1. Introduction

1.1 In FY98, the IFC and MIGA Boards discussed concerns regarding proposed IFC investments and MIGA guarantees for specific brewery and alcohol-related projects. As a result of these discussions, the Executive Directors’ Steering Committee issued a request in July 1998 for a background paper and discussion of the Bank Group’s involvement in alcohol-related operations. The Committee proposed that the paper include the pros and cons of such investment, as well as a discussion of the health and social problems associated with such investment.

1.2 In response to this request, a task force comprising Bank, IFC and MIGA staff prepared this Note on Alcohol Beverages for consideration by the Executive Directors. During the course of this work, the team consulted the World Health Organization at headquarters and at the European Regional Office and external consultants recommended by WHO, and a number of individuals and institutions with special interest and expertise in this area. WHO and consultants provided data and background information to the Note. Given the multidimensional nature of the task, including human development, public health, public policy, private sector development and economic development considerations, each institution of the World Bank Group agreed to take the lead to review and summarize the evidence and to prepare individual sections of the Note and the Annexes. The entire document has been the subject of extensive reviews and revisions by the task force and by other staff of all the involved institutions of the World Bank Group, and earlier drafts were reviewed and commented on by WHO. The Note reflects the consensus reached by the task force and is fully endorsed by staff and Management of the World Bank Group.

1.3 This Note provides an overview of global alcohol consumption, the status of World Bank Group involvement in alcohol-related projects, a summary of the development benefits of such involvement, a summary of the health and social consequences of alcohol consumption and abuse, and principles for guiding the World Bank Group’s future involvement in this area.

1.4 Several annexes provide additional background information. It should be noted that, although the volume of scientific literature on the health effects of alcohol consumption is enormous, there are gaps in the data relating to the public health and social consequences of alcohol consumption and abuse, especially in developing countries. Caution is therefore warranted in interpreting and extrapolating available information to the diverse social, cultural, and economic contexts of developing countries.

1.5 Based on this extensive review, the Note indicates the following for IBRD/IDA, IFC and MIGA:

IBRD/IDA. Considering alcohol’s contribution to the burden of disease, the important role that the government must play in reducing market failures related to alcohol consumption, and the availability of potentially affordable, cost-effective, and feasible interventions, the IBRD/IDA will increase its efforts to prevent alcohol abuse in client countries with a high
burden of alcohol-related problems, such as in Eastern Europe and Latin America. The Bank will also seek avenues to increase knowledge about the magnitude of alcohol-related health and social problems in developing countries and their impact on poverty. Finally, the Bank will identify and support effective policies to reduce the impact of alcohol abuse on human capital, especially in countries with high per capita alcohol consumption. The effectiveness of these policies will be assessed in light of both the formal and the informal sectors.

IFC and MIGA. The Note recognizes the development contribution of alcohol-related projects (Section 4), as well as their sensitive nature from a health and social perspective. It therefore validates the selective approach that IFC and MIGA have applied and the higher standard required from these projects. IFC and MIGA are now highly selective, and consider these projects only when:

(i) the Bank Group has a well defined role (Section 9.5) in facilitating investment in the context of the overall Country Assistance Strategy; and,

(ii) the project can demonstrate strong development impacts which are consistent with public health considerations and the World Bank activities in the health and social sectors. This Note provides also a framework for evaluating the development contribution of these projects in Section 9.6.

Each new investment by IFC or guarantee by MIGA will therefore have to demonstrate and measure its contribution to the overall development agenda of the World Bank Group against this standard, and the Board will have the opportunity to consider Management’s conclusions regarding the appropriateness of Bank Group involvement in the specific project.

2. An Overview of Alcohol Consumption

2.1 Consumption of alcohol beverages is a long-standing and widespread human custom. In some cultures, alcohol is used and valued as a means to improve sociability and mood, as a beverage, and as an intoxicant. Recently, there has also been increased interest in alcohol’s potential use to prevent cardiovascular disease (CVD).

2.2 These different uses result in very different patterns of drinking including light to moderate drinking, steady heavy drinking, and binge drinking. Cultures, and social groups within a culture, vary widely in the emphasis placed on particular uses or values, and accordingly differ widely in patterns of drinking. Some religions prohibit consumption of alcohol while others use alcoholic beverages ceremonially.

2.3 Economists measure the benefit consumers derive from drinking alcohol by the price drinkers are willing to pay for alcohol. If drinkers are making well informed consumption decisions, which might not be the case in alcohol-dependency, this outlay represents a minimum estimate of their valuation of the benefits they derive from drinking. Patterns and levels of alcohol consumption, alcohol dependency, and alcohol abuse are determined by many factors including: availability, income per capita, retail price, individual factors (genetic
and environmental) such as age of first use, family history, education, peer group pressure, psychosocial factors, the cultural and historical context, and government policies, such as taxation and restrictions on advertisement and promotion.

2.4 According to WHO data for 153 countries, average consumption is about five liters of pure alcohol per capita per year, ranging from 0.1 to 18.4 liters. About 38 percent of this total derives from beer consumption, another 38 percent from spirits, and the remaining 24 percent from wine (draft WHO First Global Alcohol Report).

2.5 There are significant differences in consumption patterns around the world. In China, Korea, Laos, and Thailand, more than 80 percent of consumption derives from spirits; in Sub-Saharan Africa, beer generally accounts for more than half of consumption. On average, worldwide alcohol consumption per capita has been relatively constant over the last twenty years, but consumption levels are actually rising in many developing countries. The reported average consumption levels in developing countries are less than half of those in developed countries. Beer and wine consumption in developing countries is less than a third of the level in developed countries, although consumption of spirits is at a similar level in the developed and developing countries.

2.6 However, it is important to note that the data from developing countries most likely underestimate actual alcohol consumption. The data generally do not include artisanal production and smuggled beverages, which can account for more than half the overall consumption in some instances. Artisanal production takes place at the family level and the product is usually dispensed into the customer's container (e.g., sorghum beer in Africa). Artisanal production is often characterized by lack of professional or regulatory oversight, variable quality and alcohol level, short shelf life (for beer and low alcohol content beverages), no taxes, and substantially lower prices than industrial products. Smuggling is typically an issue in countries with high duty and excise tax rates, or in countries with a weak administrative infrastructure. The presence and nature of artisanal production and smuggled imports have major implications for intervention policy.

3. Alcohol: the World Bank Group’s Involvement to Date

3.1 IBRD/IDA involvement. The Bank has done relatively little analysis of alcohol-related problems. Bank studies include Alcohol–Related Problems as an Obstacle to the Development of Human Capital: Issues and Policy Options (1993); Disease Control Priorities in Developing Countries (1993); Alcohol Policy in Hungary (1996); and Alcohol Over-Consumption and Health in Latin America: A Review of the Literature (draft, 1998). According to Alcohol-Related Problems as an Obstacle to the Development of Human Capital (1993), there is a correlation between per capita consumption levels and alcohol-related problems, although the causality is not well established. The study noted the lack of regulations and consumer information in developing countries, and recommended that governments intervene to mitigate the problems attributable to alcohol consumption.
3.2  Very few of the IBRD health, nutrition, and population (HNP) projects, including those with health promotion and disease components, address alcohol problems, with the exception of current health projects in Estonia, Kazakhstan, Latvia, Lithuania, and Uzbekistan. These projects aim to reduce risk factors such as diet, smoking, and alcohol consumption. The Lithuania and Latvia health projects, for example, have identified alcohol-related injuries, poisoning, and suicides as major factors contributing to the declining health status of adult populations. IBRD supports wine production in three of its agriculture projects – in Hungary, Moldova and Portugal. Annex 1 summarizes these various alcohol-related projects.

3.3  **IFC and MIGA involvement.** All IFC and MIGA alcohol-related projects have been implemented in countries with an established culture of alcohol consumption. In many instances, these projects substitute for smuggled and legal imports, poorly made local beers, and uncontrolled artisanal production. There are twelve alcohol-related projects in the IFC portfolio, accounting for 1.2 percent of IFC’s held portfolio (see list in Annex 2). This percentage is an upper bound to the actual financing of malt or beer production because (i) the list includes projects with significant components for the production of soft drinks, and (ii) it also includes a large project for the financial restructuring of a major beverage company in Mexico that did not involve any production expansion. In practice, the IFC has mainly financed projects for the production of malt or beer, although two smaller projects in the wine sector were financed indirectly through credit lines, and the IFC is also providing technical assistance for the structuring of a wine project in Moldova. Neither IFC nor MIGA has financed or guaranteed projects that produce distilled spirits for human consumption, and this exclusion will continue.

3.4  Alcohol-related guarantees are also a very minor part of the MIGA portfolio. As of the end of FY99, there were three contracts for brewery investments, out of 420 MIGA contracts issued (Annex 2). All current IFC and MIGA brewery projects are investments from Part II country investors.

### 4. The Development Benefits of IFC and MIGA Alcohol-Related Projects

4.1  IFC and MIGA alcohol-related projects generate development benefits for the countries involved, as indicated in project documents and summarized below. A fuller account is provided in Annex 3.

4.2  **Growth of productive private enterprise.** The development impact starts with the promotion of productive private enterprises, and includes production increases, product improvement, and cost reductions, which have been especially significant in projects involving the privatization of state-owned companies. Commercial production of alcohol and non-alcohol beverages generally implies the transfer of efficiency-enhancing technology and business management techniques, particularly in relation to marketing and quality control, research and development, and transport and distribution systems. Given the fragmentation of the retailing sector in most developing countries, the beverage industry’s distribution systems generally incorporate sub-contracts with small private entrepreneurs, which furthers the small business development component of these projects.
4.3 Private sector development. Because breweries are generally among the leading companies in the food processing sector, their privatization or strengthening is a strong signal of the World Bank Group’s support for the privatization process and private sector development in the countries of investment destination. IFC and MIGA support for modern breweries and wineries encourages an ethical business framework because these projects pay taxes, abide by regulations, and are accountable business entities, which is generally not the case with artisanal producers and illegal importers.

4.4 Employment and living standards. Although modern malting and brewing technologies are typically labor saving, IFC and MIGA brewery projects preserve or create jobs in poorer countries. The net impact on employment will depend upon the circumstances. Where production replaces imports, there will be a net increase in employment. Insofar as new production replaces domestic production (including artisanal), then the employment effect is likely to be negative. More important is the quality of the jobs thus preserved or created, including stability and the provision of proper social benefits for employees.

4.5 Product safety. The IFC’s appraisal missions have identified many cases, particularly in Africa and eastern Europe, of health hazards associated with the consumption of beers found on the local market: unpasteurized products, malt infected with aflatoxin, yeast contamination, contaminated water (e.g. coliforms), and high infection levels due to poor pipe-work conditions and lack of cleaning systems. Investments by reputable operators mitigate these health hazards and reduce the risks to consumers from exposure to such toxins and contaminants.

4.6 Government revenues. Alcohol companies are a prime source of government revenues, through VAT and corporate income taxes, as well as through specific excise taxes levied on the consumption of commercial alcohol products. In projects financed by the IFC, excise taxes ranged from 30 to 110 percent. The incremental impact of alcohol projects on government revenues varies widely according to local economic conditions. In cases where local production will substitute for controlled imports, the incremental tax benefit of a project may be marginal. In cases where production will substitute for uncontrolled local production or smuggled imports, incremental tax revenues will be significant. The tax benefit of alcohol projects will therefore be greatest in developing countries with a narrow fiscal base, a high number of backyard producers, and a weak administrative capability to enforce customs regulations. In 1997, an IFC-financed brewery project in Tanzania provided about 8 percent of government revenues (see Case Studies, Annex 3).

5. Alcohol Consumption: Health and Social Consequences

5.1 A wide variety of adverse health and social consequences arise from alcohol consumption and abuse, including higher morbidity and mortality from injury, violence, suicide, poisoning, liver cirrhosis, some cancers, hemorrhagic stroke, malnutrition, neurological disorders, alcoholism, alcoholic psychosis, and fetal alcohol syndrome. The latter, due to alcohol consumption during pregnancy, is the main cause of mental retardation
in some population groups in developed countries. Epidemiological data on the contribution of alcohol use to disease burden are found mainly in developed countries, with limited data available for developing countries. Therefore, estimates for developing countries should be interpreted with caution, as discussed in Annex 4.

5.2 The best available estimates are found in *The Global Burden of Disease and Injury* (World Bank, WHO, and Harvard University, 1996), which estimates that alcohol contributed to 3.5 percent of the global burden of disease and disability in 1990 (1.5 percent of total deaths). Alcohol is ranked fourth among the top ten risk factors for disease and disability, following malnutrition, poor water supply and sanitation, and unsafe sex. The contribution of alcohol use to overall disease and disability varies greatly by region: it is highest in the established market economies (10.3 percent), Latin America (9.7 percent), and the former Soviet Union (8.3 percent). It is lowest in the Middle East (0.4 percent) and India (1.6 percent). Globally, alcohol is estimated to have caused about three-quarters of a million more deaths than it averted, with more than 80 percent of this excess mortality occurring in developing countries. According to the World Health Organization, “alcohol is a special substance because of its dependency-producing properties and the severity of problems associated with its use.”

5.3 To the consumer, the most important benefit of alcohol consumption is the culturally mediated association of drinking with sociability and mood, although the potential protective effect for cardiovascular disease (CVD) from moderate alcohol consumption has recently been emphasized (Annex 5). The CVD protective effect has been documented in men over forty who drink low amounts. This effect probably requires regular light drinking; intoxication increases the risk of heart disease and other problems. The data on the CVD protective effect of moderate drinking in women remains contradictory. In younger age groups, alcohol consumption at all levels increases mortality, mainly from injury and suicides. In terms of total years of life lost from premature mortality, alcohol’s net effect is negative in all regions (Annex 4).

5.4 The burden of social problems from drinking is mostly unmeasured, but qualitative evidence suggests it is large in the developing as well as the developed world. In developing societies, problems associated with intoxication episodes typically predominate. These problems include accidents and violence, causing injury to the drinker and to others, as well as other adverse impacts on family and community life. Many of the problems related to drinking are negative externalities, although non-health externalities are typically not well measured. The evidence supports a correlation between the levels of alcohol-related problems and the level of per capita consumption in the society. The multiplicity of factors influencing the rate of alcohol-related problems clearly indicates that policy options need to consider per capita consumption, patterns of drinking, as well as other qualitative aspects of the drinking culture.

5.5 With respect to both adverse and potentially beneficial health consequences of drinking, alcohol is the main active ingredient in alcohol beverages. The consequences are less affected by the type of alcohol beverage consumed (beer, wine, or distilled spirits) than by the pattern of drinking. Distilled spirits are clearly more dangerous than more diluted beverages in terms
of the risk for alcohol overdose (alcohol poisoning), which is a problem in some cultures and among inexperienced adolescents. In most societies, however, death or disability from alcohol overdose is a small part of the burden of alcohol-related adverse effects on health.

5.6 Alcohol and tobacco consumption have some important differences that are relevant to health policy and to Bank Group activities. First, the pattern of alcohol consumption plays an important role in determining health consequences, which is not the case for the pattern of tobacco consumption. For example, binge drinking often has more damaging consequences than moderate drinking, although the same amounts may be consumed over time. Second, moderate alcohol consumption among men above forty is known to generate cardiovascular benefits. In contrast, tobacco consumption at all levels is considered harmful to health. Finally, informal artisanal production is much more important for alcohol than for tobacco. Substitution of commercial for artisanal production provides a better counterpart for Government to address alcohol production and consumption in terms of public health matters, regulation and fiscal aspects.

6. Alcohol Consumption and Poverty

6.1 There has been little analysis of the link between alcohol consumption, alcohol-related problems, and poverty. Empirical evidence from developed countries shows that poor people are more likely to abstain, less likely to be moderate or light drinkers, and that they report approximately the same levels of heavy drinking as other income groups, based on self-reported drinking patterns. However, the poor also report higher rates of various alcohol-related problems. Several data sources suggest a link between alcohol-related problems and poverty in developed countries, such as the disproportionate levels of alcohol-related chronic diseases, clinically diagnosed alcoholism, and Alcohol-Related Birth Defects (ARBD) among groups of low socio-economic status. Problem drinking has been shown to reduce employment and earnings, with lost productivity being a significant proportion of the total estimated cost of alcohol to society. The findings regarding socioeconomic status and alcohol-related problems need to be viewed with some caution since other demographic variables – age, race, sex, education, geographic residence, and occupation – interact with income and drinking practices.

7. Alcohol: Cost of Illness Studies, Market Failures, and External Costs

7.1 Several studies have attempted to measure the costs to society of alcohol-related problems. Cost-of-illness studies typically show that the costs related to alcohol abuse are very high and that the majority of these costs come from lost productivity and premature mortality, together accounting for 65 to 85 percent of the total costs. The computational techniques and methodological choices used by cost-of-illness studies are debatable and thus the relevance of these studies for policy making and for adjudicating alcohol-related investments in developing countries are also debatable (Annex 6).

7.2 From the welfare economics perspective, the relevant features of the alcohol market for policy making are the presence of market failures (e.g., information costs) and of external costs –
i.e. those costs that are imposed upon society by the drinker and that are not fully paid for. Policy makers start by determining whether the existing policy instruments (including alcohol taxation) correct the market failures and cover the costs that harmful drinkers impose on society. These determinations typically run into the problem of identifying market failures and external costs. Although some alcohol-related problems are easily identified as external, such as violence, child abuse, driving accidents inflicted by the drinker on others, and fetal alcohol syndrome in newborns caused by the alcohol consumption of pregnant women, other costs are less readily identified as either external or internal. Alcohol-dependency, for example, is sometimes considered a market failure and therefore a justification for policy action, and sometimes not. Likewise, some costs are defined as external or internal depending on the context. For example, if the insurance system does not charge a higher premium to drivers with a past history of drunk driving, then the material damage due to drunk driving is likely to be external; otherwise it is internal. The empirical literature on this topic is sparse for the developed world and non-existent for the developing world. Several studies have argued that external costs of alcohol consumption account for only 10-15 percent of the cost-of-illness in the United States. There are contradictory conclusions, however, regarding the magnitude of these costs relative to the receipts from alcohol taxation (Annexes 6 and 8).

8. **Public Policy Options to Prevent or Reduce Alcohol-Related Problems**

8.1 Most developed societies regulate the alcohol market to reduce the health and social problems that arise from alcohol abuse. Alcohol policies include product safety standards, licensing of production, taxation, health promotion, advertising controls, drunk driving laws, minimum-age limits, and restrictions on the times and conditions of alcohol beverage sales (Annex 8). Limits on advertising and promotion have been common regulatory measures, and may be symbolically important, although their long-term effectiveness is more in question. Consumer information, such as information on drinking during pregnancy, is another important public health tool. Since the informal sector supplies a significant proportion of alcohol beverages in many developing countries, the effectiveness of intervention strategies on this sector must be carefully evaluated. The design of beverage taxes needs to take into account the effective deterrent factor, given production in the informal sector and the potential for illegal imports, as well as the impact on government revenues and the development of an ethical business environment. As WHO indicated in its 1995 report, “Approaches to Alcohol Control Policy”:

> “Experience from history, from many developing countries and some countries of central and eastern Europe shows that, without effective regulation of “moonshine,” surrogate alcohol and other alcoholic products produced without quality and safety controls, the possibility of pursuing a public health alcohol policy is very limited. Tight control of the legal alcohol market without effective regulation of the illegal market can result in many health and social problems related to the increased use of impure or extremely strong alcohol.”

8.2 Many developing societies have little in the way of state regulatory structures. The earlier debate about which costs are relevant for policy making from different economic
perspectives naturally carries over into the discussion about optimal public policies (Annex 8). The choice of alcohol policies has to be made on the basis of implementation and enforcement costs, effectiveness, welfare implications, and cultural appropriateness. From the welfare economics perspective, an ideal policy might be stringent drinking-driving laws to prevent drunken driving. In many countries, such laws can be effectively implemented and enforced at affordable cost, and inflict no welfare loss upon other drinkers.

8.3 From a public health perspective, an ideal alcohol policy addresses the multiple determinants of alcohol abuse through affordable, cost-effective, culturally appropriate, and sustainable interventions, preventing alcohol abuse and dependency – reducing the risk for the individual, whether drinker or non-drinker, as well as for the society. The public health approach focuses on the risk behaviors and the enabling and reinforcing factors influencing those behaviors; as well as on the individuals or population groups at risk. The public health approach views alcohol consumption, use, and abuse as a continuum. The economic and public health perspectives are not mutually exclusive; an optimal policy decision should identify the areas of convergence and the optimal strategies and interventions within a specific context, as reflected in the policy and action plan described in Annex 7.

9. Alcohol-Related Projects and the World Bank Group

9.1 Given a mandate that is both economic and social, the World Bank Group’s responsibilities with respect to alcohol beverage production and development are dual. On the one hand, making alcohol beverage production more efficient and complying with product safety, legal and fiscal regulations is a potential contribution to development. On the other hand, alcohol is a special commodity in terms of its adverse social and health consequences when abused, its dependency-producing properties, and the severity of associated problems, which can interfere with development and adversely affect the quality of life.

9.2 The Bank Group recognizes that many products, including food and beverages can be harmful to human health if not used appropriately. The Bank Group believes alcohol-related projects should be considered carefully on a case-by-case basis with due regard for the development benefits and public health issues and social policy concerns. Given the important cultural differences among countries in their views towards alcohol, the Bank Group believes that its alcohol-related activities should be fundamentally based on each country’s policy towards the use and control of such products and consistent with the Bank Group’s Country Assistance Strategy.

9.3 Human development. Considering alcohol’s contribution to the burden of disease, the important role that the government must play in reducing market failures related to alcohol consumption, and the availability of potentially affordable, cost-effective, and feasible interventions, the IBRD/IDA will increase their efforts to prevent alcohol abuse in client countries with a high burden of alcohol-related problems, focusing initially on Eastern Europe. These efforts would include, among other measures, taxation policy. They will also seek avenues to increase knowledge, both in and outside the Bank, about the magnitude of alcohol-related health and social problems in developing countries and their impact on
poverty. Finally, the Bank will identify and support effective policies to reduce the impact of alcohol abuse on human capital, especially in countries with high per capita alcohol consumption. The effectiveness of these policies will need to be assessed in light of both the formal and the informal sectors.

9.4 IFC. IFC’s support of alcohol-related projects has been limited and will likely continue to be so in the future. Cultural and religious factors, as well as policy issues, determine the pertinence of alcohol-related projects in each country. In selected circumstances, alcohol beverage projects can be useful vehicles for promoting the private sector and supporting economic reforms in developing countries, and can have a direct development impact on the countries involved through their demonstration effect and the fiscal and foreign exchange impacts. Investments in the malt industry can carry important economic benefits as well, although these benefits are different in nature, and more related to the development of the rural sector. A general framework for the evaluation of these development impacts is provided in Annex 3 (Section A).

9.5 IFC’s role will continue to be evaluated for each project according to the three basic principles (IFC’s Contribution to Development, IFC R/92-16) that guide its operations:

(i) the catalytic principle. IFC will seek above all to be a catalyst in helping private investors and markets to make good investments;

(ii) the business principle. IFC will function like a business in partnership with the private sector and take the same commercial risks, so that its funds, even though they are backed by public sources, are transferred under market disciplines, and

(iii) the special contribution principle. IFC will participate in an investment only when it makes a special contribution that supplements or complements the role of market operators. IFC will strive to provide financing which is truly additional and could not be raised elsewhere on reasonable terms.

9.6 Given the sensitivity of alcohol-related projects, IFC is now highly selective, and finances projects with strong developmental impacts which are consistent with public health issues and social policy concerns. In the case of alcohol-related projects, one expects each of them to: (a) be consistent with public health considerations and the World Bank’s activities in the health and social sectors; and (b) contribute to some or all of the following criteria:

(i) Growth of productive private enterprise.
   - production increases, product improvement, and cost reductions,
   - transfer of efficiency-enhancing technology and business management techniques,
   - backward and forward linkages (e.g., benefits to farmers, distribution systems).

(ii) Private sector development.
   - privatization,
- early-stage transaction in frontier countries,
- demonstration effects (e.g., testing of project financing process),
- assistance to establishment of an ethical business framework and accountable business entities.

(iii) Employment and living standards.
- direct jobs created or safeguarded,
- quality of jobs and provision of social benefits for employees,
- indirect employment impact (distribution).

(iv) Product safety.
- improvements of product safety (e.g. quality of raw materials, cleaning systems, pasteurization).

(v) Government revenues.
- substitution of untaxed artisanal production and/or uncontrolled imports,
- incremental taxes (excise, VAT, income).

Although projects vary significantly in terms of the nature of their contribution to development, one will expect each of them to contribute to some or all of the above criteria. Each new IFC investment will therefore have to demonstrate and measure its contribution to the overall development agenda of the World Bank Group, including the Country Assistance Strategy. The IFC’s Board will have the opportunity to consider Management’s conclusions regarding the appropriateness of Bank Group involvement in the specific project.

9.7 In addition to the above internal decision criteria, each IFC project is validated by the consultation of the host country as well as notification of local communities (pursuant to IFC’s disclosure policy). In accordance with Article III, section 3 (ii) of IFC’s Articles of Agreement, the host country’s non-objection to a proposed investment is, for IFC, an indicator of its acceptability within the country’s economic and social context. In addition, each project is subject to IFC’s disclosure policy, which now includes local disclosure in a culturally appropriate manner for Category A and B projects; thus, local communities most directly affected have an opportunity to comment on the specific merits of the project.

9.8 MIGA. MIGA’s support of alcohol-related projects also has been limited and will continue to be so in the near future. MIGA Management has always given high priority to the evaluation of project-specific developmental impact as part of the decision-making process as to whether to offer a guarantee (see MIGA/Sec M98-24, and the forthcoming "Development Effectiveness FY99: A Progress Report"). MIGA’s framework for evaluating development effectiveness is based on both ex ante and ex post analyses, and takes into consideration many of the criteria considered by the IFC during its appraisal (see Annex 3). From the very beginning MIGA’s Management prepares for this evaluation by systematically gathering information on the anticipated development impacts of the proposed investment, and communicates this information to the Board in every President’s Report submitted for approval.
9.9 All three of MIGA’s guarantees for alcohol-related projects have involved Part II to Part II country investments, which Management has viewed very favorably as a development benefit for both the host country and the investor country of origin. In accordance with MIGA’s Convention, the host country’s approval of a prospective guarantee is a critical indicator in determining whether an investor’s project provides acceptable development benefits. As in the case of IFC’s proposed investments, the Board has an opportunity to consider Management’s conclusions regarding the appropriateness of Bank Group involvement in the specific project.