

STATEMENT FROM THE UNITED KINGDOM'S DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

ON

**THE INTERNATIONAL FINANCE CORPORATION (IFC)'S REVISED POLICY
AND PERFORMANCE STANDARDS ON SOCIAL AND ENVIRONMENTAL SUSTAINABILITY**

25 NOVEMBER 2005

Summary

IFC's revised draft Policy and Performance Standards on Social and Environmental Sustainability¹ were released for public comment in September 2005. We appreciate the fact that many of the comments made in our earlier statement² have been addressed. We remain convinced that the principles-based approach that IFC is proposing, which requires clients to consider, consult on and address the impacts of each investment, is appropriate. However, there are some issues on which we have remaining concerns, and we will be discussing these with IFC over the coming weeks. These issues are in two broad areas: community engagement and involuntary resettlement. In drawing up these comments, we have consulted with colleagues across the UK Government, other UK stakeholders and the IFC.

Detail

1. DFID welcomes the move from a rigid and prescriptive approach to one based on principles. This enables IFC's clients to think broadly about the full range of potential benefits and risks of a given project and to respond appropriately and effectively to them, rather than checking all projects against a pre-determined list which may only cover some of the potential impacts.

¹ Available at <http://www.ifc.org/ifcext/policyreview.nsf/Content/SafeguardPoliciesUpdate>

² Available at <http://www.dfid.gov.uk/aboutdfid/dfidwork/wbandimf.asp>

2. We welcome the substantial increases in the coverage of the new Performance Standards, leading to a far more comprehensive set of policies than existed previously. We acknowledge and welcome many efforts to clarify language and define what is required of clients in different circumstances. We see the inclusion of the categorisation system as positive in this regard. We also welcome the “Scope of Application” section in each Performance Standard, and the definition of an “area of influence”.
3. The references to international conventions on Labour Rights; strengthening of the language on Greenhouse Gases; and the alignment of the Performance Standard on Indigenous Peoples with the World Bank’s Policy are all welcome revisions in the latest version of the documents.
4. There are two remaining areas of concern to DFID in the present draft: community engagement and issues related to involuntary resettlement.
5. **Community Engagement.** We welcome the importance that the Policy and Performance Standards place on free, prior and informed consultation, informed participation and broad community support in processes of community engagement. We welcome the acknowledgement of community engagement as an on-going process, and not only an ex-ante requirement. We agree that the objective of this engagement should include ‘to build and maintain a constructive relationship with the [affected] communities’ but we would like it made clear that the objective is also to maintain support for the given project from those affected over time. While we acknowledge that it will be IFC’s responsibility to assess this broad community support prior to making a decision about lending, it is the client’s responsibility to achieve and maintain this support in order to be able to undertake the project effectively. IFC would assist clients to achieve this by making clear in the Performance Standards the principles that it applies in judging whether broad community support has been achieved.

6. Equally important are the statements about the way in which community engagement is undertaken. We believe that the Performance Standards must state that community engagement will (as opposed to ‘should’) be free of intimidation or coercion, and conducted on the basis of timely, relevant, understandable and accessible information.
7. The Action Plan, derived from the client’s Social and Environmental Management Programme and containing the measures to mitigate adverse impacts, will play a critical role in the relationship between the client and affected communities. We welcome the requirement for disclosure of the Action Plan, but it must be clear that, prior to its finalisation and implementation, affected communities will be consulted on and aware of all issues affecting them and mitigating measures proposed to address them. We understand this as a demonstration of free, prior, informed consultation.
8. **Involuntary Resettlement.** We welcome the coverage of both physical and economic displacement in Performance Standard 5, as well as the guidance given to clients on planning and undertaking resettlement. We believe that baseline socio-economic survey information will be necessary in order to measure whether the objectives of the Performance Standard ‘to improve or at least restore [resettlers’] livelihoods and standards of living’ will be met. We therefore recommend that IFC clarify in a footnote or annex that the census will include socio-economic data.
9. The Safeguards must offer sufficient protection to the poorest and most vulnerable groups facing economic or physical displacement. For this reason, the Performance Standards should seek to address the risk of impoverishment, and should better reflect resettlement as a sustainable development initiative.

10. We welcome the statement in Performance Standard 5 that persons or communities with customary or traditional claims to land that are ‘recognised or recognisable under the laws of the country’ will have the same entitlements as those with formal legal rights to land. However, we are concerned that there are countries where national law is deficient in recognising customary or traditional claims on land, for example by vulnerable groups such as indigenous people or women. We feel it is important that IFC and its clients recognise the value of land to many poor people, even if they do not have a legally recognisable claim to this land. As such, we suggest the inclusion in Performance Standard 5 of a statement that people’s claims to land can become recognized through a process established in the Resettlement Action Plan³. Furthermore, whilst we recognise that clients should not have to compensate opportunistic squatters, we feel that the package being offered to established informal settlers could be strengthened by allowing the provision for compensation to be paid in lieu of land to those groups. We would also appreciate further clarity in the Performance Standards on the support that clients should offer displaced informal settlers to improve their livelihoods.

11. We would also like the Performance Standards to provide greater clarity on how a client can ensure that informal settlers who are resettled in alternative sites will be protected from eviction. We would also like the reference to vulnerable groups who may not be protected by national land compensation to be moved from the footnotes of the Guidance Notes into the Performance Standards.

12. Finally, we are concerned that Performance Standard 5 does not specify how the client will deal with people who are involuntarily resettled as a result of project impacts other than land acquisition. We understand that such impacts will be

³ This language is currently in Guidance Note 5 (paragraph 27)

identified and mitigated through the social and environmental assessment process described in Performance Standard 1. We recommend a reference to this in Performance Standard 5 and greater clarity in Performance Standard 1. If the impacts are such that mitigation or compensation is inadequate and the impacts give rise to economic or physical displacement, we recommend that Performance Standard 5 should be applied, even if land is not acquired for the project.

With these remarks, we thank IFC again for the extensive engagement with the UK on these Performance Standards and look forward to future discussions.