

Summary Report

“How the World Bank Group Gauges ‘Broad Community Support’ for Projects”

Panel Discussion – World Bank Group Annual Meetings

October 9, 2008

Room MCC1-100, World Bank Main Building, 1818 H Street NW

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Agenda

- 11:30 – 11:40am Introduction
Moderator, **Isabel Munilla**, Associate, World Resources Institute
- 11:40 – 11:50am World Bank Perspectives
Daniel Owen, Senior Social Development Specialist, Social Development Department
- 11:50 – 12:00pm IFC Perspectives – Environment and Social Development Department
Motoko Aizawa, Head, Policy and Standards Unit
Patricia Miller, Manager, Investment Support Group
- 12:00 – 12:10pm CAO Perspectives – Office of the Compliance/Advisor Ombudsman for IFC and MIGA
Amar Inamdar, Principal Specialist
- 12:10 – 12:20pm Civil Society Perspectives
Keith Slack, Extractive Industries Program Manager, Oxfam America
- 12:20 – 12:50pm Questions and discussion
- 12:50 – 1:00pm Session summary and closing

Summary of Presentations

The following provides a value added summary of the panel presentation and is meant to serve a resource on the topic. Comments attributed to participants are not a literal transcript of the panel discussion, but have been reviewed by the panelists. Where relevant, content has been hyperlinked to provide easy access to related online resources.

Introduction

Isabel Munilla, [World Resources Institute](#)

- **Panel purpose:** The [World Resources Institute](#), [Oxfam America](#) and the [Center for International Environmental Law \(CIEL\)](#) organized this panel to discuss the World Bank Group's implementation of the **broad community support (BCS)** standard. Based on a show of hands in the room, a small percentage of the 40+ attendees were familiar with the standard.
- **Relevance and timeliness:** With increasing demand for commodities, especially from the extractive industries (an area of focus for WRI) WRI believes that this standard is increasingly relevant for the World Bank Group. During its 2008 fiscal year, the World Bank Group invested \$1.03 billion in extractive industries projects¹. This is up more than one-third (33%) from 2007. Given the environmental and social risks that many extractive projects pose, particularly to communities living in the project area, the BCS standard merits more in-depth attention.
- **The standard in policies:** The World Bank Group applies the **broad community support** standard in two places:
 1. The [IFC's Policy on Social and Environmental Sustainability](#) – Paragraph 20
 2. The [World Bank Operational Policy 4.10 on Indigenous Peoples](#)
[Please see the Annex for policies]
- **Standard summaries:** To summarize the scope of the session, Ms. Munilla read excerpts from:
 1. IFC's policy: "...through its own investigation, IFC assures itself that the client's community engagement is one that involves free, prior and informed consultation and enables the informed participation of the affected communities, leading to broad community support for the project within the affected communities, before presenting the project for approval by IFC's Board of Directors. ...Broad community support is a collection of expressions by the affected communities, through individuals or their recognized representatives, in support of the project. There may be broad community support even if some individuals or groups object to the project."
 2. The World Bank Operational Policy 4.10 on Indigenous Peoples: "The Bank provides project financing only where free, prior, and informed consultation results in broad community support to the project by the affected Indigenous Peoples."

¹ World Bank Issue Brief – Extractive Industries

<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20127269~menuPK:34480~pagePK:34370~theSitePK:4607,00.html>

- **Discussion questions:** WRI posed the following questions to help frame the discussion:
 - Is this standard making a difference? Is it meeting its purpose?
 - Are there areas of improvement?
 - How does the process work? How is the standard actually applied in operations?
 - What sort of evidence is used to demonstrate BCS?
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Daniel Owen

Senior Social Development Specialist, [Social Development Department](#), World Bank

- **On Community Driven Development:** While not directly involved in the implementation of the BCS standard, [Community Driven Development \(CDD\)](#) is a core WBG effort to help establish an enabling environment for communities to derive full benefits from development projects. Mr. Owen provided an overview of how the World Bank is evolving towards a Community-Driven Development (CDD) approach. CDD is an approach that gives control over planning decisions and investment resources to community groups through a process that emphasizes local empowerment and participation. The [2001 World Development Report](#), based on its “Voices of the Poor” consultations, was the first report to highlight the importance of community involvement in project development. **Broad community support** has emerged at the World Bank as an important standard within this framework for addressing the concerns of the poor.
- **Lending for CDD** in the Bank has expanded and now comprises 15% of the overall lending portfolio, and includes over 400 projects. They are a critical component of anti-poverty programs. These projects put responsibility into the hands of local communities, to allow them to determine their own dev priorities
- **Strategies and approach:** CDD comprises a series of strategies for policy and institutional reform, community capacity-building and local governance relationships. Key approaches include stakeholder engagement and assessment, promoting increased information transparency and access to justice, building the capacity of local institutions, and development of strategies for the inclusion of marginalized and vulnerable groups. CDD is intended to make investments responsive to community needs.
- **CDD design principles:** The World Bank has developed 10 CDD design principles to help address the question of community support:
 - Make investments responsive to informed demand.
 - Build participatory mechanisms for community control and stakeholder involvement.
 - Invest in capacity of local institutions.
 - Facilitate community access to information.
 - Develop simple rules and strong incentives backed by M&E.
 - Establish enabling institutional and policy frameworks.
 - Maintain flexibility in design of arrangements and innovation.
 - Ensure social and gender inclusion.
 - Design for scaling up.
 - Invest in an exit strategy.
- **Lessons learned** from the Bank’s CDD experiences so far include:

- Undertake sound social analysis, through the use of baseline surveys and social assessments.
 - Invest upfront in community engagement, through the development of stakeholder engagement plans and monitoring of project impacts.
 - Build local capacity, through community development plans, monitoring mechanisms, and integration of participation into local development planning.
 - Prioritize communication and transparency, through social accountability initiatives, communication plans, grievance mechanisms, and transparency of public expenditures.
 - Strive for continuous improvement through regular internal and external monitoring and review, and sharing of experiences.
- CDD seeks to share these experiences locally and within the World Bank Group.
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Motoko Aizawa

Head, [Policy and Standards Unit, Environment and Social Development Department, IFC](#)

- **Origins of Broad Community Support:** Several international conventions and commissions have promoted the need for community voices to weigh into project decision making. The concept of *free, prior and informed consent* is included in international chemicals conventions, the World Commission on Dams, and the UN Declaration on the Rights of Indigenous Peoples. In 2004, the World Bank Group's (WBG) [Extractive Industries Review](#) recommended incorporation of *free, prior and informed consent* into WBG policies. The WBG Board of Directors reviewed this recommendation, but concerns emerged over the risk that individuals would have veto power over projects with a broader public benefit. The compromise was to require *free, prior and informed consultation* that results in broad community support, in order to attain project approval. This standard was incorporated into the World Bank's Indigenous Peoples policy, which was being updated at the time, and was also incorporated into the IFC Performance Standards.
- **Implementation status:** IFC began implementing the **broad community support** standard in 2006, and only has data available through August 2008.
- **Triggers:** The trigger for the BCS standard is any project that requires *free, prior and informed consultation*. This includes projects that have potentially significant adverse impacts, adverse impacts on indigenous peoples, and Category A projects.
- **Scope:** At IFC, the BCS standard applies to all communities, including both indigenous and non-indigenous communities.
- **Division of responsibility for the application of the standard:**
 - **Clients** must implement *free, prior and informed consultation*.
 - **IFC** is responsible for reviewing client implementation of *free, prior and informed consultation*. IFC staff conduct due diligence during the project appraisal process and judge whether a project has BCS at the time that the Board of Directors considers approval of the project. IFC staff report to the Board of Directors on the status of BCS.
 - To verify BCS, IFC:
 - Examines how the client defined the affected communities. In particular, IFC reviews the client's stakeholder identification process.

- Reviews the client’s written record of the consultation process, to determine whether the client responded to community concerns.
 - Evaluates the project’s grievance mechanism for structure, procedures, and application. In particular, IFC looks at what kinds of grievances the client receives and how the company responds. This approach is limited to existing projects, and not to greenfield projects.
- ***Gathering evidence of BCS:*** IFC examines both formal and informal expressions of BCS. Bilateral agreements between client and communities on BCS have been rare in IFC projects. Objections of a few may not necessarily be an obstacle to implementing the project. While IFC looks for evidence of positive expressions of interest, some community members might not be interested in the project, or might not be impacted or benefited. Ultimately, IFC staff use their professional judgment to gauge the support of the community for the project.
- ***Tools used by IFC to ascertain BCS:***
 - Opinion polls
 - Perception surveys
 - Outreach and community development programs
 - Analysis of the net public benefit of the project
 - This evidence is “certified” by the Director of IFC’s Environment and Social Development Department and the Director of the relevant investment department
- ***IFC’s track record with BCS:*** As of August 2008, IFC applied free, prior and informed consultation and BCS to 18 projects. During this time, IFC financed 243 category A and B projects. This included 11 category A projects and 7 category B projects. 10 of the projects applying BCS were in the extractive sector, including all of the category B projects. From 2006 through August 2008, only a handful of IFC projects triggered [IFC Performance Standard 7 on Indigenous Peoples](#); however, none of the project applied the good faith negotiation requirement, which is the most stringent requirement reserved for high risk scenarios involving Indigenous Peoples.
- ***Challenges in implementing the standard:*** Ms. Aizawa noted a general challenge of implementing the standard since it requires professional judgment, and deals with a community’s perceptions of a project. She also noted some specific operational implementation challenges:
 - *Applying the standard to financing where the scope is not determined up front*, such as early equity and investment facilities. For these types of financing, the financing is not attached to a specific project. The Board of Directors often votes to approve financing before the client takes any decisions about where to conduct exploration or other activities. Because IFC staff evaluate BCS at the time of Board approval, the standard is not relevant to these types of financing. In these cases, the challenge is to build BCS into the supervision process.
 - *Applying the standard to a project expansion.* When an expansion project is being proposed, communities may not differentiate between positive perceptions on the benefits of an existing project and the communities’ support for the future expansion project. The communities’ expression of support may actually be a result of positive experiences from charitable / CSR activities initiated by the existing project, and they may not fully evaluate the potential impacts of the expansion.
 - *Challenges in finding evidence of support for the project.* Evidence of support – not just the absence of objection to a project - is often difficult to identify.

- **Upcoming opportunities to assess performance and make improvements:** IFC will initiate a review of its Performance Standards in 2009. The review may generate data on the application of BCS and allow analysis and identification of lessons learned. Based on the review, new or updated standards may be put in place by July 2010.
 - The timeline for the Review: Phase 1 (scheduled to run through FY09) will consist of internal stocktaking, data generation, and a third year implementation report to the Board by the end of the fiscal year. Phase 2 (3rd quarter of FY09 through 1st quarter of FY10) will consist of a review by an External Advisory Group, the [IFC Compliance/Advisor Ombudsman](#), and the [World Bank Group's Independent Evaluation Group \(IEG\)](#). Phase 3 (2nd quarter of FY10 through 4th quarter of FY10) will consist of Board and external engagement.
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Amar Inamdar

Principal Ombudsman Specialist, [Office of the Compliance/Advisor Ombudsman](#), IFC & MIGA

- **About the Office of the Compliance Advisor/Ombudsman.** [from www.cao-ombudsman.org] The CAO is committed to enhancing the development impact and sustainability of International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) projects by responding quickly and effectively to complaints from affected communities and by supporting IFC and MIGA in improving the social and environmental outcomes of their work, thereby fostering a higher level of accountability. The CAO has three roles:
 - COMPLIANCE - To oversee compliance reviews of IFC/MIGA, overall environmental and social performance, and specific projects.
 - ADVISOR - To provide independent advice to the President and management on specific projects as well as broader environmental and social policies, guidelines, procedures and resources.
 - OMBUDSMAN - To advise and assist IFC/MIGA to address Complaints by people impacted by projects in a manner that is fair, objective and constructive. The Ombudsman role is the most innovative of the three. It is aimed at resolving issues by providing a context and process for parties to find mutually satisfactory solutions. It is focused on identifying problems, recommending actions, using conflict resolution and mediation approaches and addressing systemic issues, where necessary.
- **IFC's broad community support standard.** In its internal Environmental and Social Review Procedure, IFC provides several criteria through which it determines whether BCS exists. A principal challenge in implementing the BCS standard is weighing the evidence provided by the client. Mr. Inamdar outlined three components that to be weighed:
 - **Process** – what is the extent of the client's engagement with communities?
 - **Outcomes** – what are people saying?
 - **Benefits** – what do the benefits and costs of the project look like, and does the project contribute to development benefits?
- **Difficulties in implementing BCS.** Potential risks to be considered in the process to ascertain whether BCS has been achieved:
 1. Influence of the sponsor on the external outcome of the process. There is a risk of "king-making," whereby an external power creates a local source of power for making decisions. This potentially isolates other community leaders and their constituents, and can also undermine the representatives chosen by the IFC, if the IFC and client give them authority that the community

does not perceive to be legitimate. Instead, it is necessary to take into account local decision-making norms.

2. There can be a tension between respecting cultural norms of decision-making and adhering to IFC standards and practices. For example, when men make decisions without the input of women.

- *Examples of challenges from [Guatemala's Marlin Gold Mine project](#):*

- In response to this project, a series of public referenda arose. This created tensions in local communities, with one aspect, as an illustration of the deep divide in local society, that Catholics and Protestants had different views of the project.
- The delineations of the boundaries of project impact led to the exclusion of some communities from the benefits of the project
- Based on different interpretations of [ILO Convention No. 169](#), local communities felt they had a right to grant or withhold free, prior and informed consent for the project. The company, meanwhile, believed it had authority to proceed because it had already obtained permission of the government. Government leaders acknowledged a key weakness in failing to set appropriate expectations and procedures for consent about the project.
- Potential solutions include:
 - Social mapping of the power relationships and how the company changed those relationships
 - [Development impact reporting](#)
 - Greater appreciation that IFC investments can bring stress on local regulatory structures

- *Examples of challenges from the [Wilmar palm oil development project in Indonesia](#):* The Roundtable on Sustainable Palm Oil requires companies to obtain free, prior and informed consent before acquiring land. The complaint in this case concerned the rapid land accumulation for palm oil development without the full consent of communities. Challenges included:

- Local communities had three types of leaders—traditional elders, appointed civil servants, and elected leaders. These leaders had differing views on the project. As a result, it is unclear how to weigh which leaders are appropriate to grant **broad community support**.
- Understand stresses that the business placed on existing capacity to make decisions
- Understand and respect the existing legal framework and cultural norms for decision-making.
- Building the needed local capacity.

- *Practices to build local capacity for understanding and engaging in a process to ascertain BCS:*

- Understand that communities have norms for making difficult decisions – these can be the starting point for understanding consent.
 - Help communities to build negotiating teams and capacity to take decisions that are respectful of existing cultural norms while incorporating principles of good governance.
 - Iteration is key. Representatives should check back with their constituents on a regular basis.
 - Information on access to recourse mechanisms, such as the IFC CAO and grievance mechanisms, should be a part of *free, prior and informed consultation* and **broad community support**.
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Keith Slack

Extractive Industries Program Manager, [Oxfam America](#)

- Mr. Slack provided an overview of the of recommendations by the [Extractive Industries Review](#) to adopt *free, prior and informed consent* (FPIC) and the subsequent adoption by the World Bank Group of *free, prior and informed consultation* and **broad community support**. He asked to what extent is the BCS standard was fulfilling what indigenous peoples wanted from *free, prior and informed consent*.
- *Free, prior and informed consent* and BCS evolved from recognition of the need for meaningful participation in decision-making.
- **On the business case:** The business case for *free, prior and informed consent* can be quantified, as WRI did in its report [“Development Without Conflict: The Business Case for Community Consent.”](#)
- **The standard has particular relevance for extractive industries development:** Commodity price pushes the expansion of the extractives frontier, and problems around extractive industries are getting worse. For example, over the past year, the [Peruvian Ombudsman](#) has [tracked 45 conflicts involving communities](#).
- **Major issues to consider in the BCS context:**
 - Increased social conflict over extractive projects.
 - New countries are coming on-line into natural resource markets.
 - Companies accept that they need a “social license to operate” – but the meaning of this concept remains unclear.
 - Companies are self-certifying that they have a “social license to operate.” In Peru, for example, a mining company organized its own referendum to demonstrate support for the project.
 - A lack of information remains on how requirements are met.
- **Examples of projects where there are issues:**
 - Newmont is expanding a goldmine in Yanacocha, Peru. Four municipalities have declared ordinances against this project. The mining company is going to court to get these ordinances overturned.
 - The IFC financed the [Peru LNG project](#) (project consortium [website](#)) and ascertained that the project had BCS. Review of the documentation reveals a single sentence in Board documents that IFC staff is satisfied that BCS was obtained. Based on this, it is difficult to get a sense of the rigorousness with which the standard is applied.
 - IFC is considering financing a project in Guinea. There are no references to BCS beyond a general statement that IFC will assess the project to assure compliance with its policies.
- **Concerns about setting the bar for the industry:** If the IFC’s assessment of BCS is not rigorous, this sends a signal to the private sector that this standard is aspirational and not a serious requirement.

Questions and Discussion

The following provides a summary of four rounds of questions from the audience and responses from the panelists. These are provided in the order that they were received during the session.

Questions I

Question: Given the financial crisis, would projects be affected?

Comment: There have been adverse impacts from the agriculture and industrial sectors in Egypt, due to problems with the vision of projects. Three million people have been displaced in Egypt as a result of World Bank Group projects. Mr. Saber appealed to WBG to revisit these projects.

-- Karam Saber, Land Center, Egypt

Question 1: How do you establish that an IFC project enjoys BCS?

Question 2: Does IFC send representatives that get involved in the process on the ground, or does it rely on reports?

Question 3: In Nigeria, there is a tendency to classify information as secret. For example, an energy company made an announcement that they had support from IFC, but no additional details were published. What is the IFC's practice on publishing information?

-- Raymond Onyegu [last name and affiliation unknown], Nigeria

Panelist responses

On establishing BCS in a project:

Motoko Aizawa:

- When there is a specific project, IFC specialists do go out to the field. Determining BCS is a judgment call by the IFC specialist and depends on with whom the specialist interacts. It is important that the specialist conduct due diligence to identify key stakeholders before ascertaining BCS. No projects in Nigeria have triggered BCS.
- IFC also examines sponsor reports when evaluating a project for BCS.
- IFC project director also go to the field to gauge the sentiments of the community.

On transparency of projects and IFC involvement:

Motoko Aizawa:

- There are two levels of disclosure.
- First, the company should disclose the environmental and social impact assessment, as well as the environmental and social management plan, to the local community.
- Second, the IFC Disclosure Policy requires that project information is available 30 to 60 days in advance of board approval. This information is available through the website and at the World Bank Group's [InfoShop](#).

Dan Owen:

- Another push for transparency comes from Community Driven Development (CDD) programs – for example, the World Bank's Social Development Department has developed a document on demystifying budgets in Nigeria to make them more comprehensive and transparent.

On projects in the financial crisis:

Dan Owen:

- While impact on projects remains unclear, there are mechanisms to help vulnerable groups – For example, the Egypt Social Fund helped to cushion the impacts of vulnerable groups in the era of structural adjustments.

Questions II

Question: At what stage of the process, does the BCS begin?

Comment: Project timeframes are limited and sometimes consultations are rushed. “People feel that they’re a footnote in a much broader scheme.”

-- Vandy Kanyako, World Learning

Panelist response

Motoko Aizawa and Patricia Miller [Manager, Investment Support Group, IFC Environmental and Social Sustainability Department]:

- BCS is a “snapshot concept” at the time of the IFC staff presentation to the Board of Directors. BCS is an outcome of a good community engagement process. The client undertakes the *free, prior and informed consultation* process, and the IFC draws a judgment on whether BCS has been obtained at the time of the Board vote. Patricia suggested that BCS information was not made available to the public before the Board vote because BCS is ascertained immediately before the project is brought to the Board, to ensure that BCS information is up-to-date.

Questions III

Question: There is little information on the details of how broad community support is ascertained. Motoko indicated in her presentation that evidence of support was often difficult to identify. The standard, however, is not “absence of strong objection,” but community “support.” Projects should not be approved without evidence of support. Motoko also indicated that BCS determinations are “judgment” calls of the IFC. It is fair for the public to have access to the information that specialists use to assess the judgment of whether BCS exists. At present only the board level has this information. Will IFC commit to public reporting on how it ascertains BCS?

Suggestion: It would be useful to have examples of how IFC clients understood and incorporated customary decision-making processes into their consultations. In particular, it would be useful to examine projects that have understood this and invoked IFC Performance Standard 7 on Indigenous Peoples. We are aware of only a handful that have triggered this Performance Standard.

Comment: It is important that the BCS standard look for evidence of affirmative support. So far, it seems as if the IFC has interpreted the BCS standard to mean “absence of strong objection.” These interpretations are not the same.

-- Anne Perrault, Center for International Environmental Law (CIEL)

Question: It is important to build the capacity of local communities to engage in these projects. Are there any good practices for capacity building?

-- Alice Kirambi– Christian Partners Development Agency (CPDA), Kenya

Comment: In its current form, the BCS standard is not working. There must be some instruments or tools to verify BCS, such as referenda in communities where projects are implemented. For example, in the Russian Mir II project, there was no BCS, and yet the project received IFC support. It is important that these practices be changed.

-- Andrey Vladimirovich Rudomakha, Environmental Watch on Caucasus, Russia

Panelist responses

Amar Inamdar

- The issue of capacity building has been critical in several projects. The IFC and sponsors need to get a sense of how communities make decisions. In particular, the evidence of BCS needs to be of a form that is culturally relevant to the community.
- The IFC's documentation on BCS is not very good. Issues of national sovereignty must be respected, but the onus is on IFC to get this information into public debate.
- In terms of capacity of communities, the CAO's approach is to seek consent before beginning the Ombudsman function.

Motoko Aizawa:

- Ultimately this is a question of governance and national decision making, and so there are limitations on IFC. Another limitation is that IFC is not necessarily involved upstream in strategic decision-making, e.g. whether the government wants to exploit its coal resources. By the time IFC receives a financing proposal, the planning is already finished, and it is a go/no-go decision. At this point, IFC can only withdraw from projects.
- The interests of the World Bank (public sector focus) and IFC (private sector focus) in BCS are not the same.
- So far, few projects have invoked IFC Performance Standard 7 on Indigenous Peoples, and no projects have invoked the WBG's OP on Indigenous Peoples requiring BCS. The reasons for this are unclear. [Note: PS 7 was applied to funding of Peru LNG. Please see [Peru LNG Environmental and Social Review Summary](#)².]
- Currently, there's no mechanism under the IFC's Disclosure Policy to share BCS-related information with the public.

Questions IV

Question: How do we address the challenge of access to information? If IFC doesn't have the mechanism to disclose this information, this is something we should address.

-- Dayo Olaide, Open Society Institute, Nigeria

Question: What is the role of the board in the BCS process? What information is given to the board? How does IFC staff show the Board that there is BCS?

-- Ian Gary, Oxfam America

² Peru LNG Environmental and Social Review Summary, Key Environmental and Social Issues and Mitigation (IFC, 2007)

<http://www.ifc.org/ifcext/spiwebsite1.nsf/b7a881f3733a2d0785256a550073ff0f/98c159a5b919d2ca8525738a007b8ebf?op=endocument>

Question: Mr. Golubenkov heard that the board is against enabling the committee to veto the project, thus resulting in the decision to conduct ongoing consultations. Is there a document that reflects the results of ongoing consultations that could be used as evidence for the Board to approve or disapprove the project?

-- Igor Golubenkov, Saving Taman, Russia

Question: Have any projects been rejected for failure to obtain BCS?

-- Vince McElhinny, Bank Information Center

Panelist responses

Motoko Aizawa:

On demonstrating BCS:

- If the client cannot demonstrate BCS, the project will not be taken to the Board.
- There is a board presentation via a project paper, as well as discussion. The Board sometimes asks IFC specialists about community engagement processes and what was learned during site visits. So not all of the information the Board receives is on paper.

Patricia Miller:

On demonstrating BCS:

- For the Peru LNG case, multiple meetings took place between the Board of Directors and IFC staff, including substantial technical meetings. Many discussions took place outside of the Board papers.

On board documents:

- Sometimes bank documents are out in the public domain. Bilateral meetings are not in the public domain – certain protections are afforded to the board decision making process.
- Board papers are out in the public domain, but there is an understanding that more work is needed to make those more easily accessible.
- The community has access to what the company puts out, e.g. about its process for *free, prior, and informed consultation*.

Conclusions and Next Steps

Given the growth of World Bank Group investment in sectors with potentially significant impacts on local communities, such as the extractive industries, the “**broad community support**” (BCS) standard is increasing in relevance. Since the recommendation from the Extractive Industries Review in 2004 that it be incorporated into the Bank’s suite of standards, it has been incorporated into the WBG’s Operational Policy on Indigenous People’s, as well as IFC’s policy on Social and Environmental Sustainability. As of August 2008, IFC has applied *free, prior and informed consultation* and **broad community support** to 18 projects. There is a need for closer examination on the application of BCS as part of the WBG policies. Increased instances of conflict around natural resources, and/or fundamental weaknesses in sector governance in areas where extractive projects are underway or envisioned, highlight the importance of these discussions.

Based on experiences to date, the session participants identified several key challenges and concerns related to BCS standard implementation which merit additional discussion. These include:

WBG process and policies:

- ***Division of responsibility among WBG, clients and communities in determining BCS.*** Based on the wording of the current policy, the responsibility of clients is unclear. Communities are generally unaware of the existence of the standard. IFC staff makes the determination based on professional judgment. There is currently no requirement that this analysis be prepared in writing. The burden is on the Board to request justification of BCS for each project.
- ***Improving the transparency of information on how BCS requirements are met by clients:*** Developing a process to ensure public access to information on how a client ascertained and demonstrated BCS to promote public accountability. This information should be made available publicly before the Board decision in order to enable a complete consideration of issues by the Board.
- ***Verification and assessment of BCS evidence:*** Weighing the evidence of BCS provided by clients; assessing the risks of company self-certification of their “social license to operate”.
- ***Applying BCS in financing mechanisms with unclear scope:*** Such as in IFC early equity investments and investment facilities, where the scope of influence of the project is unclear before the board vote.

Local factors:

- ***Community awareness or perceptions:*** Lack of awareness in the communities, misinformation or flawed perceptions about the projects for which BCS is needed. There is also a lack of capacity both in communities and in civil society organizations to understand and engage with a BCS identification and validation process.
- ***Ensuring/supporting fair local representation:*** Evaluating whether the sponsor has had undue influence on the external outcome of the process to acquire or assess BCS. This refers to the risk of “king-making,” whereby an external power creates a local source of power for making decisions.
- ***Reconciling local cultural norms and WBG standards:*** Managing the tension between respecting cultural norms of decision-making and adhering to WBG standards and practices. For example, when elders make decisions without the input of women.

To continue dialogue on these challenges and concerns, WRI, Oxfam America and CIEL propose to use this list of challenges as a framework for ongoing discussion. We also propose the following **next steps**:

1. **Continue the discussion on ensuring transparency of reporting on the application of BCS at the WBG.** WRI, OA, CIEL propose to convene an advisory group of CSOs and WBG staff to further review current practices for assessing and publicly reporting on BCS standard application and develop recommendations for improvements in these areas.
2. **Inform the upcoming IFC Performance Standard Review in 2009.** The PS Review process provides an opportunity to systematically review BCS implementation progress and make adjustments and improvements as necessary. Based on the review and adjustments made, new Performance Standards are expected to be ready in July 2010. WRI, OA and CIEL propose -facilitating follow-up meetings and potentially an advisory group to inform the Review process as it relates to the BSC standard.

Annex 1

Speaker Biographies

Daniel Owen - dowen@worldbank.org

Daniel Owen is the Coordinator of the World Bank's corporate secretariat for Community-Driven Development (CDD) and a Senior Social Development Specialist in the World Bank's Social Development Department. He manages global programmes for CDD which include research and operational work on CDD and Conflict, CDD and Disaster Risk Reduction, Community Philanthropy (community foundations), and specialized programmes on youth inclusion, corporate social responsibility and rural transport infrastructure. He manages a CDD operation in Sierra Leone and provides technical support to CDD investments across the world. Previously he has worked as a Social Development Specialist in the Environment and Social unit at the International Finance Corporation, concentrating on labour codes and workplace practices; as Social Development Consultant to the Ethical Trading Initiative (U.K.) on corporate codes of conduct and to DFID on Socially Responsible Business. He worked as a consultant in the World Bank's Resident Mission in Mozambique and has variously worked in advisory roles with NGOs, Government and with the UEM University in Maputo. His academic background is anthropology and he holds degrees from Cambridge and Harvard Universities.

Motoko Aizawa - maizawa@ifc.org

Motoko Aizawa is Head of the Policy and Standards Unit in the Environment and Social Development Department of the International Finance Corporation (IFC), a private sector arm of the World Bank Group. She also serves as IFC's environmental and social development policy liaison with other World Bank Group institutions, OECD, multilateral and bilateral financial institutions, export credit agencies, and private banks, including the Equator Principles Financial Institutions. Prior to her present position, Ms. Aizawa headed the Environmental Unit of IFC's Legal Department, which provided advice on business and environmental issues related to project financing in emerging markets. Ms. Aizawa is qualified as a barrister in England and Wales and a member of the bars of New York and Illinois, beginning her career negotiating international business transactions.

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Amar Inamdar is the Principal Specialist at the Office of the Compliance Advisor/Ombudsman for IFC and MIGA. He is responsible for managing the Ombudsman's response to complaints from local people who are concerned about the impacts of private sector projects. Prior to joining the CAO, Amar worked in the private sector as director of a small business, as an international development consultant, and with the World Wide Fund for Nature in eastern Africa. He was a major contributor to the UK government's White Paper on 'Making Globalisation Work for the Poor', and for two years worked to achieve a lasting compensation settlement between civil society groups and Rio Tinto in Indonesia. He has contributed to programs at the Universities of Oxford and Harvard on dispute resolution and negotiation. Amar was born in Kenya where he worked for the Kenya Wildlife Service, educated at Oxford, UK and has a PhD from Cambridge, UK.

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Patricia Miller is a Manager in the Investment Support Group which is part of the Environmental and Social Sustainability Department. She is responsible for managing the environmental and social specialists that work on oil & gas, mining, chemicals and agribusiness projects. Previous to this position, she worked on oil & gas projects at IFC and in the private sector. She has been at IFC for 10 years.

Keith Slack - kslack@OxfamAmerica.org

Keith Slack is Extractive Industries Program Manager in the Washington, DC office of Oxfam America, an international humanitarian relief and development agency. He coordinates the organization's extractive industries reform program, which promotes greater respect by corporations, international financial institutions and governments for the basic rights of communities in developing countries affected by oil and mining operations. He worked previously for the Robert F. Kennedy Memorial Center for Human Rights in Washington, DC and in Peru for Catholic Relief Services. In 2002-2003, he held a research fellowship at the Carnegie Council on Ethics in International Affairs in New York. His publications include articles in *Ethics and International Affairs*, *Human Rights Quarterly* and *the Los Angeles Times* and a chapter in a forthcoming volume on neoliberalism in Latin America. He holds an M.A. from the Fletcher School of Law and Diplomacy at Tufts University and a B.A. from Vassar College

Moderator

Isabel Munilla – isabelm@wri.org

Isabel Munilla is an Associate of the Institutions and Governance Program at the World Resources Institute (WRI). She works on the International Financial Flows and the Environment Project (IFFE), which works to identify ways to align public and private investment with environmentally sustainable development and poverty reduction. Her research focuses on hydrocarbon and renewable energy development in Latin America, and the potential of public and private finance to help minimize negative impacts and maximize local benefit. She is currently studying energy development in Peru, its impact on indigenous peoples, as well as the barriers to effective distribution and use of hydrocarbon revenues. Prior to joining IFFE, she spent 6 years working in WRI's People and Ecosystems Program developing national forest monitoring and mapping projects in Indonesia, Russia, Central Africa and South America. Previously, she was Corporate Relations Manager for a non-profit entrepreneurship center within the University of Maryland's Smith School of Business. She holds degrees in journalism and French from the University of Maryland.

Annex 2

How the World Bank Group Gauges "Broad Community Support" for Projects Thursday, October 9, 2008

Participants

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