disclose information about the project. • Provide guidelines for how project information is to be disseminated by the client. A suggestion would be a mandatory requirement of two dissemination means – for example, a client may post its disclosure notice about a development project at the ward/location (or village / sub-location) headquarters, and it has then satisfied the requirement for disclosure. But at this level it is likely that the majority of members of the local communities will not be in a position to understand the implications of the development. In these cases, public meetings would be more appropriate. • Clarification on the requirements regarding environmental management documents (ESMS/ESMP/ESAP) and disclosure. • Improve the quality of project action plans disclosed on the IFC website.

PS 3

- Clarify PS 3 requirements in regard to considering other investment alternatives if emissions are above 100,000 tons per annum, particularly in cases where alternatives are highly expensive and the projects is taking place in developing country where the requirement to reduce emissions is not mandated under the Kyoto Protocol.
- Clarify the language referring to the EHS Guidelines to clearly reflect that EHS Guidelines are not mandatory standards.

PS 6

- Clarify what ‘*defined*’ means in “*Clients are required to meet the requirements of defined protected area management plans.*”
- Provide a clear definition to differentiate between international or local protected areas and areas that are sensitive but not legally protected, with different requirements for each.
- Clarify the term ‘*resources*’ and whether it includes water, carbon sequestration, and cultural values.
- Develop guidance on the assessment related to potential introduction of non-native species of flora and fauna.
- Provide guidance on criteria and methodology for assessment in relation to ‘*areas of critical habitat*’ because the impact on the population of any recognized endangered species is very difficult to demonstrate in practice.
- Clarify whose expert opinion is required to assess the criteria under natural habitats and determine if the required conditions are met to allow for natural habitat conversion or degradation.
- Clarify how to assess the environmental and biodiversity costs and overall project benefits as it is stated in the natural habitat section: “*The overall benefits of the project outweigh the costs, including those to the environment and biodiversity*”.
- Clarify ‘*where avoidance is not feasible...*’ and what is meant by ‘*feasible*’. Does it include cost factors, only technical ones or also other costs?
- Clarify how to determine ‘*commercially reasonable*’ in “*the client will exercise commercially reasonable efforts...*”.
- Clarify paragraph 8, “*respect of biodiversity use by indigenous people or traditional communities,*” in case this is found or considered to be unsustainable or constitutes a significant threat to biodiversity. Balancing of alternatives and impacts based on appropriate knowledge sharing and consultation, human rights standards and other international laws should be a reasonable and minimum safeguard.
- Clarify in paragraph 8 the minimum targets (design principles, effort of outcomes) when sufficient restoration or other mitigation is achieved. Consider adding no net loss as a minimum requirement.
- Clarify ‘*significant importance*’ in paragraph 9. Expand impact analysis beyond project boundaries to include not only local communities but also regional communities.
- Clarify the statement that plantations should occur on unforested or already converted land in order to prohibit

	<p>conversion or degradation of the critical natural habitat.</p> <ul style="list-style-type: none"> • Redefine mitigation measures and balance between conservation and development goals.
<p>Social</p>	<p>PS 1</p> <ul style="list-style-type: none"> • Clarify how affected communities are defined. • Clarify the minimum requirements for community engagement for all affected communities and indigenous people. Also provide specific requirements for when clients must use enhanced community engagement. • Provide guidelines on what culturally appropriate stakeholder dialogue with women and vulnerable groups would look like in countries where such groups have few rights. • Define a reasonable approach to engage communities in project design and implementation to avoid consultation fatigue and raising expectations for communities that later needs to be managed by clients. Current IFC guideline for Environmental and Social Impact Assessment (ESIA) and Resettlement Action Plan (RAP) require extensive consultation meetings that cause consultation fatigue in communities. • Provide guidance on how to manage public disclosure of the assessment document, which in many cases includes statements about human rights issues, social services and environmental issues in a particular country. This could be detrimental to the relationship between the client and the government. • Provide clarification regarding social baseline data gathering and social impact assessment. IFC should provide best practices to make the identification of the social aspects of ESIA clearer; e.g. how detailed does the Health Impact Assessment need to be? • Define/clarify early public disclosures on projects that involve land acquisition because of the potential effect on land (price increase, migration of people into the area to gain benefit from the project). This causes significant delays and costs to project implementation. • Provide clear guidance on brownfield projects, particularly in places where there has been a history of community opposition to development projects or where conflicts are ongoing. Specific guidance on the following: i) internal procedures for assessing pre-existing community engagement, ii) guidance on how to operate in areas of pre-existing community conflict, iii) separate standards for greenfield and brownfield projects and iv) modification of the existing broad community support standard to also be applicable to brownfield projects. • Clarify if regional, sectoral or strategic assessment include coverage of cumulative impacts and modify Guidance Note 31 and 32 to include language about the role and responsibility of governments that equips them with the obligation to complete necessary regional, sectoral and strategic assessments. Later this information will be utilized by project developers as it is indicated in the Guidance Notes. • Distinguish clearly the Human Right Impact Assessment (HRIA) from other assessments such as labor, health and environmental/social, because human right issues cut across all other assessments. • Clarify what constitutes ‘<i>associated facilities</i>’ and what is reasonable for a project to consider as within its ‘<i>area of influence</i>’.

- Make human right impact assessments a required part of each Social and Environmental Assessment.
- Provide guidelines about balancing the need for disclosure of information as a basis for consultation, and the fear of raising expectations at an early project stage, with the danger of not being able to provide the same information to all stakeholders at the same time.
- Improve disclosure and stakeholder engagement information for Category B projects.
- Provide a clear definition of community consultations and what the involvement of CSOs would be in the process.
- Provide guidance on how projects should identify and integrate potential social and environmental risks associated with project closure and exit early on in the process of social and environmental management.

PS 4

- Enhance language on Human Rights in the context of security forces used by a project and clarify whether project sponsors are obliged to undertake specific assessment measures.
- Provide guidance on use of private/government employed vs. community based security.

PS 5

- Clarify illegal breach of property when national laws and regulations do not favor compensation and resettlement assistance while PS does support compensation for people with no legal claim to the property.
- Clarify definition of ‘*livelihoods and Standards of living*’ vs. ‘*improvement of living conditions.*’
- Define how market prices of land and replacement value should be determined and by whom and what are the minimum requirements for the appeal, complaint and grievances process.
- Define successful resettlement, particularly when the government leads the process.
- Define/clarify ‘*economic displacement*’ to avoid creation of high expectations for compensation in community that could lead to excessive economic dependence on the project.
- Provide guidance on what sponsors can/should do in cases where the Government does not want to set precedence and tried to preclude the sponsor from compensation actions designed to close the gap between the local standards and PS 5.
- Clarify the expected active role of private sector to assume in working with governments as highlighted in the statement “*the expected working relationship between governments and the private sector resettlement.*”
- Define ‘*security of tenure*’ in the housing context, particularly as it applies to people who do not have land based income streams.
- Define if the standard applies when people are affected by noise or air pollution caused by project activities.
- Provide guidance on how clients are expected to demonstrate restoration of livelihoods when project impacts impose significant changes to livelihoods.

	<ul style="list-style-type: none"> • Provide additional guidance around compensation vs. resettlement planning. • Clarify the client responsibility to manage issues of illegal mining, since they play an important economic and social role in economic development. <p>PS 7</p> <ul style="list-style-type: none"> • Provide definition of “<i>indigenous people</i>” and clear guidance on when PS7 should be triggered. • Provide clear methodology to better: i) measure whether FPIConsultation has been achieved, and ii) manage consequences of having different requirements for different community groups. • Clarify/define land rights issue by providing guidance based in ILO 169. <p>PS 8</p> <ul style="list-style-type: none"> • Provide guidance on how to assess the project benefits (jobs, government revenues) since in practice it is difficult to compare cultural loss and the project benefits as it is stated in paragraph 7: <i>‘the client will not remove any cultural heritage unless the following condition is met: the overall benefits of the project outweigh the anticipated cultural loss from the removal’.</i>
Labor	<p>PS 1</p> <ul style="list-style-type: none"> • Provide guidance about the role of the company in developing code of conduct in order to manage staff behavior in projects and ensure company’s commitment to manage social and environmental risks. <p>PS 2</p> <ul style="list-style-type: none"> • Provide more details on Occupational, Health and Safety and required compliance with IFC EHS guidelines. • Provide guidance on the issues related to overtime (e.g. two or more consecutive 12-hour shifts). • Provide guidance on the implementation of ILO standards, where a state has adopted them but implementation is patchy. • Clarify definition of ‘<i>local worker</i>’ particularly in cases where there is a lack of local regulations taking into consideration that the host government requirements and local community expectations are to maximize the use of local workers. Include ILO’s fundamental rights conventions in the body of the text in paragraph 2, not in the footnote section. Also add the following sentence at the end of 2nd bullet point <i>‘and with the fundamental workers’ rights as embodied in the relevant ILO conventions’.</i> • Include working hours as basic information that clients must communicate to their employees. Paragraph 7 shall also include the words “<i>overtime arrangements and compensation</i>” after wages. • Include the principle of prevailing wages and working conditions by adding the following sentence: “<i>wages, benefits, and conditions of work offered should be comparable to those prevailing at equivalent employers in the relevant region and sector</i>”.

	<ul style="list-style-type: none"> • Clarify the word 'address' in paragraph 18 '<i>the client will inquire about and address child labor...</i>' Include a more specific obligation for the client to ensure that the supplier has taken appropriate steps to eliminate child labor practices. • Define '<i>personal characteristics</i>' in Guidance Note 27 because the current definition is very limited to serve as a guide for every instance; e.g. individuals may have personal characteristics such as a propensity towards acts of violence which makes those individuals unsuitable for the work. • Clarify Guidance Note 31 that in cases of outright expropriation by a host government, foreign companies should not be responsible for developing and executing the retrenchment plan. The current explanation of '<i>triggers</i>' is not sufficient. • Clarify Guidance Note 37 that '<i>legitimate grievances</i>' should be addressed expeditiously because some grievances expressed by employees and non-employees are not reasonable and legitimate. • Clarify/define what a sub-contractor is: supplying people/work or supplying goods and materials.
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II. Sustainability Framework Implementation Challenges

Performance Standards

Environment	<p>PS 6</p> <ul style="list-style-type: none"> • "<i>The overall benefits of the project outweigh the costs, including those to the environment and biodiversity</i>". It is impossible to be implemented in practice and is not consistent with CBD recommendations. • Address core concepts '<i>no net loss,</i>' '<i>no measurable impact,</i>' '<i>sustainable</i>' and '<i>critical habitat</i>' to improve the clarity and practical implementation of PS 6. • Provide guidance on measurement issues (Requirements 7,8,10 and 14) because lack of data, complexities of a biologically meaningful baseline and unambiguous measures of real impact make requirements an implementation challenge. • When determining critical habitat, one must consider the extreme difficulty of acquiring actual field data on rare and endangered species in the timeframe of the typical ESIA. Critical habitat designations must therefore rely on expert opinion of species specialist. • Definitions of "modified" and "natural" habitat have been debated for decades. IFC should strive to implement a more "process-based" approach, in which stakeholders are engaged to understand what are the biodiversity "values" of the particular ecosystem in question and how could the development take into account the conservation of such values in the long-term.
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Social	<p>PS 1</p> <ul style="list-style-type: none"> • Adopt FPIC consent since FPIC consultation conducted by a client is not enough. <p>PS 5</p> <ul style="list-style-type: none"> • To expedite implementation of resettlement, the scale of resettlement shall not be the main criteria. The scope is more important, particularly in the area of livelihood restoration (Guidance Note 5). • Implementation challenges have been encountered in land acquisition and involuntary resettlement because private sector investors don't maintain control over resettlement planning and implementation.
Policy on Disclosure of Information	
Institutional Disclosure	<ul style="list-style-type: none"> • Disclose information about what externalities (government, supply chain, etc.) might cause a project not to perform. • Disclose requests made for information on projects (other than what is in the list of exceptions) because currently IFC doesn't disclose information or refers the requestor to the client. • Improve transparency regarding disclosure of extractives and utilities by adopting a disclosure requirement for all projects and all contracts in the extractive sector that would be enhanced by a CSO follow up.
III. What Is Missing (Gaps) in the Sustainability Framework?	
Sustainability Policy	
	<ul style="list-style-type: none"> • Include IFC commitment to measure and publicly report GHG emissions across IFC's portfolio. • Provide explicit language on IFC's commitment to endorse the Universal Declaration of Human Rights. • Foster '<i>human rights aware</i>' approach to impact assessment and management and include the approach in the introduction and in relevant PSs to encourage companies to integrate attention to human rights into their business processes. • Include disclosure of broad community support determination to the project-affected community. • Strengthen IFC commitment to corporate governance.
Performance Standards	
Environment	<p>PS 1</p> <ul style="list-style-type: none"> • Add a requirement for consultation with the affected community during design of action plans, not just disclosure of finished product. • Include umbrella provisions in PS 1 which recommend companies integrate processes to understand risks and mitigate the potential impacts that they have on human rights. • Ensure that local communities are aware of IFC involvement in a project by requiring clients to disclose information about IFC financing and in cases of affected communities disclose the existence of CAO.

- Provide greater transparency and disclosure of project supervision reports.
- Improve disclosure by client of project implementation information.
- Play a stronger role in ensuring that Action Plans for risk management are realized and civil society has access to the monitoring outcome documents through a mandatory disclosure requirement.
- Include additional guidance regarding the scope of application of the PSs and Guidelines for: i) projects under construction and ii) in the assessment of corporate entity.
- Include requirement for independent monitoring and research that should be included, and budgeted, from the design phase of each project.
- Develop a database for approved consultants to undertake scoping/assessment instead of clients picking them.
- Include climate change impact assessment in all social and environmental risk management processes.

PS 3

- Include soil or groundwater contamination and the resulting legacy issues, particularly as they relate to health and risk assessment and development of remediation criteria.
- Expand the scope of direct emissions beyond purchased electricity, to also include steam, heating and cooling.
- Remove the option for clients to offset GHG emissions, instead, require clients to conduct an overall assessment of options for best available low-carbon technologies.
- Alter the level of emissions from the current 100,000 tons CO2 equivalent per year to 25,000 tons.
- Include requirements for IFC clients to quantify GHG emissions for direct and indirect land use change resulting from projects. Also the requirements should apply to financial intermediaries (FIs).
- Enhance PSs in the area of water management by including a section on water conservation and efficiency.

PS6

- Include application of an ecosystem services approach across all ESIA's to assess the true costs and benefits of the project and to design compensation packages that cover the full cost of impacts. IFC currently requires clients to identify impacts only to ecosystem services within ESIA process and only significant impacts of biodiversity are identified.
- Add explanation on how to deal with bio-fuels and unacceptable activities such as: certain crops, use of certain land.
- Add language on landscape perspective and ecological dependencies of critical habitat.
- Critical habitat definition is too focused on species – definition should be broadened to include highly threatened ecosystems and client requirements should include the importance of preserving overall ecosystem functionality and not just “populations” of species.
- Given the difficulty of guaranteeing “no measurable impacts” in the long-term in critical habitat, client

	<p>requirements should place more emphasis on biodiversity monitoring and adaptive management.</p> <ul style="list-style-type: none"> • Critical habitat should include areas that are already determined to be of high biodiversity value by internationally recognized organizations, such as Ramsar sites and Key Biodiversity Areas. • Critical habitat should include areas of large intact wilderness areas, which is more important than conserving small units where rare and threatened species might be occurring. • Provide language to promote conservation - PS6 is largely about reducing impact and there is a small focus and incentive to improving areas for biodiversity. • Include recognition of the importance of like-for like offsetting to ensure that biodiversity with increasing likelihood of loss is retained. • Client requirements in critical habitat should draw more attention to the use of biodiversity offset as a means to mitigate impacts. • Broaden habitat definition to include air ways. • Add another point to the effect that clients must be aware that biodiversity offsets themselves may lead to negative impacts that would have to be assessed and mitigated; such impacts could be significant, particularly on vulnerable communities. • Expand the section of Freshwater and Marine Systems (paragraph 17) to include all animals including terrestrial animals. • Add the term “<i>irreplaceability</i>” in paragraph 3 in addition to vulnerability of biodiversity and natural resources. • Add emerging thresholds and criteria for critical sites, known as key biodiversity areas under the program of IUCN’s Species Specialist Commission and the World Commission of Protected Areas (WCPA). • Recognize areas of critical importance outside the critical natural habitat (paragraph 9), e.g. highly threatened fish may occur at one site but depends on freshwater flows of an entire catchment.
Social	<p>PS 1</p> <ul style="list-style-type: none"> • Require clients to analyze “no project” alternative within the impact assessment to provide affected communities with necessary information they require. Hence, this allows IFC to more accurately assess the development outcomes of its investments. • Disclose social and environmental monitoring reports (progress reports) to affected people and the public by the client. • Ensure that PSs are consistent with Human Rights framework prepared by Prof. Ruggie and to include the following requirements: <ul style="list-style-type: none"> i) Clients to incorporate key elements of Human Right Impact Assessment ii) Comprehensive human rights assessment for certain projects, particularly for those with potentially significant human rights impact iii) FIs and other indirect finance clients should develop internal human rights policy

iv) Monitor IFC financed projects to ensure that those voicing the opposition to the project do not face retaliation

- Provide guidance for companies looking to operate in a zone of conflict.
- Strengthen participatory decision making processes throughout the entire investment framework.

PS 4

- Include corporate social responsibility in all projects as IFC should insist on social obligations to improve community life.

PS5

- Strengthen guidance around procedures for setting up appropriate compensation mechanisms such as evaluation, entitlement, payment mechanisms, cash vs. livelihood support, duration and monitoring.
- Add a requirement to improve or at least restore the livelihoods and standards of living of affected people due to non-land-related displacement.

PS7

- Strengthen the language to mitigate the loss of territories and ongoing struggle of indigenous peoples to have ownership rights to traditional territories acknowledged.
- Add language making it stronger towards “seeking consent” when projects affect used traditional territories.
- Add a section that highlights vulnerable groups within indigenous communities for additional outreach in consultation.
- Maintain free, prior and informed consultation as an effective engagement in the stakeholder engagement process. Do not adopt consent, as it is poorly defined and there is lack of clear methodology how to determine consent. It is not clear if ‘*consent*’ is on the process or on the outcome.
- Strengthen “good faith negotiations” to protect indigenous communities’ rights, taking into consideration the following adjustments: i) where governments have made indigenous rights commitments under international law, there should be evidence that communities have provided their FPIC before IFC provides financing, ii) there must be evidence that the government or project developer undertook a process of good faith negotiations, iii) the investment cannot go forward if good faith negotiations do not lead to a successful agreement with communities and iv) the outcome of negotiations must be binding agreement that has been approved by indigenous community.

PS 8

- Emphasize that appropriate professional heritage expertise will be employed in the process.

	<ul style="list-style-type: none"> • Provide concept of cultural landscapes that incorporate significant living and past manifestations.
Labor	<p>PS2</p> <ul style="list-style-type: none"> • Include how to address negative social impacts due to the dismissal of employees after the project has started. • Strengthen protection by requiring the client to access alternative options before retrenchment. • Include requirements to compensate workers throughout the supply chain for workplace accidents. • Include additional requirements for clients to provide adequate advance notice of dismissal or provide adequate severance pay. • Include requirements for IFC clients to provide appropriate safety equipment and training. In addition, paragraph 16 must require from clients who provide accommodation for workers to ensure safe, clean and adequate accommodations, sanitation and water. • Include additional selection criteria in paragraph 17 in regard to non-employee workers. After the word ‘legitimate enterprise’ include the following sentence “<i>and they have not been created with the objective of avoiding obligations under national law or under PSs that would otherwise apply if the workers were hired as employees of the client</i>”. • Include additional guidance on ‘housing’ as currently not explicitly mentioned in the performance standards, though a guidance note on housing has been produced.
Other	<ul style="list-style-type: none"> • Consider minimizing the cost of compliance, particularly if IFC is contemplating introducing new or stricter standards. This should attract new and returning clients and help to ensure that clients adhere to PSs.
Policy on Disclosure of Information	
Institutional Disclosure	<ul style="list-style-type: none"> • Enhance measurement and disclosure of project development outcomes. • Arguments to protect confidential business information over concerns of commercial disadvantages are unjustified. Trade secrets are not typically in contracts and commercially sensitive information is a vague term. • Disclose at the end of the project cycle: development impacts of the project, implementation of Action Plans, implementation of Development Plans, evaluation of risk management and, importantly evaluation of civil society engagement throughout the entire project cycle, including interaction with the project grievance mechanism and CAO. • Report project-level development results, not just aggregated results.
Other Comments	
	<ul style="list-style-type: none"> • Clarify how PSs affect the way that IFC appraise a high-CO2 emissions project such as a coal-fired power station. • Clarify that communities and women/men groups are not homogenous. • Ensure sustainability beyond the life of the IFC investment (particularly in terms of benefits to community after project closes).

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| | <ul style="list-style-type: none">• Integrate gender and women's rights perspectives systematically into PSs and ensure equal participation of women.• Use one definition of '<i>disadvantaged and vulnerable groups</i>' throughout the PSs and Guidance notes.• Clarify how IFC goes about deciding which topics/sectors are to be covered by separate guidelines.• Include corporate governance, anti-corruption and training of employees on PSs.• Clarify how IFC differentiate appraisal by the client and IFC's own appraisal (IFC gap analysis).• Provide clear guidelines in cases where contradictions exist between IFC/host country/Policies/other donors (e.g. EBRD, etc) requirements.• Strengthen the guide to HRIA to include more detailed information and additional references concerning consultation with indigenous peoples.• Make information about projects and Performance Standards implementation available in the national language(s) of the countries where the investment is taking place. |
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Annex II

Tentative Dates and Locations of Phase II Regional Meetings

This schedule is subject to change. Please consult the IFC Policy Review website (www.ifc.org/policyreview) for the latest updates.

Time	Venue
Week of June 21, 2010	Moscow Jakarta
Week of June 28, 2010	Delhi
Week of July 8, 2010	Belgrade
Week of July 12, 2010	Johannesburg Dakar
Week of July 26, 2010	Sao Paulo Lima