

October 20, 2004

Dear Mr. Takashi Kihara  
Director  
Development Institutions Division  
International Bureau  
Ministry of Finance, Japan

## **Re: Demands on IFC's revision process on its Safeguard Policies and Disclosure Policy**

Currently the International Finance Corporation (IFC), the private sector branch of the World Bank Group is in the process of reviewing its Environmental and Social Safeguard Policies as well as its Information Disclosure Policy.

We have been paying particular attention to the revision of these policies since we believe that the IFC's policies have a great influence not only on its own investment standards but also on those of other public financial institutions and private enterprises. For example, Equator Principles, which is a guide signed by 27 major private banks all over the world including Mizuho Corporate Bank, is based on IFC's standards. Export Credit Agencies (ECAs) also refer to them.

In August, IFC published the Consultation Drafts which shows the framework of the revising policies, and now, IFC has been holding meetings so called "consultations" and "stake-holder meetings". However, the revision process completely fails to ensure the appropriate stakeholders' participation by not providing sufficient information as shown below. Although one of the stakeholder meetings is scheduled to be held in Tokyo on October 25th, we firmly believe that we are unable to participate and discuss in this meeting unless IFC reconsiders the revision process itself.

### **1. Flaws in Consultation Draft**

We think that the published Consultation Drafts are not on the level of holding effective and open dialogues.

#### **Performance standards:**

- **The draft does not cover all the existing standards:** Certain important criteria in present 10 safeguard policies are omitted in the draft without any explanation. We recognize that the safeguard policies are aimed to attain higher standards by setting detailed requirements regarding IFC financed projects.
- **Vague phrases throughout the draft:** In the requirements to project sponsors, the draft contains words that weaken the phrases such as "as appropriate" and "where feasible". In applying these vague standards, we doubt whether (1) the project sponsors would strictly

comply with these requirements; (2) IFC could ensure rigorous review and screening of the proposed projects since the procedures and responsibilities of screening are also ambiguous.

#### **Disclosure Policies:**

- **The principles are not referred:** In the IFC's current Disclosure Policy, the principle of "presumption in favor of disclosure" is stipulated as in the Disclosure Policies of the World Bank (IBRD and IDA) and ADB. In case of classified information, its conditions of nondisclosure are listed under "Constraints". However, the Draft has no reference whatsoever on this matter.
- **The documents established and held are unclear:** No document names such as Project Appraisal Document (PAD) that are established and held by the IFC are listed in the Draft. It is also unclear to what kind of documents and when these kind of documents are established in the project cycle. (For reference, ADB promised to make a list of major documents ADB established or held, and publish it with the second Draft of Public Communication Policy (PCP) in November.

**We firmly believe that IFC should suspend the revision process at once until IFC produces new drafts which take into account all the points mentioned above.**

#### **2. Flaws in the manners of holding a consultation meetings**

A consultation was held in Rio de Janeiro, Brazil for 3 days, from September 27th to 29th. The consultation was the first of the planned consultations that are to be held in four places around the world. Other consultations will be held in Manila, Nairobi, and Istanbul.

However the originally planned location was not Rio de Janeiro but Buenos Aires. On September 2nd, only 25 days before the planned consultation date, the location was suddenly changed to Rio de Janeiro. As a result, Portuguese version of the Drafts for the consultation were not published until September 15th, only 12 days before the consultation.

Besides, since IFC limits the participants by invitation, the consultation is not open to everyone who is interested in it as is the case with ADB consultations for inspection policy and disclosure policy. Moreover, several subcommittees are held simultaneously, so the participants are not able to participate in all the subcommittees and express their opinions even if they wish to do so.

Approximately 120 NGOs (now more than 180 NGOs) all over the world have signed on the letter to President Wolfensohn of the World Bank and Mr. Peter Woicke, Executive Vice President of IFC, which was sent on September 16th requesting to suspend and reconsider the revision process because the IFC was holding the consultations in such an inadequate manner. However, IFC practically refused the requests and held the first consultation as scheduled. Consequently, only 5 NGO members attended it.

In addition, at the stakeholder meeting held on October 4th just after the Annual meeting of the World Bank and IMF in Washington, D.C., 26 NGOs boycotted the meeting because the revision process was far from satisfaction, without enough information and defective participation process for the meeting. Consequently, less than 10 NGO members attended this meeting.

We firmly believe that IFC should take the above points into account and reconsider its manners of holding consultations to ensure enough information and broader and open participation.

### **3. Means of holding public comments**

Following the consultations in four regions and several stakeholder meetings, IFC is planning to publish the new drafts in January of 2005. Then after 30 days of public comments period, it expects to gain the Board approval on both policies in February.

However, IFC has been reviewing disclosure policy as well as all t10 safeguard policies. We can hardly believe that 30 days of public comments period is enough for stakeholders to review and consider the drafts.

Furthermore, IFC states on the website that it will publish a summary of received comments in the consultations and public comments and IFC's responses to those comments. However, IFC did not make clear how the public comments which IFC received in March, were reflected in the published Consultation Draft on disclosure policy. Considering this fact, we very much doubt whether IFC would make sufficient responses to each issues in the next draft.

We believe that at least 60 days of public comments period is necessary for the final drafts. And IFC should response which comments were reflected and which were not, with the reasons, on each issues propounded when developing the final drafts.

#### **Demands:**

On the basis of points mentioned above, we demand Japanese Ministry of Finance to ensure IFC to suspend its review process of safeguard policies and disclosure policy at once and reconsider the points below.

- (1) To reconsider the Consultation Draft and reconstitute a new paper including basic information to enable effective political dialogue,
- (2) To reconsider with outside stakeholders the ways to hold consultations which ensure free and open participation of civil societies,
- (3) To reconsider with outside stakeholders the ways to hold public comments period ensuring enough time period and sufficient responses.