

**Recommendations to International Finance Corporation (IFC) on Policy
and Performance standards on Social & Environmental Sustainability,
and Policy on Disclosure of Information**

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On April 30, 2006, International Finance Corporation (IFC) adopted the Policy and Performance Standards on Social & Environment, and the Policy on Disclosure of Information. However, several projects financed by IFC have not complied with these policies appropriately. The following recommendations to IFC are proposed based on comparison with other Multilateral Development Banks' policies, and on the review on IFC-funded projects which were approved after the date.

Recommendation 1:

In the objectives of Performance Standards (PS) 1, a requirement to improve or at least restore the livelihoods and standards of living of affected people due to non-land-related displacement should be added.

Rationale:

- This requirement for land-related displacement is in PS 5, however, the PS 5 does not cover non-land-related displacement. So, the requirement should also be included in PS1..

Recommendation 2:

The impacts associated with supply chains should be inquired in all projects.

Rationale:

- The PS 1 states "The impacts associated with supply chains will be considered where the resource utilized by the project is ecologically sensitive." However, the trigger of the requirement is unclear.
- In Bertin project, impacts associated with supply chains have not been covered appropriately in social and environmental assessment processes. (See Case 1 of Appendix 1).

Recommendation 3:

In social and environmental assessment process in Category A projects, Independent experts should be required to retain.

Rationale:

- Independent environmental assessment experts are required to retain in Category A projects in World Bank (See para. 4 of OP 4.01).
- In Bertin and Bujagali Energy project, potential impacts have not been covered appropriately in social and environmental assessment processes. It is urgent to enhance credibility and integrity of assessment's results and mitigation measures (See Case 1 and 2 of Appendix 1).

Recommendation 4:

Social and environmental assessment reports, Action Plans and monitoring reports should be translated into languages understandable and accessible to affected peoples.

Rationale:

- Language is a key for affected people to participate in development process. The current policy fails to set a minimum range of document that clients must translate.
- In Lanco Amarkantak Thermal Power Station project, the Action Plan has not been translated into Hindi, and consultations with affected peoples have not been conducted appropriately (See Case 3

of Appendix 1).

Recommendation 5:

Social and environmental monitoring reports (progress reports) should be disclosed to affected people and the public, which should be required in PS 1.

Rationale:

- It is unclear how clients implement Action Plans appropriately, and how they address unexpected social and environmental issues raised after finalization of Action Plans.
- Disclosure of social and environmental monitoring reports is required to borrowers/clients in Asian Development Bank's project (See para. 17 of Safeguard Requirements 1, para. 26 of Safeguard Requirements 2 and para. 20 of Safeguard Requirements 3 of Safeguard Policy Statement).
- In Bertin, Bujagali Energy and Wilmar Project, potential impacts have not been covered appropriately in social and environmental assessment processes (See Case 1, 2, and 4 of Appendix 1).

Recommendation 6:

Impacts on climate change due to deforestation should be assessed in social and environmental assessment process.

Rationale:

- Reduction of greenhouse gas emission is recommended in PS 3. However, PS 3 does not cover the impacts on climate change due to project-related deforestation.
- It is said that greenhouse gas emission by land use, land use change, and forestry (mainly deforestation and forest degradation) accounts for approximately 20% of overall emission in the world.
- In Bertin project, potential impacts on climate change due to the project-related deforestation have not been considered in the social and environmental assessment (See Case 1 of Appendix 1).

Recommendation 7:

Free, prior and informed consent (FPIC) should be obtained from the indigenous peoples, if there are impacts on indigenous peoples.

Rationale:

- UN Declaration on the Rights of Indigenous Peoples, which was adopted by the General Assembly, requires the requirement of FPIC.
- Inter-American Development Bank requires to promote mechanisms and processes in order to take into account the general principle of FPIC.

Recommendation 8:

Areas having biodiversity that support local communities' basic needs should be one of the criteria for critical habit in Performance Standard 6.

Rationale:

- Wording of current Performance Standard 6 “areas having biodiversity of significant social, economic or cultural importance to local communities” can exclude such areas that provide basic needs of local communities. Thus the word “significant” in paragraph 9 should be removed.

Recommendation 9:

In areas of critical habitat, the client should not significantly convert or degrade such habitat.

Rationale:

- In paragraph 10 of current Performance Standard 6, there are three requirements that can be exemptions of projects that cause significant conversion or degradation of critical habitat, which threaten various values of biodiversity in the areas.

Recommendation 10:

Social and environmental monitoring reports (progress reports) should be disclosed on the IFC’s website upon receipt, which should be required in IFC’s Policy on Disclosure of Information.

Rationale:

- Disclosure of social and environmental monitoring reports is required to Asian Development Bank (See para. 53 of Safeguard Policy Statement).
- In Bertin, Bujagali Energy and Willmar Project, potential impacts have not been covered appropriately in social and environmental assessment processes (See Case 1, 2, and 4 of Appendix 1).

Recommendation 11:

IFC’s monitoring results including site visits reports should be disclosed on the IFC’s website, which should be required in IFC’s Policy on Disclosure of Information.

Rationale:

- IFC conducts project monitoring after financing. However, there is no obligation for IFC to disclose its monitoring results.
- In some cases, IFC conducts site visits of certain projects with social and environmental risks and Impacts. To be fully accountable with the project monitoring, IFC should disclose its monitoring result including site visits reports.

Appendix 1: Review of Recent IFC-financed Projects - For a Reference at the Revisions of Policy and Performance Standards on Social & Environment and Policy on Disclosure of Information -

Case 1: Bertin LTDA

Country	Brazil
Company Name	Bertin LTDA
Environmental Category	A
Finance Status	Canceled on June 12, 2009 ¹ (Approved on March 8, 2007) ²
Project Description	Bertin LTDA is a leading Brazilian cattle slaughterer, meat/hide processor and exporter. The company procures 85% of its cattle from independent farmers and keeps an 80,000 heads farm and a 100,000 heads feedlot in reserve. The purpose of the project is to increase its beef product range and to expand its production sales.
Problems	<ol style="list-style-type: none"> 1. The deforestation of 270,000-320,000 hectares forest, which is highly likely to be induced by expanding the production capacity, is violations of both national law and federal government's sustainable forestry directive (violation of para. 4 of PS 1). 2. Impacts associated with supply chains have not been considered (violation of para 6, PS 1). 3. Impacts on climate change due to the deforestation have not been considered appropriately (violation of para. 6 of PS 1). 4. IFC ignored the warning on the project-induced expansion of deforestation raised by the Bank's own Independent Evaluation Group (IEG). IFC's due diligence process has not been conducted appropriately.
Reference	Bretton Woods Project, ³ Greenpeace ⁴

¹ http://www.ifc.org/ifcext/disclosure.nsf/Content/Brazil_Bertin

² <http://www.ifc.org/ifcext/spiwebsite1.nsf/2bc34f011b50ff6e85256a550073ff1c/b9189fae46d04f328525723300780f9d?opendocument>

³ <http://www.brettonwoodsproject.org/art.shtml?x=552157>

⁴ <http://www.greenpeace.org/international/press/releases/world-bank-withdraws-bertin-loan-130609>

Case 2: Bujagali Energy Ltd.

Country	Uganda
Company Name	Bujagali Energy Limited
Environmental Category	A
Finance Status	Active (Approved on April 26, 2007) ⁵
Project Description	The project consists of the development, construction and maintenance of a run-of-the-river power plant with a capacity of up to 250 MW on the River Nile, at Dumbbell Island in Uganda. The project company will also manage the construction of approximately 100 kilometers of 132 kV transmission line.
Problems	<ol style="list-style-type: none">1. Cumulative impacts with series of other projects and impacts of transmission lines have not been considered (violation of para. 5 of PS 1).2. Declined water levels of Lake Victoria have not been assessed (violation of para. 5 (iii) of PS 1).3. Despite technically complex issues such as described above are involved, external experts have not been retained (violation of para. 7 of PS 1).4. Livelihoods and standards of living of the people displaced have not been restored since requirement to census all displaced persons was neglected and public consultation process was truncated (violation of para. 8 of PS 5).5. Bujagali Falls have been misjudged as a cultural resource for the people lived in vicinity, and consultation process excluded wider people of the Basoga community (violation of para. 6 of PS 8).
Reference	World Bank's Inspection Panel, ⁶ International Rivers ⁷

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<http://www.ifc.org/ifcext/spiwebsite1.nsf/2bc34f011b50ff6e85256a550073ff1c/21e1f67a14f119e28525724a00667e87?opendocument>

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<http://web.worldbank.org/WBSITE/EXTERNAL/EXTINSPECTIONPANEL/0,,contentMDK:21247695~pagePK:64129751~piPK:64128378~theSitePK:380794,00.html>

⁷ <http://www.internationalrivers.org/en/africa/bujagali-dam-uganda>

Case 3: Lanco Amarkantak Thermal Power Station

Country	India
Company Name	Lanco Amarkantak Thermal Power Private Limited
Environmental Category	A
Finance Status	Active (Approved on June 1, 2007) ⁸
Project Description	The company involves the construction, operation and maintenance of a 600 MW (2 * 300 MW units) coal based thermal power plant in Patadi village, Korba district of the state of Chhatisgarh, India. The project also involves the construction of a switchyard and 32 km long 400 kV transmission line.
Problems	<ol style="list-style-type: none">1. Action Plan has not been disclosed at local Panchayat office. None has seen a Hindi translation of the Plan (violation of paras. 16, 20 and 26 of PS 1).2. Comprehensive social impact assessment was published more than three years after land acquisition process began (violation of para. 20 of PS 1).3. The social impact assessment and IFC's social and environmental review summary has not been disclosed in local language and some people claimed that community leaders were bribed. Thus Consultation process has not been conducted appropriately. Also, the early stages of the consultation process have not been documented (violation of para. 21 of PS 1).4. Compensation does not reflect market price and is not enough to buy equivalent land in the area. Livelihoods and standards of living of the people displaced have not been restored. At the end of 2004, the first phase of resettlement took place. Jobs had been provided to only one third of affected households and income generation activities had not been implemented. (violation of para. 8 of PS 5).5. Free, prior and informed consultation with affected Adivasis has not been carried out (violation of para. 9 of PS 7).
Reference	Forest People Programs ⁹

⁸ <http://www.ifc.org/IFCExt/spiwebsite1.nsf/0/c126975a64d3306e852572a0004807bd?OpenDocument>

⁹ http://www.forestpeoples.org/documents/ifi_igo/ifc_india_lanco_press_rel_dec08_eng.shtml

Case 4: Wilmar Trading (IFC Project No. 20348), Delta–Wilmar CIS (No. 24644), Wilmar WCap (No. 25532), Delta–Wilmar CIS Expansion (No. 26271)

Country	No. 20348 and 25532: Indonesia No. 24644 and 26271: Ukraine
Company Name	No. 20348 and 25532: WilmarTrading Pte.Ltd. No. 24644 and 26271: Delta-Wilmar CIS Ltd.
Environmental Category	No. 20348 and 25532: C No. 24644 and 26271: B
Finance Status	No. 20348: Completed (Approved on May 3, 2004) ¹⁰ No. 24644: Active (Approved on June 27, 2006) ¹¹ No. 25532: Completed (Approved on December 20, 2006) ¹² No. 26271: Pending Distribution (Approved on October 20, 2008) ¹³
Project Description	No. 20348: To scale up the offtake of crude palm oil (CPO) from palm oil plantations in Indonesia and process them into refined oil No. 24644: To construct, equip and place into operation a 1,500 metric ton per day CPO refinery. No. 25532: To enable to meet its working capital needs to purchase CPO from palm oil plantations in Indonesia and process them into refined oil for export No. 26271: Additional finance for expansion of capacity of the refinery and related infrastructure.
Problems	<ol style="list-style-type: none"> 1. These projects have been financed with incorrect categorization. 2. Social and environmental impact assessments or action plans are not publicly available (violation of para. 20 and 26 of PS1) 3. The supply chain plantations and other companies related to the project are not taking into account in the assessment (violation of para.6 of PS1) 4. The company has not established the area to be compensated to smallholdings (violation of para. 8 of PS 5). 5. The project involved with clearance of primary forests and area of high conservation value (violation of para.16 of PS6) 6. Free, prior and informed consultation with indigenous peoples has not

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<http://www.ifc.org/ifcext/spiwebsite1.nsf/2bc34f011b50ff6e85256a550073ff1c/64d0058360ce6dbc85256dd6005e35e0?opendocument>

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<http://www.ifc.org/ifcext/spiwebsite1.nsf/2bc34f011b50ff6e85256a550073ff1c/8c6382c5ada5fee8525738e0054259e?opendocument>

¹²

<http://www.ifc.org/ifcext/spiwebsite1.nsf/2bc34f011b50ff6e85256a550073ff1c/68bdeb3d4fe3b5d38525738e0050bd85?opendocument>

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<http://www.ifc.org/ifcext/spiwebsite1.nsf/2bc34f011b50ff6e85256a550073ff1c/dcdc081efe24c7ca852574890079b13e?opendocument>

	been carried out (violation of para. 9 of PS7).
Reference	CAO Audit Report ¹⁴

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http://www.cao-ombudsman.org/uploads/case_documents/Combined%20Document%201_2_3_4_5_6_7.pdf