

Mr. James Wolfensohn
President
World Bank Group
1818H Street, NW
Washington DC 20433

Mr. Peter Woicke
Executive Vice President
International Finance Corporation
2121 Pennsylvania Avenue NW
Washington DC 20433

16 September, 2004

Dear Mr. Wolfensohn and Mr. Woicke,

Re: Seriously flawed consultation process for IFC Safeguard Policy Update

We, the undersigned members of development, human rights, environmental and indigenous peoples' organisations, and concerned individuals, would like to inform you of our deep concerns about the IFC Safeguard and Disclosure Update Process which is already underway.

As the IFC itself acknowledges, its proposals could become a global benchmark for international investment for both public and private financiers. While we support the intention of the IFC to update its policies, we are alarmed that the first consultation drafts (dated 12 August 2004) imply a major shift from a mandatory and compliance-based approach to a mainly discretionary approach. Such a shift would dilute the responsibilities of a public institution and undermine its accountability to affected communities.

The substantial proposed revisions to the policies largely ignore the priorities and concerns expressed by rights-holders and civil society organisations in numerous previous Bank consultations on its safeguard policies. The proposals likewise disregard many key recommendations and lessons emerging from the safeguard policy review undertaken by the Compliance Advisor and Ombudsman (CAO) and the recently completed Extractive Industries Review (EIR).

We believe that the IFC revision process should result in a mandatory and rights-based approach to "safeguard" and disclosure issues and better protection of people and the environment in accordance with the World Bank Group's mandate to alleviate poverty through sustainable development. However, the draft documents that have been released reveal a disturbing re-orientation of the policies towards accommodating the needs of private sector clients, with scant mention of the rights of the affected communities whose interests would be most impacted by these proposals.

Given the potentially significant implications of such proposed changes, the IFC must, as a minimum, ensure that its process for engagement with civil society is undertaken in accordance with World Bank best practice and the IFC's own guidelines for good faith public consultation.

At present, the process is fundamentally flawed. The timeframe will exclude and marginalise the participation of civil society groups, especially those most affected by the proposed substantial changes. The rushed schedule also seems to be driven by an internal and arbitrary desire to conclude this process by February next year. This allows only a little over four months for a proposed

worldwide debate on the IFC's plans to replace the entire set of its existing Safeguards. We feel this is a grossly inadequate period to re-assess policies and standards which took years to formulate.

Furthermore, documents essential for assessing the full ramifications of these policy revisions, such as the implementation guides and the IFC's revised corporate procedures, are simply not available yet. In addition, less than 30 days before the first regional consultation planned to take place in Brazil, the proposed draft documentation has still not been translated into all appropriate languages, including Portuguese.

These serious flaws and shortcomings in the proposed consultation process are not acceptable and do not reflect a good faith engagement with civil society by the IFC. If our organizations are to consider participating in the IFC consultation, we believe that it is essential that the IFC takes at least the following measures:

1. Suspend immediately the start of the consultation process on the Safeguard Policy Update until all relevant information has been made publicly available in all appropriate languages at least 30 days prior to the first regional consultation. This includes the implementation guides and revised IFC corporate procedures.
2. Postpone the consultations on the disclosure policy until at least 30 days after the full draft revised policy is made available to the public in the appropriate languages.
3. Extend substantially the period for consultation on the first draft consultation documents.

In order to ensure transparency and informed and equitable participation we also recommend that the consultation process is revised to:

- a. Include a self-selection process for civil society groups and indigenous peoples in the regional consultations (if indigenous organisations or leaders in each region so choose)
- b. Make information on the participants invited to each consultation publicly available prior the meetings.
- c. Provide comprehensive summaries of the meetings to the public within 30 days of each consultation.
- d. Include an additional open hearing for any interested party to give input and allow anyone access with observer status for the regional consultations.
- e. Make the subsequent version of the IFC draft proposals available for public comment for a period of at least 90 days - following the first consultation phase.
- f. Indicate in the second public draft of the proposed policies where comments were incorporated and provide rationale for accepting or rejecting certain recommendations.

Given the fact that the first regional consultation is scheduled for the end of this month, we trust that you will take immediate steps to rectify this current process which is at present fundamentally flawed. We hope to hear a response from the Bank on its action to implement measures to ensure effective public consultation no later than 24th September 2004.

Unless the above minimum preconditions for meaningful and informed

consultation

are in are put in place, we do not see how we can participate in this process as we fear it will be lacking any acceptable level of credibility.

Signed jointly by the following organisations and individuals:

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