

April 8, 2005

Mr. Assad Jabre
Acting Executive Vice President,
International Finance Corporation (IFC)

**Open Letter asking for Clarification of IFC's Position
on the Policy on Social and Environmental Sustainability and
Performance Standards**

Dear Mr. Jabre:

We write this letter to urge IFC to provide detailed responses to the stakeholders' comments on the draft Policy on Social and Environmental Sustainability and to Performance Standards and to release the revised version. We believe that these are essential steps if IFC wishes to ensure a meaningful dialogue with stakeholders in the process to update its safeguard policies

In February 2005, IFC disclosed the Indicative Draft of the Performance Standards and its Guidance Notes. The Indicative Draft summarizes comments which IFC received from stakeholders officially and unofficially through the previous public comment period (August-November 2004) and several consultations around the world.

However, we regret to find that IFC only summarized the comments and failed to change any of the text of the Performance Standards. It provided no responses to the comments from stakeholders, despite civil society groups' repeated requests to IFC to explain its reasons for not incorporating comments. Some comments were incorporated in the Guidance Notes, which are not binding document and do not need Board approval. We believe that there are important comments that must be incorporated in the Performance Standards, not limited to the Guidance Notes.

It is unclear whether IFC will incorporate stakeholders' comments into the Policy and the Performance Standards, and if it does, how this will be done. Lack of responsiveness from IFC makes it difficult for stakeholders to make further input into a focused discussion on the substance of the Policy and Performance Standards. Therefore, we urge IFC to respond to stakeholders' comments immediately and publicize the revised version of the Policy and Performance Standards before IFC finalizes the draft Policy and Standards to be submitted to the Committee on Development Effectiveness (CODE), in order to ensure informed consultation in the process of updating its safeguard policies.

We would like to receive comprehensive feedback from IFC regarding the comments from stakeholders. IFC should respond immediately to the following critical concerns so that we can advance the discussion on several important issues around the Performance Standards.

1. IFC should specify an exclusion list to prohibit financing of areas such as weapons, nuclear materials and illegal productions and activities.
2. IFC should require comprehensive Social and Environmental Assessment (SEA) reports for all projects with significant adverse impacts.
3. IFC should require project sponsors to retain independent experts who are not affiliated with the project to conduct SEAs for projects with significant adverse impacts.
4. IFC should require at least two public consultations for all projects with significant adverse impacts. They should occur: (a) shortly after environmental screening and before the terms of reference for the SEA are finalized, and (b) once a draft SEA report is prepared.
5. IFC should require project sponsors to comply with the related conventions and agreements on environment, biodiversity, human rights, labors and indigenous people.
6. IFC should require SEAs to be conducted prior to the exercise of eminent domain, the expropriation of land or displacement of affected persons. SEAs should also be required to contain specific provisions for a project location and processes for analysis of alternatives.
7. In cases involving displaced persons from land-based livelihoods, IFC should require project sponsors to provide the option of cash compensation or land-for-land compensation.
8. IFC should require that provisions are made for improved living conditions at resettlement sites, and should require that replacement costs for losses and restoration of livelihood are provided for all displaced persons, whether they are legal rights holders to land or not.
9. IFC should require project sponsors to establish independent and transparent grievance mechanisms to receive and address concerns raised by affected people.
10. IFC should prohibit financing for commercial logging operations and the purchase of logging equipment for use in primary tropical moist forests.
11. IFC should ensure that legal rights to alternative land are provided to displaced people, including indigenous people and ethnic minorities who do not have legal rights to land but have usufruct or customary rights.
12. IFC should require project sponsors to retain with independent experts when making and monitoring Indigenous Peoples Plans or Community Development Plans.
13. IFC should require public consultations for establishing Action Plans.
14. IFC should require project sponsors to disclose environmental and social monitoring reports.

We look forward to hearing from you soon.

Sincerely yours,

Hideki Uemura, Shimin Gaikou Centre
Keiko Kusahara, Fukuoka NGO Forum on the ADB
Kenji Fukuda, Mekong Watch
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