

## **U.S. Comments on IFC Sustainability Framework Changes Proposed by IFC in April 2010**

The United States welcomes the opportunity to comment on the first draft of proposed changes. The IFC – and the World Bank Group as a whole – must take the lead in setting a high bar for projects with social and environmental impacts. The United States strongly supports greater transparency in IFC projects and tougher environmental and social standards that lead to better development results. This paper presents a summary of the United States’ priorities for the review.<sup>1</sup> Detailed technical comments are attached.

### **Policy on Social and Environmental Sustainability**

Strong social and environmental policies are critical to achieving good development outcomes. The United States identifies the following as top priorities for the IFC:

- **Strengthen the Categorization Process**
  - Determine the categorization decision based on an assessment of pre-mitigation impacts and on the most significant (highest) risks/impacts;
  - Establish a publicly available framework for categorization;
  - Disclose preliminary categorization/significant decisions early in the project cycle.
- **Strengthen and clarify actions the IFC will take to help its clients address climate change**
  - Collaborate with the broader World Bank Group on host governments’ low-carbon strategies;
  - Help reduce clients’ corporate carbon footprints;
  - Provide advisory services and annual reporting on total IFC portfolio greenhouse gas (GHG) emissions.
- **Broaden extractive industry governance**
  - Include *all* IFC EI clients’ contracts with governments, allowing for redaction of business confidential information, and inclusion of the disclosure requirement in the Performance Standards (see below).
- **Strengthen provisions regarding supervision of Financial Intermediaries (FIs)**
  - Require performance audits commensurate with the risks of sub-projects;
  - Explicitly include FIs receiving IFC financing in the form of equity, quasi-equity or general purpose financing in such audits.

### **Performance Standards (PS)**

The first four years of implementation of the Performance Standards has shown both strong development impact but also room for improvement – both in defining the standards themselves and implementation. The United States’ priority changes to the PS are:

- ***PS 1 – Assessment and Management of Social and Environmental Risks and Impacts***
  - Include an assessment of risks from climate change for climate-vulnerable projects.

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<sup>1</sup> These comments supplement the USG’s first round of comments, provided in January 2010, available at the Department of Treasury’s website:

[http://www.treas.gov/offices/international-affairs/multilateral\\_banks/jan2010\\_policy.pdf](http://www.treas.gov/offices/international-affairs/multilateral_banks/jan2010_policy.pdf)

- Broaden the scope of the environmental/social risk and impact assessment process to explicitly include: indirect impacts, a “no project” alternative, post-closure considerations, broader definitions of associated facilities and cumulative impacts, and supply chains where they might have significant risks/impacts.
- Include *all* social and environmental risks potentially requiring mitigation, not only (as suggested for some issues) the *significant* risks and impacts.
- Stronger baseline data requirements; more explicit disclosure of monitoring results.
- Include EI revenue/payment and contract transparency provisions in PS 1.
- ***PS 3 – Resource Efficiency and Pollution Prevention (including Environmental, Health, and Safety (EHS) guidelines)***
  - Include water issues besides consumption, including other types of impacts and access to water.
  - Develop EHS guidelines on dams.
- ***PS 6 – Biodiversity***
  - Projects in critical habitat should be required to have a positive impact on the critical habitat, and that projects outside critical habitat have no measureable negative impact on critical habitat.
  - No offsets for critical habitat.

### **Disclosure Policy**

Transparency is critically important to the IFC’s policies and mission. Therefore, we seek:

- ***Adoption of World Bank’s Policy on Access to Information***
- ***Timely disclosure of Environmental and Social Impact Assessments (ESIAs) for projects with potentially significant environmental impacts.*** The IFC should develop an approach like that of the Asian Development Bank or the World Bank (IBRD/IDA) that ensures ESIAs are disclosed in a timely fashion, at least 120 days before Board decision. Links to the ESIAs prepared for FI sub-projects that have the potential for significant impacts should be posted publicly.
- ***Broadening of development impact reporting.*** The IFC should expand its commitment to report publicly on development impacts of individual reporting to include all projects (including FIs). Impacts should be based on a robust set of indicators (general and project-specific), include qualitative as well as quantitative assessments, and capture both positive and negative impacts.
- ***Enhanced environmental and social reporting.*** The IFC should disclose supervision and monitoring reports on environmental/social issues, including Corrective Action Plans and implementation reports for Category B projects.
- ***Greater disclosure of financial intermediary investments.*** Disclosure should include the assessment of the client’s environmental and social management system and specific activities anticipated to have significant risks and impacts.
- ***Broad community support.*** The IFC should disclose analysis that provides justification for determining broad community support.

### **Reporting on IFC plans for implementation**

Implementation will be critical to ensure results. Therefore, we recommend that the next draft of recommended changes to the Sustainability Policy, Performance Standards and Disclosure

Policy be accompanied by IFC plans for implementing the changes. In particular, we recommend information be provided on:

- Client commitment to implement the performance standards;
- IFC oversight to ensure that clients are complying with the Performance Standards;
- IFC training and capacity building for clients;
- Risk assessment of the capacities of the client and host country government;
- Collaboration with the broader World Bank group;
- Verification of client data for key decisions;
- Quality assurance of baseline data and impact analysis – (i) in general; (ii) with respect to resettlement and (iii) with respect to critical habitat;
- Staffing and staff incentives, including for improving internal coordination.

**IFC Sustainability Framework  
U.S. Technical Recommendations/Comments<sup>2</sup>  
August 2010**

**I. Generic Issues**

- **Key terms.** Include all definitions in a “key terms” section.
- **Limitation to “significant” impacts.** Do not limit risk and impact identification analysis to “significant” impacts.
- **Indirect Impacts.** Ensure that indirect impacts are included as well as direct impacts, using the reference to “direct and indirect” impacts as needed.
- **Reduce vs. Minimize.** Use “minimize” instead of “reduce” with respect to impacts.
- **Business Activities and Projects** Refer solely to client “business activities,” or explain in the Sustainability Policy the relationship between “business activities” and “projects” and ensure that the Performance Standards (PS) requirements clearly apply to all types of business activities.
- **External Experts.** State that experts be both “qualified” and “experienced”.
- **Impacts vs. Risks and Impacts.** Change all references to significant “impacts” to significant “risks and impacts.”
- **FI Performance Standard.** Consider a separate Performance Standard on Financial Institutions (FIs), following the EBRD’s example.

**II. Policy on Social and Environmental Sustainability**

*IFC’s Commitments*

- **Climate change.** Proposed text to replace paragraph 9 (or in a separate section on climate change):

“IFC is committed to supporting low-carbon economic development, and sees the Sustainability Policy as an important vehicle for IFC to operationalize the 2008 Strategic Framework for Development and Climate Change. IFC also recognizes that climate change may place at risk the positive economic and social development outcomes of IFC-financed projects. IFC works towards the reduction of greenhouse gas (GHG) emissions by supporting the adoption of new and appropriate technologies, processes, practices, and products. IFC believes that the private sector has important roles to play in both implementing appropriate climate adaptation measures and mitigating GHG emissions.

IFC will take appropriate actions to address climate change at different stages of the project cycle, from pre-appraisal to project implementation, closure and post-closure. At the pre-appraisal stage, IFC’s engagement in GHG-intensive sectors in a country will normally occur in the context of national low carbon development strategies or plans. In addition, IFC will normally bring forward large GHG-intensive projects in the context of broader World Bank Group engagement with the host country in which climate considerations have been incorporated into broader sector policies and reforms.

The IFC will work with clients to help them reduce their corporate carbon footprints, not just for the IFC-financed operation. To do so, IFC will identify barriers to relevant low carbon investment opportunities. Depending on the opportunity, these barriers may include domestic policy distortions, market failures,

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<sup>2</sup> Page numbers referenced in this document refer to the hard copy of the document prepared for the May, 2010 meeting of the Committee on Development Effectiveness (CODE).

weak capital markets, country or project risks, etc. Where policy barriers or market failures exist to low carbon investment options in the sector in which its client is active, IFC will coordinate with the public lending side of the World Bank Group to mobilize appropriate measures address them. These operations might include policy dialogue, technical assistance, DPLs, regional approaches or sector wide approaches.

A key aspect to IFC's approach to climate change is the provision of Advisory Services to its clients on the risks of climate change, including options for developing mitigation measures and fostering knowledge-sharing among public and private sector entities. As needed, IFC will target financing instruments of its own to address climate risks and capture investment opportunities, and will also help clients identify and package appropriate financing instruments that might be available from concessional sources.

IFC will prepare and disclose annually the total direct GHG emissions and the total indirect GHG emissions, across its active portfolio, from projects that produce above 20,000 tons CO<sub>2</sub>-equivalent/year. The totals will include direct emissions from the facilities owned or controlled within the physical boundaries of IFC projects, and the indirect emissions associated with the off-site production of power used by IFC projects, required to be quantified in PS3."

### ***IFC Roles and Responsibilities***

- ***Balance of benefits and risks.*** Include a statement that where the balance of benefits and risks is not acceptable, the IFC will not support the proposed project.
- ***IFC due diligence.*** Include a statement that IFC (i) reviews key client decisions, including but not limited to the scope of the necessary social and environmental due diligence and whether a comprehensive EIA and/or other assessment documents are appropriate; (ii) reviews the client-produced documents, such as environmental and social impacts assessments or audits and the various required plans, to ensure that they are materially complete and meet the requirements of the performance standards; and (iii) works with the client to address identified weaknesses.
- ***Weak regulatory environments.*** State that the IFC will exert stronger oversight of projects in countries with weak regulatory environments.
- ***Community consultation/engagement for brownfield projects.*** Recommended revised text on projects underway: "In these cases, the IFC's approach is to assess IFC's approach is, wherever possible, to take full consideration of the environmental and social management system already in place as well as the social and environmental assessment and community disclosure and engagement undertaken by the client and/or any third party before IFC's consideration of the investment." (para 22)
- ***Project-level grievance mechanism.*** State that IFC will oversee the client's grievance mechanism and assess the need for the CAO to work with people to build capacity.

### ***Broad community support(BCS)/free prior and informed consultation***

- ***Implementation.*** Establish publicly available benchmarks and/or minimal standards for determining "broad community support."
- ***Information for affected people.*** Include requirement that clients inform potentially affected people about "free, prior and informed consultation" and "broad community support" provisions.
- ***BCS for Indigenous Peoples.*** State that IFC will confirm BCS and disclose its rationale where "free, prior and informed consultation" is required.

### *Financial Intermediaries*

- **Paragraph 28.** Proposed revised text:

“28. IFC’s requirements for FI clients are proportional to the level of risk in the FI’s entire business portfolio (current and future):

- All FIs will apply the Exclusion List and follow respective national laws.
- For FIs with current and/or prospective business activities where the activity financed presents some social or environmental risks,<sup>1</sup> the FI will apply the performance standards in accordance with paragraph 29.
- For FIs with current and/or prospective business activities that have minimal or no adverse social or environmental risks,<sup>2</sup> the FI is not required to apply the performance standards.

<sup>1</sup> This would be comparable to Category A and Category B projects.

<sup>2</sup> This would be comparable to Category C projects.”

- **IFC due diligence/supervision.** Proposed revised text for paragraph 30:

“IFC monitors FI client performance on an ongoing basis. Additionally, to determine the effectiveness of an FI’s social and environmental management system, IFC may review the process and results of the social and environmental due diligence review conducted by the FI for subproject investments under credit lines or other targeted finance facility, and also of a representative sample of other FI subprojects when the IFC financing is through equity, quasi-equity or general-purpose financing, especially subprojects with potential significant risks and other high risk subprojects. IFC supervision visits may include FI subprojects as well as the FI itself, and frequency and focus of supervision visits will be commensurate with the identified risks. In higher-risk situations, the IFC may require audits or verification reviews by qualified and experienced external experts of (i) the environmental and social performance and (ii) the development impact reporting of FI portfolios, which may also include subproject reviews as appropriate. IFC will work with its clients to help them address any identified weaknesses, in light of the IFC’s ongoing commitment to strengthening client capacity and ownership.”

- **Development impact reporting for FIs.** Develop standard FI reporting procedures to allow development impact reporting on both a portfolio-wide and project-specific basis
- **BCS determination.** For subprojects where free, prior and informed consent is required, clarify who (IFC or FI client) is responsible for determining that BCS exists and for disclosing information on its determination .
- **GN1 para G33.** Incorporate the concept of “critical review” (to indicate that it is not just a survey) and state that the process includes development of recommendations to address shortcomings; state clearly the standards against which the review takes place.

### *Categorization and significance decisions.*

- Develop and make publicly available a **categorization/significance-evaluation framework or guidance**, articulating the connection between the category rating and the types of projects and factors that are the IFC considers, along the lines of the IBRD’s 1993 Environmental Sourcebook Update No. 2 (April 1993) or the EBRD’s indicative list of Category A projects.
- Establish **quantitative thresholds** as part of that framework, where possible, that can be used to help determine the category of a project, along the lines of what the EBRD has integrated into its indicative list of Category A projects.

- State that the risk-based “potential impact” approach applies to projects involving **expansion, modernization, retrofitting and/or privatization**.
- For **financial intermediaries**, state that the proposed High-Medium-Low ratings are based on the riskiest elements of the portfolio, not on a portfolio average, and that “high” risk is defined as an FI where “one or more Category A subproject(s) are likely.”
- If available, include in the Board document any differences in categorization of the same project by different **co-financiers**.
- State that the categorization and significance decisions/assessments are based on **potential pre-mitigation risks and impacts**, not on post-mitigation risks and impacts, are based on the highest risk impact in the area of influence, and take **indirect impacts** into account.
- Clarify that the phrase “**largely reversible**” in the Category B definition requires time frames for reversing the impacts that would not result in significant interim impacts.
- Define “significant” as follows: “Category A Projects: Business activities with potential significant adverse social or environmental risks and/or impacts; that is, with risks and/or impacts that are diverse, irreversible or unprecedented.”

#### *Extractives’ contract and revenue transparency*

- **EI contracts.** Require clients to disclose contracts between companies and governments, with exemptions for the protection of business confidential information.
- **EI revenue.** Require companies to disclose all material payments to governments including the levels of government.
- **Client requirements.** Include the client requirements with respect to contract disclosure and revenue transparency in PS1.
- Proposed text for para 36:

“When IFC invests in extractive industry projects, IFC assesses the governance risks from these projects, including the extent to which the host country has in place functioning systems for transparency and accountability with respect to EI revenues, and options for mitigating governance risks. The IFC documents and publicly discloses this assessment in the project Board document. Where the balance of benefits and governance risks is not acceptable, IFC does not support such projects. IFC also promotes transparency of revenue payments from extractive industry projects to host governments and of contracts. Accordingly, IFC requires client disclosure as specified in PS1. Clients of IFC extractive industry projects will publicly disclose (i) their material payments (including but not limited to royalties, taxes, and profit-sharing) to host governments at all levels of government and (ii) their primary contracts with governments, with exemptions for the protection of business confidential information. For these purposes, contracts include permitting applications and approvals that establish the terms of an EI project’s operation.”

#### *Collaboration with Partners*

- **Good/best international practice.** Retain the concept of best international practice, not good international practice. (para 40, first bullet)

### III. Performance Standards

#### *PS 1 – Social and Environmental Assessment and Management Plans*

- **Mitigation hierarchy.** Proposed text:
  - Objective: “To adopt a mitigation hierarchy to avoid, and where avoidance is not possible, to minimize reduce, restore, or compensate/offset, in that order, for the risks and impacts to workers, Affected Stakeholders and the environment;”
  - Para 14: “The mitigation hierarchy to address identified risks and impacts ~~will favor the avoidance of impacts over reduction, restoration or compensation/offset, wherever technically and financially feasible.~~ is to avoid, minimize, restore or compensate/offset risks and impacts, in that order. The client will avoid adverse risks/impacts, where possible; minimize risks/impacts as the next option; restore pre-impact conditions when both avoidance and minimization are not possible, and offset and/or compensate for residual impacts as a last resort.”
- **Replacement of “assessment” terminology with “identification” terminology.** Change all references to the “risk and impact identification process” to the “risk and impact assessment process” or the “risk and impact identification/assessment process” and clarify that “assessment” includes the potential nature, magnitude, severity and duration of potential impacts.
- **“Significant” limit for new issues (footnote 7).** Proposed text for footnote 7 to para 6: “~~7. Relevant risks and impacts to consider and identify include, if reasonably expected to be significant, among others, these~~ The risks and impacts assessment process will include risks and impacts that potentially require mitigation relating to climate change, human health, human rights, gender differences, ecosystem functions, and access to water resources.”
- **Comprehensive EIAs for significant impacts.** Retain the requirement for a comprehensive EIA for projects with potential significant impacts. Proposed text: “Projects with significant adverse risks and impacts -- that is, risks and impacts that are diverse, irreversible, or unprecedented -- will have comprehensive social and environmental impact assessments.”
- **Definition of significance for clients.** State that the IFC definition of significance should be used by clients.
- **Quality Assurance/Baseline data.** Proposed text for para 6: “The scope of the risks and impacts identification process will be consistent with ~~good~~ international best industry practice, and will determine the appropriate and relevant methods and assessment tools.... The risks and impacts identification process will be based on up to date (that is, reflecting current conditions) ~~recent~~ social and environmental baseline data at ~~the an appropriate level of detail.~~<sup>9</sup> necessary to assess the potential project impacts, collected over sufficient time to record variations in environmental receptors and biodiversity (including diurnal, seasonal and year-to-year variations)”. Delete footnote 9.
- **Indirect impacts.** State that the risks and impacts process include indirect impacts. Recommended text: “The process will consider all relevant direct and indirect social and environmental risks and impacts of the projects....”
- **Consideration of Affected People.** Recommended revised text: “the process will consider ... the impacts on, and the views and concerns of communities and people likely to be affected.” (para 6)
- **Scoping.** State that the scoping of the potential risks and impacts should include consultation with affected communities. (para 6)



- **Trans-boundary impacts.** State in the Performance Standards that the client is required to inform other affected countries where there are transboundary receptors. (para 6)
- **Project vulnerability to climate change.** Clients should the potential impacts of climate change on a project and the vulnerabilities of a project to climate change. This assessment could be incorporated as part of the environmental and social impact process, although its focus is different (see proposed text), and disclosure, monitoring, etc., would be covered by existing requirements. Alternatively, if this cannot be incorporated in the environmental/social risks and impacts identification/assessment process, it should be separately required with clear requirements regarding consultation, inclusion in management plan, disclosure monitoring, etc.
  - Proposed text: “The risks and impacts identification/assessment process will include assessment of all relevant climate-related risks that would impact the operation and viability of the project.” (potentially between paras 6 and 7)
- **Associated facilities.** Broaden the definition of “associated facilities”, consistent with the Inter-American Development Bank, to a one-way definition where the facility in question is essential for the MDB-financed project to function (or, in the IFC’s terminology, the client’s project would not be viable without the existing facility) and include modifications and expansions of existing facilities to service the IFC-financed project. Proposed text (para 7):

“Associated facilities are defined as those new facilities, including modifications and expansions of existing facilities, that would not be constructed if the clients’ project did not exist and where the client’s project would not be viable without the other facility.<sup>11</sup> Associated facilities may be funded, owned, constructed and operated separately.<sup>12</sup>

<sup>11</sup> Examples include but are not limited to railways, roads, power plants or transmission lines, pipelines, utilities, warehouses, and logistics terminals, and production and processing facilities for inputs.”

<sup>12</sup> Clients are also encouraged to include any other third party facilities that are essential for the successful operation of the business activity.”

- **Cumulative impacts.** Expand the definition to include impacts of all “reasonably foreseeable” activities in the area, not “realistically defined” developments, and add detail on the scope of cumulative impacts. Proposed text: “Areas potentially affected by direct and indirect cumulative impacts... and other developments that are reasonably foreseeable realistically defined at the time of the risks and impacts identification/assessment process. The scope of cumulative impacts will include temporal, spatial and geographic boundaries that are resource receptor specific.” (para 7 bullet 3)
- **Supply chains in area of influence.** Add an additional bullet “supply chains as required by PS1, PS2 and PS6” in the definition of area of influence. (para 7)
- **Alternatives analysis.** Include an analysis of project alternatives. Proposed text: “The risk and impact identification/assessment process will include an analysis of project alternatives, including the “no project” alternative, and documentation of the rationale for selecting the particular course of action proposed. The analysis will consider alternatives in light of the mitigation hierarchy, including low-carbon alternatives. Alternatives analysis will include cumulative impact analysis of various alternatives, where relevant, and should allow for side-by-side comparison of the benefits and risks of the alternatives.”
- **Post-closure.** Include post-closure activities. Proposed text: “and decommissioning or closure, and post-closure.” GN1 G17 would include “and decommissioning, and closure and post-closure and...” (para 8)
- **Post-closure – specifics.** Specify that closure/post-closure plans provide a full and realistic characterization of closure/post-closure requirements and that closure/post-closure plans be

incorporated in the client's ESMP/Action Plans and be updated as needed. These plans should pay particular attention to perpetual care situations, including the periodic reconstruction of facilities in perpetuity and the periodic replacement of control and monitoring infrastructure

- **Segmentation.** When projects are segmented, require that the timeframe for environmental and social impact assessment of a project be the likely useful life of the project and the associated post-closure period and pay particular attention to assessing the potential negative cumulative impacts over time and to government capacity to oversee the project and manage risks.
- **Supply chains.** Proposed revised text: "The impacts associated with supply chains will be considered in the risk/impact identification/assessment process ~~where~~ when (a) the resource utilized by the project is ecologically sensitive or impacts ecologically sensitive systems or areas and/or (b) there is a potentially significant negative environmental or social impact as a result of supplying the project. (See also PS2, para 24, and PS6, para 25.)" Define "ecologically sensitive." (para 9)
- **Emergency preparedness.** Include a requirement or guidance note that for dams, clients evaluate "reservoir induced seismicity" (RIS) as part of their emergency assessment/ planning.
- **Stakeholder engagement.** Proposed text: "projects with few stakeholders and/or limited impacts will need a limited engagement plan." Update the Stakeholder Engagement Handbook to provide more specific guidance linking form of disclosure to project risks. (para 24)
- **Other Disclosure.** Proposed revisions to para 26 on access to information:
  - "The client will publicly, including locally in hardcopy, disclose the corresponding relevant document(s)."
  - add that the client is also encouraged to disclose its full ESMP.
  - add a new (iv), the Action Plan (previewed in para 17).
  - delete "and in any event before the project construction begins" so the disclosure timing requirement is simply "early in the project cycle," as for consultation. If the intent is to address projects where the IFC is brought in after the beginning of the project cycle, we recommend a separate sentence, which should be consistent with any similar language on stakeholder engagement and consultation.
  - GN1 G96. Insert "As a minimum, the client should disclose the relevant information, including the relevant documents, related to the assessment process and the proposed management system..." or "such disclosure may range from disclosing, at a minimum, the draft Environmental and Social Assessments...."
- **Grievance redress mechanism.** Include a provision for a grievance to be filed without the filer's identity being made public, to address instances where project-affected people are afraid to speak out and include a requirement that the grievance redress mechanism be culturally appropriate and adapted to the communications challenge the Affected Stakeholders may face (e.g., language, low level of literacy, no access to technology), as discussed in G105.
- **Reporting to Affected Stakeholders, including on Monitoring.** Proposed revised text: "In addition, clients will publish periodic reports on monitoring results with a frequency proportionate to the concerns of affected people but no less than annually and in a format accessible to affected stakeholders, and are also encouraged to publish periodic reports accessible to all stakeholders on their environmental and social performance and implementation of any environmental and social management plans." (para 30)

- **Monitoring reports/data disclosure:** Require that monitoring reports disclose comprehensive, detailed data, not only statements of “no violation of standards” to allow interested parties to review data for trends that might indicate early-stage problems.
- **Community participation in monitoring.** Develop guidance notes on including affected stakeholders in monitoring and/or plan to address this in the Stakeholder Engagement Handbook. Proposed revised text: “consider: “Where appropriate, clients will ~~consider~~ involve representatives...” (para 34)

### **PS 2 – Labor and Working Conditions**

- **Exclusion list.** Revise the Exclusion List to reflect the more stringent definitions of forced labor/harmful child labor used in PS 2.
- **Workers’ organizations.** Delete “unduly,” as it implies that some unspecified degree of employer influence or control is acceptable. Proposed revised text: “The client should not seek to ~~unduly~~ influence or control these means.” (para 12)
- **Supply chains.** Proposed revised text: “The adverse impacts of supply chains will be ~~considered~~ given particular attention where there is a high potential risk...” (para 24).
- **Work force elimination.** Reinsert the word, “significant” in reference to elimination of work force. Deletion of “significant” could theoretically allow the dismissal of a single worker to trigger an analysis
- **Prison labor.** Proposed revised text for G64 since the ILO standard does not require equivalence, and wages to incarcerated workers might have different deductions, including restitution to workers: “which approximates or is equivalent to...”

### **PS 3 – Pollution Prevention and Abatement (including EHS)**

#### **Mining**

- **Mining EHS Guidelines.** Add the “Environmental Code of Practice for Metal Mines, 2009<sup>3</sup> to the list of sources.

#### **Water**

**Requirements concerning impacts on water.** Proposed revised text for paragraph 9:

“In addition to applying the resource efficiency requirements of this Performance Standard, the client will include consideration of water issues in the risks and impacts identification process, and will implement measures in accordance with the mitigation hierarchy. In doing so, the client should demonstrate that measures to avoid or minimize project-related water consumption and impacts on water are evaluated (using current baseline data) and incorporated in the design and operation of the project, particularly in water stressed areas or for water-sensitive uses. Analysis will include water supply, water quality, water consumption, water-dependent downstream eco-systems and aquifers, water-dependent livelihoods including flood-recession agriculture, exposure to water-based public health risks, and affordability and access to water and sanitation services (including cost of service and distribution), and will be technically-based where possible.

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<sup>3</sup> 1/MM/17, Mining Section, Mining and Processing Division, Public and Resources Sectors Directorate, Environmental Stewardship Branch, Environment Canada

Where relevant, the client will address issues pertaining to variations in water supply, including the maintenance of ecological flows. Where flood recession agriculture or flood-dependent ecosystems occur, planned mitigation includes artificial flood releases of adequate size and duration to continue supporting ecosystems (including fishery migrations) and population requirements. Large daily fluctuations in river levels is also to be adequately mitigated to ensure continued ecosystem functioning.

9. When the ~~project~~ ~~has~~ ~~client~~ ~~is~~ ~~a~~ ~~potentially~~ ~~significant~~ ~~water-related~~ ~~impacts~~ ~~(~~ ~~consumer~~ ~~ption~~ ~~or~~ ~~other)~~, ~~of~~ ~~water,~~ ~~in~~ ~~addition~~ ~~to~~ ~~applying~~ ~~the~~ ~~resource~~ ~~efficiency~~ ~~requirements~~ ~~for~~ ~~this~~ ~~performance~~ ~~standard,~~ the client shall adopt measures that avoid or reduce water usage ~~and/or~~ ~~other~~ ~~impacts~~ ~~on~~ ~~water~~ ~~to~~ ~~ensure~~ ~~so~~ ~~that,~~ ~~at~~ ~~a~~ ~~minimum,~~ the project's ~~water~~ ~~consumption~~ does not have significant ~~post-mitigation~~ adverse impacts upon others. These measures include, but are not limited to, the use of additional technically feasible water conservation measures within the client's operations, the use of alternative water supplies, water consumption offsets to reduce total demand for water resources to within the available supply, and evaluation of alternative project locations."

**GHG emissions.** Proposed revised text to broaden the requirement to quantify indirect emissions; require explicitly an analysis of low-carbon alternatives and specific measures to be implemented; and clarify that offsets are a last resort:

"8. For projects that are expected to or currently produce more than 20,000 tons of CO<sub>2</sub>-equivalent annually, the client will quantify direct emissions from the facilities owned or controlled within the physical project boundary,<sup>8</sup> as well as indirect emissions associated with the off-site production of energy<sup>9</sup> used by the project ~~and, where feasible, emissions from projects that result in changes in plant cover, loss of sub-surface carbon, or decay of organic matter.~~ Quantification of GHG emissions will be conducted by the client annually in accordance with internationally recognized methodologies and good practice.<sup>10</sup> ~~[or WBG methodology if one is developed].~~ In addition, the client will evaluate technically and financially feasible ~~and cost-effective~~ options that in the aggregate reduce ~~or offset~~ project-related GHG emissions, ~~and will incorporate appropriate measures in during the design and operation of the project. These options may include, but are not limited to, supply or demand side energy efficiency improvements, the use of renewable energy sources or other low carbon fuels, changes in agricultural/forestry/livestock production practices, reduction of fugitive emissions and the reduction of gas flaring.~~ The client will document its analysis of the options considered and the specific measures chosen to be implemented. ~~These options may include, but are not limited to, carbon financing, energy efficiency improvement, the use of renewable energy sources, alterations of project design, emissions offsets, and the adoption of other mitigation measures such as the reduction of fugitive emissions and the reduction of gas flaring.~~ In accordance with the mitigation hierarchy, the preferred options are to avoid or minimize GHG emissions within the project's or client's corporate footprint. If no such options are feasible, the client should consider the acquisition of internationally-certified emission offsets. Clients' actions to address GHG emissions will be commensurate with the project's level of emissions.

### ***PS 5 – Land Acquisition and Involuntary Resettlement***

- ***Introduction/scope.*** Insert “land acquisition or restriction on land use” in the first sentence to be consistent with the rest of PS5.
- ***Natural resources.*** Clarify in an appropriate place (or places) that “natural resources” includes not only natural resources on land but also freshwater and marine natural resources.
- ***Resettlement as an opportunity to promote development.*** Add a new objective, with related PS and GN text, that “involuntary resettlement will be used as an opportunity to promote the development of the displaced people” Consistent with the ADB Safeguard Policy Statement, Appendix 2). Proposed text:

Involuntary resettlement should be conceived of and executed as part of a development project or program and include appropriate benefit-sharing. The client will develop and implement resettlement action plans as part of a broader development program in which displaced people are provided opportunities to share in project benefits. The borrower/client will provide assistance such as credit facilities, training and employment opportunities so that they can improve, or at least maintain, their livelihood. Borrowers/clients are to ascertain specific opportunities for engaging affected persons as project beneficiaries and to consider how to spread such opportunities as widely as possible among affected person in the resettlement plan to share project benefits in addition to providing compensation and resettlement assistance.

- ***Economic and financial analysis.*** Include in an appropriate place a requirement for economic and financial feasibility analysis and sensitivity analysis as the basis for client-produced Resettlement Action Plans/Compensation Plans and corresponding Frameworks.
- ***Private sector projects.*** Delete the phrase “in private sector projects” in the chapeau of para 5.
- ***Other project situations.*** Proposed last sentence in para 7: “This ~~may~~ includes project-related restrictions on access resulting from the creation of biodiversity offset areas or legally designated buffer zones, and restrictions on freshwater and marine environments.”
- ***Significantly adverse impacts – client requirement.*** Remove the client discretion in the last sentence of paragraph 8 by dropping the word “consider,” consistent with the GN6, G13 text stating that, “If these impacts become significantly adverse at any stage of the project, so that the relevant communities are left with no alternative except to resettle or become economically displaced, the client should apply the requirements of Performance Standard 5, even where no initial project-related land acquisition was involved” and revise G13 text to, “even where no initial project-related land acquisition or land use restriction was involved.”
- ***Significantly adverse impacts – livelihood restoration.*** Adopt the requirement, consistent with the Asian Development Bank, that in the case of significantly adverse impacts from activities other than land acquisition and restriction on land use, the borrower/client will be required to develop and implement a management plan to restore the livelihood of affected person at least to pre-project level or better.
- ***Acquisition.*** Clarify the phrase, “The acquisition of land and related assets...” as it doesn’t make sense to prohibit the client from acquiring land prior to paying compensation, but it is important not to move resettled people prior to certain other requirements being fulfilled. (para 10)
- ***Verification.*** Require verification of actions prior to actually resettling people. Proposed text: “Moving people to new locations may happen only after compensation has been paid and, where applicable, resettlement sites and moving allowances have been provided to the displaced persons,<sup>14</sup> and these payments/provision has been confirmed by the IFC/ lender.” (para 10)
- ***Periodic monitoring/evaluation.*** Require clients to establish procedures “to monitor and evaluate periodically the implementation of the Resettlement and/or Compensation plans ...” (para 15)
- ***Completion audits.*** Require completion audits for all projects with significant involuntary resettlement; include consultation with the affected people, to ensure that their views are taken into account in the evaluation of the effectiveness of the rehabilitation measures ; specify that it is the auditors’ judgment that mitigation is

complete; and specify the client responsibility for addressing any shortcomings.

Proposed new last sentence: “If the completion audit reveals shortcomings in achievement of the desired goals, the client will address the identified shortcomings.”

- **Completion of mitigation.** Delete the standard for completion of mitigation of economic displacement in paragraph 22 since it is weaker than the one in paragraph 10.

### ***PS 6 – Biodiversity Conservation and Sustainable Natural Resource Management***

- **Ecosystem services definition.** Include in the definition of ecosystem services provisioning, regulating and cultural and supporting services, consistent with the Millennium Ecosystem Assessment definition cited in GN1 G54; do not limit the definition (as in footnote 1) to the first three concepts.
- **Scope of impact assessment.** Delete phrases limiting the scope of ecosystem services considered, such as “critical,” “priority,” “major threats to” and “significant”. (Sample references to these terms are in PS1 paras 3, 6, 5 and PS1 footnote 7, respectively.)
- **Assessment focus.** Focus the impact assessment on all ecosystem services and delete language limiting consideration to ecosystem services of particular concern only to the project or the Affected Stakeholders.
- **Risks and Impacts Identification Process.** State that the risks and impacts identification process include “direct, indirect and cumulative project-related impacts” and that “Baseline data to assess impacts should be of sufficient duration to record variations in biodiversity (including diurnal, seasonal and year-to-year variations).” (para 4)
- **External experts.** Have independent, qualified and experienced external experts assist in the identification of ecosystem services impacts and determination of response. (para 5)
- **Reference to mitigation hierarchy.** Use the PS1 definition of the mitigation hierarchy verbatim (to avoid confusion) and delete references to “significant”. (para 8, footnote 5)
- **Examples of Modified Habitat.** Rephrase to clarify that any habitat can be modified. Proposed text: “Any type of ecosystem or habitat can be modified. Examples of modified habitats include, but are not limited to, agricultural areas, forest plantations, reclaimed coastal zones, and constructed wetlands.” (para 9)
- **Offsets in Modified and Natural Habitat.** Include a general statement that offsets should achieve positive biodiversity gains, and specify the following requirements for offsets in modified and natural habitat, based on the work of the Business Biodiversity Offsets Programme (BBOP).<sup>4</sup> These principles are based on extensive field and policy experience in offsets and strive to provide a basis for the design and implementation of biodiversity offsets in order to maximize the benefit and minimize potential negative impacts of offsets for biodiversity and local communities. Proposed text for a new para 14: (with a cross-reference in para 10):
  - 1.) **Law and Conventions:** Offsets should be designed and implemented to comply with all relevant national and international law and in accordance with the Convention on Biological Diversity and its ecosystem approach as articulated in National Biodiversity Strategies and Action Plans.
  - 2.) **No Net Loss:** Offset should be designed and implemented to achieve in situ, measureable conservation outcomes that can be expected to result in no net loss and preferably a net gain of biodiversity within the project area of influence. (Note: Requiring

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<sup>4</sup> Principles derived from the Business and Biodiversity Offsets Programme (BBOP) Biodiversity Offsets Design Handbook ([www.forest-trends.org/biodiversityoffsetprogram/guidelines](http://www.forest-trends.org/biodiversityoffsetprogram/guidelines))

a ‘no net loss’ at the international, national, regional level is probably beyond the manageable control of either the IFC or the client.)

- 3.) *Additional Conservation Outcomes:* Offset should achieve conservation outcomes above and beyond results that would have occurred if the offset had not taken place.
- 4.) *Adherence to the Mitigation Hierarchy:* Offset is a commitment to compensate for significant residual adverse impacts on biodiversity identified after appropriate avoidance, minimization and on-site rehabilitation measures have been taken according to the mitigation hierarchy.
- 5.) *Limits to What Can be Offset:* There are situations where residual impacts cannot be fully compensated for by a biodiversity offset because of the irreplaceability or vulnerability of the biodiversity affected.
- 6.) *Landscape Context:* Offset should be designed and implemented in a landscape context to achieve the expected measurable conservation outcomes taking into account available information on the full range of biological, social and cultural values of biodiversity and supporting an ecosystem approach.
- 7.) *Stakeholder Participation:* In areas affected by the project and by the offset the effective participation of stakeholders should be ensured in decision-making about offsets, including selection, design, implementation, monitoring and evaluation.
- 8.) *Equity:* Offset should be designed and implemented in an equitable manner, meaning the sharing among stakeholders with special consideration for indigenous peoples and local communities, of the rights and responsibilities, risks and rewards associated with a project and offset in a fair and balanced way respecting legal and customary arrangements.
- 9.) *Long-Term Outcomes:* The design and implementation of the offset should be based on an adaptive management approach with the objective of securing outcomes that last at least as long as the project’s impacts and preferably in perpetuity.
- 10.) *Transparency:* The design and implementation of the offset, and communication of its results to the public should be undertaken in a transparent and timely manner.
- 11.) *Science and Traditional Knowledge:* The design and implementation of an offset should be a documented process informed by sound science and traditional knowledge.”

- **Offsets and Indigenous People.** Clarify the meaning of “respect” in footnote 10. Proposed text: “During offset development, clients will ~~respect~~ ensure that proposed offset does not impinge on the ongoing usage of the proposed offset by Indigenous Peoples or traditional communities.” (para 13 bullet 2)
- **Offset banking.** Delete reference to offset banking as there are no credible systems.
- **Offsets in critical habitat and legally protected and designated areas.** Delete references to offsets in critical habitats since critical habitats are, by definition, not offsettable. (para 16)
- **Paragraph 15:**
  - We question whether the focus on a single criterion and the ecological processes supporting it sufficiently captures the nature of critical habitat as a complex ecological system.
  - Regarding the second bullet, we doubt that, in general, that the necessary up-to-date data are available for assessments of reduction of global, national or regional populations over time.
  - Regarding bullet 3, any biodiversity monitoring program should be accompanied by a robust companion structure for applying the biodiversity monitoring data and findings, in a timely manner, for decision-making to support the conservation and management of biodiversity.
  - Regarding bullet 4, see comment on bullet 1.

- **Definition of critical habitat.** Critical habitat should be “important” to the various species, not “significantly important.” State that it can be outside legally protected and designated areas and should include sub-species where appropriate and species that are vital to the ecosystem as a whole .
- **No impacts from other projects.** We recommend a “no adverse impact on critical habitat” standard for projects outside critical habitat.
- **Legally protected and designated areas (LPDAs).** Require that the paragraph 12 and 13 provisions apply to those LPDAs that are natural habitats, require that the paragraph 15 provisions apply to those LPDAs that are inherently critical habitat or close to it (viz. IUCN Categories Ia, Ib or II or the biodiversity purpose), and establish additional requirements related to the legal nature of these areas.
- **Being sustainable and supporting the management plan.** Require that proposed activities in LPDAs be ecologically sustainable and support the area’s management plan or, in the absence of a management plan, the objectives determined by the responsible natural resource, protected area, or wildlife agency.
- Proposed text, reflecting changes from the IFC’s proposed text and also drawing on EBRD’s 2008 Environment Policy:

#### *Critical Habitat*

14. Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value, including areas with the following criteria: (i) habitat of significant importance to Critically Endangered and/or Endangered species, endemic and/or restricted-range species and subspecies, and globally significant concentrations of migratory species, and/or congregatory species; ; (ii) areas with regionally unique and/or highly threatened ecosystems; and (iii) areas which are associated with key evolutionary processes; and (iv) species that are vital to the ecosystem as a whole . Critical habitat can include areas that are not being protected or managed, and may be outside legally protected and designated areas. Critical habitat may exist where the habitat’s ecosystem functions or species rely on or provide connectivity with other critical habitat, including legally protected critical habitat areas. Projects in critical habitats downgraded merely for the purpose of allowing the project to proceed will not be financed.

15. Critical habitat shall not be degraded. In areas of critical habitat, the client will not implement any project activities unless the following requirements are met:

- The proposed activity supports conservation of the critical habitat, or the proposed activity in some other manner has a clearly positive environmental impact on the critical habitat. The client will document the positive impact.
- If the critical habitat is (or is in) a legally protected or designated area, the requirements of paragraph 17 also apply. If the critical habitat is not in a legally protected or designated area, but nevertheless is subject to a management plan or objectives from a natural resource/wildlife agency, the project supports that plan or objective.
- The client documents, through baseline data and analysis, that tThere are no measurable adverse impacts, or likelihood thereof, on the critical habitat. ~~on the criteria for which the critical habitat was designated and on the ecological processes supporting that criteria~~
- ~~The project is not anticipated to lead to a net reduction in the global or national/regional population of any Critically Endangered or Endangered species over time~~
- The client has implemented a robust biodiversity monitoring program and a robust companion structure for applying the biodiversity monitoring data and findings, in a timely manner, for decision-making to support the conservation and management of biodiversity.
- Any lesser- Any potential negative impacts are avoided or minimized in accordance with the mitigation hierarchy, which for critical habitat should focus on avoidance and does not include



offsets, to meet the “no measurable adverse impact” requirement above. mitigated in accordance with paragraph 8.

- The client establishes an environmental/biodiversity management plan, includes measures to improve the management of the critical habitat, where necessary, supports the conservation of *in situ* biodiversity, and supports the areas management plan/objectives, if any.
- Compliance with any due process required under international obligations or domestic law that is a prerequisite to a country granting approval for project activities in or adjacent to a critical habitat has been complied with.

16. In areas of critical habitat, biodiversity offsets will be designed to achieve net positive gain of the relevant criteria described in paragraph 14 of this Performance Standard. Projects outside critical habitat will have no measurable adverse impact on critical habitat.

#### *Legally Protected and Designated Areas*

17. Legally protected and designated areas are those areas legally protected for the protection and conservation of biodiversity, or areas proposed by governments for such designation, including internationally designated areas. Legally protected and designated areas include IUCN Protected Categories (I-V), including marine areas, and established corridors between such sites; Key Biodiversity Areas (KBAs); wetlands designated under the Convention on Wetlands of International Importance (the Ramsar Convention), also known as Ramsar Wetlands; UNESCO World Heritage Sites; and UNESCO Man and the Biosphere Reserves.

17bis. Legally protected and designated areas have differences among them that require different treatment. Proposed projects in areas of critical habitat within a legally protected and designated area, and in any legally protected and designated area (including marine areas) with the management objective to protect or conserve biodiversity and/or with management objectives as described for IUCN Categories Ia, Ib and II, including marine areas, such as KBAs and Ramsar Wetlands, will meet the requirements of paragraph 15 (for critical habitat). Proposed projects in all other legally protected and designated areas will meet the requirements of paragraphs 12 and 13 (for natural habitat). A project proposed to be located in a legally protected and designated area may include both critical and non-critical habitat in its sphere of influence and therefore be subject to the provisions of paragraph 15 and paragraphs 12/13 in the respective habitats. Projects in areas that were degazetted or their protected status down-graded for the mere purpose of allowing the project to proceed will not be financed.

17ter. In addition, when a proposed project would be located within a legally protected or designated area<sup>14</sup> or an internationally designated<sup>12</sup> area, the client, in addition to the applicable requirements of Paragraphs 12, 13 and 15<sup>13</sup> above, the client will:

- Demonstrate that the proposed activity supports the area’s management plan or, in the absence of a management plan, the objectives determined by the responsible natural resource, protected area, or wildlife agency.
- Demonstrate that the proposed activity is ecologically sustainable.
- Demonstrate that any proposed development in such areas is legally permitted
- Act in a manner consistent with any government recognized management plans for such areas
- Consult protected area sponsors and managers, local communities, Indigenous Peoples and other key stakeholders on the proposed project, as appropriate
- Implement additional programs, as appropriate, to promote and enhance the conservation aims and effective management of the protected or designated area.

<sup>14</sup> Includes areas proposed by governments for such designation.

<sup>12</sup> This includes UNESCO World Heritage Site, UNESCO Man and the Biosphere Reserves, Key Biodiversity Areas (KBAs) and wetlands designated under the Convention on Wetlands of International Importance (the Ramsar Convention).

<sup>13</sup> If the primary management objectives of the legally protected or designated area are comparable with the management objectives as described for IUCN Management Categories Ia, Ib and Category II when these areas are designated for the protection or conservation of biodiversity.

- **Footnote 8.** In footnote 8 to para 12 change the definition of significant conversion or degradation to include (i) short-term change that could have substantial and lasting impacts and (ii) the results from small, incremental cumulative impacts, if significant.
- **Plantations and Natural Forests.** Proposed text: “will not cause any conversion or degradation of critical habitat or areas identified as High Conservation Value (HCV), including any adjacent or downstream critical habitat and HCV.” (para 23)
- **Plantation location.** Proposed text: “Where feasible, the client will locate plantation projects on highly modified habitat or significantly degraded lands.” (para 23)
- **Supply chains.** Proposed text:

25. Where the resource utilized is ecologically sensitive and/or impacts on ecologically sensitive areas, clients should give preference to purchasing products, including renewable natural resources, from primary suppliers<sup>18</sup> that have verified sustainable management practices. The adverse impacts associated with ~~ecologically sensitive~~ supply chains will be ~~considered~~ given particular attention where there is a potential risk ~~that primary suppliers are overexploiting~~ to areas of critical habitat or high conservation value HCV.

- **Guidance notes -- laws and conventions.** Include in the list of applicable laws and conventions the International Plant Protection Convention and the International Treaty on Genetic Resources for Food and Agriculture.

### **PS 7 – Indigenous People (IP)**

- **Scope of assessment.** Clarify that the scope of IP impacts assessment is the project’s area of influence.
- **Human rights.** Delete the “the” before “human rights” to avoid misunderstanding that IP have separate specific human rights. Proposed text: “respect for ~~the~~ human rights and the dignity, aspirations ...”
- **Due process.** Clarify the phrase, “due process in the case of commercial development of their land under national laws” since it suggests that a private entity can provide due process, while in fact due process is normally provided by states through its judicial system. (para 16, bullet 5)
- **Definitions.**
  - a. Reconcile footnote 1 definition of "good faith negotiation" with paragraph 24 of the Guidance document.
  - b. Provide definitions of "informed participation," “free, prior and informed consultation” and "successful outcome".
  - c. Clarify the different terms : "lands under traditional or customary use", "traditional or customary lands", "lands subject to traditional ownership or under customary use", "lands [that are] traditionally owned or under customary use", and "communally held traditional or customary lands under use."

#### IV. Disclosure Policy

- **Overview.** Ensure that the items included in the current proposed sections C and D of the IFC's Disclosure Policy, on Investment-related Information and Advisory Services respectively, continue to be developed and disclosed in a timely fashion, supplemented by the recommendations below.
- **Project supervision, monitoring documents and completion reports.** Consistent with the World Bank's approach to these documents, disclose project supervision, monitoring and completion documents including, with respect to safeguards, the following documents: :
  - Corrective Action Plans (CAPs) and CAP implementation reports for Category B projects as well as Category A; (para 13.e)
  - Substantive summaries of the environmental/social project supervision, monitoring and completion reports (or sections of broader reports), and Environmental and Social Review Documents (para 9.c and 14);
  - Key documents specific to oversight and evaluation of FI Environmental and Social Management systems and FI subprojects, as discussed below;
  - Reporting on any project-level performance indicators specifically pertaining to safeguard commitments.
- **Development impact reporting.** Expand the IFC's commitment to report publicly on development impacts of individual projects to include the following: (para 14.i)
  - All projects (Categories A, B, C, FI)
  - A robust set of DOTS indicators.
  - Appropriate project-specific indicators, either within or beyond DOTS.
  - Qualitative discussion.
  - Both negative and positive impacts.

#### *Disclosure specifically related to safeguards.*

- **Category A ESRS public disclosure.** Require an effective minimum disclosure period for Category A and FI(A) Environmental and Social Review Summaries (ESRS, which include EIAs) of 120 days before financing approval.
- **FI disclosure.** For Category A projects financed by FIs, require the same disclosure period before approval as for Category A projects financed directly by IFC.
- **Category rating and EIA disclosure early in the project cycle.** Post the rating at the time the IFC determines a project to have potential significant adverse impacts that are diverse, irreversible, or unprecedented, and post the EIA when available, not waiting for full ESRS documentation.
- **Disclosure of rationale for categorization.** Proposed text for footnote 6 to para 13.a: "The rationale for a project's categorization will be project-specific, highlighting key factors in the categorization (e.g., key significant impacts, or key factors in determining that a project's impacts will be limited rather than significant), and also addressing any changes from preliminary categorization ratings and any discrepancies from co-financing partners."
- **EIA disclosure in a co-financing situation.** Post links to environmental and social due diligence information posted by co-financing partners.

- **Broad community support.** Disclose a summary not only of the process of determining BCS but also of the information on which the determination is based, highlighting key issues and considerations. (para 13.d)

#### ***Disclosure related to FIs***

- **Development impact reporting for FIs.** Include FIs in Development impact reporting requirements; include new language that FI development impact reporting will include not only portfolio-wide reporting but also reporting on sub-projects with more substantial development reporting (positive and negative).
- **Disclosure of social/environmental information.** Publicly disclose in the SII, ESRS and subsequent annual updates:
  - A summary of the analysis and assessment of the FI's environmental and social management system (this would presumably not need annual updates except in the event of material change);
  - Any action plan agreed with the FI to address weaknesses;
  - Annual updates on implementation of any such action plan;
  - An updated list of FI subprojects with potential significant social and/or environmental risks and impacts and links to any EIAs.

#### ***Advisory services, historical information and institutional information***

- **Advisory services.**
  - Include national programs in the disclosure requirements pertaining to global and regional Advisory Service programs. (para 16).
  - State that Advisory Services are subject to environmental/social impact assessment requirements. (para 17)
  - Include projects likely to lead to activities with environmental and social impacts in the disclosure requirements of specific Advisory Service projects. Proposed text: “For advisory services projects likely to lead to activities with environmental and social impacts (such as advisory projects in infrastructure, energy and extractives sectors) and those with a value over a certain threshold amount to be decided from time to time...” (para 17)

#### ***V. Implementation***

Because the Performance Standards rely on actions taken by the client, IFC oversight of implementation is critical, supplemented by disclosure and ongoing engagement with affected stakeholders. Accordingly, we recommend that the next draft of proposed changes in the text of the PPS and DP be accompanied by a report on IFC plans for implementation. In developing this plan, we underscore the need for assurances of compliance at the time of Board consideration and strong client commitment to continued compliance, coupled with continued IFC compliance and the availability of appropriate and timely remedies in the event of non-compliance, including possible IFC disengagement. The IFC should also have an effective system for assessing a project's initial and ongoing risk and the relevant risk management capacities of the client, the host country government and the IFC itself. Moreover, the IFC should ensure appropriate procedures to verify client data, especially for key determinations, such as whether a project has potential significant impacts; what to address in action plans; and whether client commitments are being met in a timely manner, particularly with respect to corrective action plans.