



International Finance Corporation's Guidance Notes: Performance Standards on Social & Environmental Sustainability

July 31, 2007

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1. IFC has prepared a set of Guidance Notes, corresponding to the Performance Standards on Social and Environmental Sustainability. These Guidance Notes offer helpful guidance on the requirements contained in the Performance Standards, including reference materials, and on good sustainability practices to improve project performance. These Guidance Notes are not intended to establish policy by themselves; instead, they explain the requirements in the Performance Standards.
2. IFC expects that each client will employ methods best suited to its business to meet the requirements of the Performance Standards. In assisting the client to meet the Performance Standards, IFC will take into account variables such as host country context, the scale and complexity of project impacts, and the associated cost-benefit considerations, as well as those of project performance beyond the level required in the Performance Standards. The Guidance Notes provide context, rather than substitute for the sound judgment and discretion used by clients and IFC staff to make project decisions consistent with the Performance Standards.
3. The Guidance Note text in **bold italics** indicates the text of the corresponding Performance Standard. All references contained in the text of the Guidance Notes are reproduced in full in the References section at the end of the Guidance Notes.
4. IFC will update the Guidance Notes periodically to reflect IFC's lessons of experience with the implementation of the Performance Standards, as well as emerging private sector good practices and updates in the referenced materials.

Guidance Notes 2007 Updates as of July 31, 2007 Change Matrix

The following table summarizes the 2007 updates made to the Guidance Notes that accompany the IFC Performance Standards. In general, the updates focused on: (i) reflecting relevant developments (e.g., explanation of the operational implications of the new UN Convention on the Rights of Persons with Disabilities), updating references, and incorporating new IFC guidance materials published since April 2006; (ii) responding to external stakeholders' comments and requests for clarification on specific areas (reflected mostly in Guidance Note 5); and (iii) enhancing guidance in areas identified by internal discussion, particularly areas related to health impacts to communities from project activities (reflected mainly in Guidance Notes 1 and 4).

IFC welcomes ongoing comments from stakeholders on the Guidance Notes. Comments can be submitted to:

<http://www.ifc.org/ifcext/CES/Comments.Nsf/Input2?OpenForm>

| Guidance Notes Paragraphs (new paragraph numbers) | Summary of Changes |
|--|--|
| Guidance Note 1 | |
| Paragraph G9 | Explains conceptual differences between Assessment under Performance Standard 1 and Assessments specified under other Performance Standards, particularly Performance Standard 5 |
| Paragraph G21 | Provides a fuller description of transboundary impacts, including transboundary epidemic disease transmission |
| Paragraph G22 | Provides a fuller description of cumulative impacts, and ensures consistency between Performance Standard 1, paragraph 5 and paragraph G22 |
| Paragraph G23 | Refers to the road testing version of the draft Human Rights Impact Assessment |
| Paragraph G25 | Describes how to address project impacts on people with disability and explains benefits of universal design |
| Paragraph G27 | Provides a fuller explanation of the connection between gender and health |
| Paragraphs G57 and 58 | Provides additional guidance on grievance mechanisms, consistent with guidance in the new Good Practice Handbook on Stakeholder Engagement |
| Guidance Note 2 | |
| Paragraph G5 | Emphasizes the importance of good implementation of labor related management action items through a good management system |
| Paragraph G29 | Provides guidance on disability in the work place |
| Paragraph G44 | Provides guidance on human trafficking issues in the context of child labor |
| Paragraph G52 | Provides guidance on human trafficking issues in the context of forced labor |

| Guidance Notes Paragraphs (new paragraph numbers) | Summary of Changes |
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| Guidance Note 3 | |
| Annex A | Provides additional guidance on GHG emissions in relation to gas flaring |
| Guidance Note 4 | |
| Paragraph G3 | Introduces new guidance and resources for conducting health impact assessments |
| Paragraph G7 | Provides guidance on monitoring of health impacts at household or community levels, and underscores the need to interact with the host government |
| Paragraph G13 | Stresses the importance of addressing hazardous materials considerations at the end of the project life-cycle, such as PCBs and asbestos at the time of project decommissioning |
| Paragraph G15 | Stresses the importance of assessing cumulative increases in project-related emissions and releases to air, water and soil |
| Paragraph G18-20 | Provides expanded explanations of environmental health, nutrition and food security, and infectious diseases considerations in the affected communities |
| Paragraph G22-23 | Provides guidance on worker and community health issues when projects introduce imported workers and contractors |
| Paragraph G35 | Provides additional guidance on situations where the project is providing equipment to public security personnel |
| Annexes A, B, C and F | Annex A lists the material Environmental Health considerations; Annex B provides specific instances of environmental health issues connected to distinct project activities; Annex C provides a summary of a health impact assessment process; and Annex F lists different types of health impact assessments |
| Guidance Note 5 | |
| Paragraph G10 | Lists examples of scenarios that do not come under Performance Standard 5 because impacts are not due to project related land acquisition, and provides guidance on how such impacts may be addressed through Performance Standard 1 |
| Paragraph G12 | Clarifies the general principle to be applied when affected livelihoods are land-based (whether in the context of physical or economic displacement, and whether involving Type I or II transactions) |
| Paragraph G40 | Clarifies requirements under Performance Standard 5 when project-affected people who are without legal title or claim are economically displaced |

| Guidance Notes Paragraphs (new paragraph numbers) | Summary of Changes |
|--|--|
| Guidance Note 6 | |
| Paragraph G26 | Provides guidance on the need for assessment when a project introduces genetically modified organisms (GMOs) - also known as living modified organisms - in a manner similar to invasive alien species |
| Paragraph G28 | Explains a number of ongoing international multistakeholder standard setting initiatives in large commodity sectors, such as palm oil, soy and sugar |
| Guidance Note 7 | |
| Paragraph G1 | References the new IFC guide for clients who operating in countries that have ratified Convention 169 |
| Guidance Note 8 : No changes | |

This Guidance Note 1 corresponds to Performance Standard 1. Please also refer to the Performance Standards 2-8 as well as the corresponding Guidance Notes for additional information. Bibliographical information on all reference materials appearing in the text of this Guidance Note can be found in the References Section at the end.

Introduction

1. Performance Standard 1 underscores the importance of managing social and environmental performance throughout the life of a project (any business activity that is subject to assessment and management). An effective social and environmental management system is a dynamic, continuous process initiated by management and involving communication between the client, its workers, and the local communities directly affected by the project (the affected communities). Drawing on the elements of the established business management process of “plan, implement, check, and act,” the system entails the thorough assessment of potential social and environmental impacts and risks from the early stages of project development, and provides order and consistency for mitigating and managing these on an ongoing basis. A good management system appropriate to the size and nature of a project promotes sound and sustainable social and environmental performance, and can lead to improved financial, social and environmental project outcomes.

Objectives

- *To identify and assess social and environment impacts, both adverse and beneficial, in the project's area of influence*
- *To avoid, or where avoidance is not possible, minimize, mitigate, or compensate for adverse impacts on workers, affected communities, and the environment*
- *To ensure that affected communities are appropriately engaged on issues that could potentially affect them*
- *To promote improved social and environment performance of companies through the effective use of management systems*

G1. A Social and Environmental Management System is part of the client's overall management system for the project. It includes the organizational structure, responsibilities, policies, procedures and practices, and resources, and is essential for successfully implementing the project-specific management program developed through the social and environmental assessment of a project. Performance Standard 1 underscores the importance of managing a project's social and environmental (including labor, health, safety, and security) performance throughout the life of the project. A good management system enables continuous improvement of the project's social and environmental performance, and can lead to improved economic, financial, social and environmental project outcomes.

G2. Before IFC proceeds with an investment, IFC reviews the client's social and environmental management system. For details on IFC's process of social and environmental review, see the [Environmental and Social Review Procedure](#), and for further information on examples and benefits of improving sustainability performance, see [IFC's sustainability resources](#) (listed in the References section below).

Scope of Application

2. This Performance Standard applies to projects with social or environmental risks and impacts that should be managed, in the early stages of project development, and on an ongoing basis.

Requirements

Social and Environmental Management System

3. The client will establish and maintain a Social and Environmental Management System appropriate to the nature and scale of the project and commensurate with the level of social and environmental risks and impacts. The Management System will incorporate the following elements: (i) Social and Environmental Assessment; (ii) management program; (iii) organizational capacity; (iv) training; (v) community engagement; (vi) monitoring; and (vii) reporting.

G3. The level of detail and complexity of the social and environment management system and the resources devoted to it will depend on the level of impacts and risks identified in the social and environmental assessment and the size and nature of the client's organization. A satisfactory Management System appropriate to the nature and scale of the project and commensurate with the level of social and environmental risks and impacts is a condition of IFC's investment. If the client does not have a satisfactory Management System at the time of IFC's appraisal of the project, one should be developed and implemented over a reasonable period of time agreed with IFC, and be in effect in time to manage project activities financed by IFC.

G4. At a minimum, a management system that meets the requirements of Performance Standard 1 should be in place at the level of the client's organization in which the funds from IFC's investment will be utilized (i.e., at the corporate or at the activity-specific level). In the case of project financing of specific operating units or activities, whether greenfield or existing, the system structure should address the social and environmental issues arising from the project being financed. In the case of corporate investments without specific project activities to be financed, this will often mean establishing, building on or maintaining a corporate level management framework.

G5. The Social and Environmental Management System requirements of Performance Standard 1 draw on the established dynamic business management process of "plan, implement, check, and act". In the context of accepted international frameworks for quality and environmental management systems (for examples, see the References section), this management process can be summarized as follows:

- Identification and review of the social and environmental impacts and risks of the operations
- Definition of a set of policies and objectives for social and environmental performance
- Establishment of a management program to achieve these objectives
- Monitoring performance against these policies and objectives

- Reporting of the results appropriately
- Review of the system and outcomes, striving for continuous improvement

G6. The effort needed to establish a Management System depends on the client's existing management practices. Production- and quality-based management systems operating within the client's organization can be used as a foundation on which to build the elements of a system consistent with Performance Standard 1 in the absence of an existing environmental, health and safety, human resource or social management system. Where a client has an existing environmental, health and safety, human resource and/or social management system, its elements may meet or can be appropriately modified or expanded to meet the requirements of Performance Standard 1. Where a client has developed and implemented a formal environmental, labor, health and safety, and/or social management system consistent with an internationally accepted standard, the explicit incorporation of the applicable Performance Standards in the policy and objectives elements of such system(s) (in addition to the relevant laws and regulations applicable to their activities, and other corporate priorities and objectives) and implementation of an appropriate management program may be sufficient to meet the requirements of Performance Standard 1. Formal management systems certified under international standards are not required by Performance Standard 1. While certified systems are likely to meet IFC's requirements, they do not eliminate the need for IFC's due diligence of the elements of the system required by Performance Standard 1.

G7. Even though many formal management systems do not explicitly address it, community engagement is an important process element in managing social and environmental impacts and risks, and is specifically included in paragraphs 19 through 23 of Performance Standard 1. Community engagement normally involves the disclosure of information, consultation with affected communities (see guidance under paragraph G15 on Stakeholder Identification), and the establishment of a grievance mechanism. Community engagement should occur as an integral part of the Assessment and, in the case of projects that have significant impacts on communities, will normally continue on an ongoing basis during the life of a project. Community engagement is the responsibility of the client. IFC undertakes its own disclosure of information in accordance with [IFC's Policy on Disclosure of Information](#).

Social and Environmental Assessment

4. The client will conduct a process of Social and Environmental Assessment that will consider in an integrated manner the potential social and environmental (including labor, health, and safety) risks and impacts of the project. The Assessment process will be based on current information, including an accurate project description, and appropriate social and environmental baseline data. The Assessment will consider all relevant social and environmental risks and impacts of the project, including the issues identified in Performance Standards 2 through 8, and those who will be affected by such risks and impacts. Applicable laws and regulations of the jurisdictions in which the project operates that pertain to social and environmental matters, including those laws implementing host country obligations under international law, will also be taken into account.

5. Risks and impacts will be analyzed in the context of the project's area of influence. This area of influence encompasses, as appropriate: (i) the primary project site(s) and related facilities that the client (including its contractors) develops or controls, such as power transmission corridors, pipelines, canals, tunnels, relocation and access roads, borrow and

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disposal areas, construction camps; (ii) associated facilities that are not funded as part of the project (funding may be provided separately by the client or by third parties including the government), and whose viability and existence depend exclusively on the project and whose goods or services are essential for the successful operation of the project; (iii) areas potentially impacted by cumulative impacts from further planned development of the project, any existing project or condition, and other project-related developments that are realistically defined at the time the Social and Environmental Assessment is undertaken; and (iv) areas potentially affected by impacts from unplanned but predictable developments caused by the project that may occur later or at a different location. The area of influence does not include potential impacts that would occur without the project or independently of the project.

6. *Risks and impacts will also be analyzed for the key stages of the project cycle, including pre-construction, construction, operations, and decommissioning or closure. Where relevant, the Assessment will also consider the role and capacity of third parties (such as local and national governments, contractors and suppliers), to the extent that they pose a risk to the project, recognizing that the client should address these risks and impacts commensurate to the client's control and influence over the third party actions. The impacts associated with supply chains will be considered where the resource utilized by the project is ecologically sensitive, or in cases where low labor cost is a factor in the competitiveness of the item supplied. The Assessment will also consider potential transboundary effects, such as pollution of air, or use or pollution of international waterways, as well as global impacts, such as the emission of greenhouse gasses.*

7. *The Assessment will be an adequate, accurate, and objective evaluation and presentation of the issues, prepared by qualified and experienced persons. In projects with significant adverse impacts or where technically complex issues are involved, clients may be required to retain external experts to assist in the Assessment process.*

8. *Depending on the type of project and the nature and magnitude of its risks and impacts, the Assessment may comprise a full-scale social and environmental impact assessment, a limited or focused environmental or social assessment, or straightforward application of environmental siting, pollution standards, design criteria, or construction standards. When the project involves existing business activities, social and/or environmental audits may need to be performed to determine any areas of concern. The types of issues, risks and impacts to be assessed, and the scope of the community engagement (see paragraphs 19 through 23 below) can also vary considerably, depending on the nature of the project, and its size, location, and stage of development.*

9. *Projects with potential significant adverse impacts that are diverse, irreversible, or unprecedented will have comprehensive social and environmental impact assessments. This assessment will include an examination of technically and financially feasible¹ alternatives to the source of such impacts, and documentation of the rationale for selecting the particular course of action proposed. In exceptional circumstances, a regional, sectoral or strategic assessment may be required.*

10. *Narrower scopes of Assessments may be conducted for projects with limited impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.*

11. *Projects with minimal or no adverse impacts will not be subject to further assessment beyond their identification as such.*

12. *As part of the Assessment, the client will identify individuals and groups that may be differentially or disproportionately affected by the project because of their disadvantaged or vulnerable status.² Where groups are identified as disadvantaged or vulnerable, the client will propose and implement differentiated measures so that adverse impacts do not fall disproportionately on them and they are not disadvantaged in sharing development benefits and opportunities.*

¹ "Technical feasibility" is based on whether the proposed measures and actions can be implemented with commercially available skills, equipment and materials, taking into consideration prevailing local factors such as climate, geography, demography, infrastructure, security, governance, capacity and operational reliability. "Financial feasibility" is based on commercial considerations, including the relative magnitude of the incremental cost of adopting such measures and actions compared to the project's investment, operating and maintenance costs and whether this incremental cost could make the project nonviable to the client.

² This status may stem from an individual's or group's race, color, sex, language, religion, political or other opinion, national or social origin, property, birth or other status. The client should also consider factors such as gender, ethnicity, culture, sickness, physical or mental disability, poverty or economic disadvantage, and dependence on unique natural resources.

Social and Environmental Assessment Process

General issues

G8. The process of Social and Environmental Assessment (the Assessment) addresses the social and environmental impacts and risks (including labor, health, safety, and security) of a proposed project. It is an important first step in managing and improving project social and environmental performance, as it helps the client to assess all relevant potential impacts and risks associated with the project (whether addressed through the Performance Standards or not), and identify any mitigation or corrective measures that will enable the project to meet the applicable requirements in Performance Standards 2 through 8, any applicable local laws and regulations, as well as any additional priorities and objectives for social or environmental performance identified by the client. For guidance on hard to address labor issues in the process of, or in addition to, the client's process of Assessment, see paragraph G4 of Guidance Note 2. An example of health impact assessment process and critical elements in a health assessment can be found in Annex C of Guidance Note 4 and its Reference Section. Guidance on risk assessment related to security issues can also be found in Guidance Note 4.

G9. Even if impacts and risks are not specifically identified in Performance Standards 2 through 8, they should be assessed under Performance Standard 1 as part of the project's approach to risk management. For example, all relevant adverse impacts on the livelihoods and income of the affected communities within the project area of influence should be assessed. Of such impacts, those that result from project-related land acquisition should be addressed through Performance Standard 5 on Land Acquisition and Involuntary Resettlement, while other adverse impacts on livelihoods that result from other project activities should be addressed under Performance Standard 1. Examples of adverse impacts that should be addressed under

Performance Standard 1 include loss of access to state-owned sub-surface mineral rights¹ by artisanal miners; loss of access to marine fishing grounds due to project activities; restriction of access to resources located within state-determined exclusion zones not acquired by the client; and demonstrated decreases in agricultural, livestock, forest, hunting and fishing yields resulting from project-related disturbance and/or pollution. For related guidance, see paragraph G10 of Guidance Note 5. Depending on the circumstance, it may be appropriate to model mitigation measures for adverse impacts on livelihoods assessed under Performance Standard 1 after livelihood restoration measures specified under Performance Standard 5 for economic displacement resulting from land acquisition. Integrating social and environmental considerations in the context of an overall assessment of the project will enable clients to articulate the overall project risks and benefits and inform the clients' decisions.

G10. The Assessment's key process elements generally consist of (i) project definition; (ii) (initial) screening of the project and the scoping of the Assessment process; (iii) stakeholder identification and gathering of social and environmental baseline data, where relevant; (iv) impact identification and analysis; and; (v) generation of mitigation or management measures and actions. The breadth, depth and type of analysis should be proportionate to the nature and scale of the proposed project's potential impacts as identified during the course of the Assessment process. The Assessment must conform to the requirements of the host country's environmental assessment laws and regulations, including the relevant disclosure of information and public consultation requirements.

G11. Clients can use in-house staff and/or external consultants or experts to carry out the Assessment work, provided that the applicable requirements of the Performance Standards are met. The in-house staff or external personnel conducting the Assessment must be in a position to do so adequately, accurately and objectively, as well as have the requisite qualifications and experience. For projects with issues that may pose significant adverse impacts and risks, clients should consider retaining external experts to assist in the conduct of all or part of the Assessment. These experts should have relevant and recognized experience in similar projects and operate independently from those responsible for design and construction. They should be engaged early in the project's development phase and, as necessary, in the various stages of project design, construction, and commissioning. In some high-risk cases, IFC may require a panel of external experts to advise the client and/or IFC. In addition, external experts are required in certain defined circumstances, on issues concerning biodiversity (as provided in paragraph 4 of Performance Standard 6), Indigenous Peoples (as provided in paragraph 11 of Performance Standard 7) and cultural heritage (as provided in paragraph 4 of Performance Standard 8).

G12. Early in IFC's engagement with the client on a prospective project, IFC will review the stage of development of the project and status of the client's social and environmental assessment process and documentation. In many cases, clients will have undertaken some level of such assessment to satisfy host country requirements or as part of their own corporate due diligence processes. For specific issues, such as labor and working conditions or the use of security personnel, the client may have conducted a separate labor assessment or risk assessment, respectively. These existing documents can be considered as part of the client's Assessment consistent with the requirements of Performance Standard 1, as long as key

¹ In most countries, surface land rights are legally distinct from sub-surface mineral rights.

baseline data and assumptions have not materially changed by the time of IFC's review. Based on this review, IFC will identify and agree with the client on any additional assessment work that may be necessary to meet the requirements of Performance Standard 1, the parties responsible for such assessment, and the timeline for its completion.

Project Definition

G13. The project definition should include a concise description of the proposed project and its contexts to be assessed. The project description will normally address new facilities or business activities to be financed by IFC. These facilities are expected to meet the applicable requirements in Performance Standards 1 through 8 at the outset or, as agreed with IFC, over a reasonable period of time. If a proposed business activity to be financed by IFC relates to existing facilities (e.g., restructuring projects, expansions, modernizations, privatizations of such facilities), IFC will work with the client to develop a management program, including an Action Plan, that is technically and financially feasible and cost-effective for these facilities to meet the applicable Performance Standards within a reasonable time frame. Further guidance on project descriptions can be found in Annex A.

Initial Screening

G14. The initial screening of the project against the applicable local laws and regulations and the Performance Standards will indicate whether the project may pose social or environmental risks that should be further analyzed through additional Assessment process steps. It should identify the extent and complexity of potential impacts and risks in the project's area of influence, which is the total area likely to be affected by both on-site and off-site impacts from project activities (see also paragraph 5 of Performance Standard 1, and paragraphs G18 and 22 below). If the initial screening indicates potential adverse impacts, the scope of the Assessment should be determined and further impact identification and analysis (based on relevant baseline data, if any, and considering identified stakeholders) will be necessary to ascertain the nature and scale of impacts, the affected communities, and possible mitigation measures. Where the initial screening process concludes that a project will have no or minimal potential adverse impacts, the client should document this screening process and its conclusions. No further Assessment or establishment of a Management System will be required.

Stakeholder Identification and Information Gathering

G15. Stakeholder identification broadly involves the determination of the various individuals or groups who may have an interest in the project or who may affect or be affected by the project. The process of stakeholder identification includes distinct steps, including: (i) identifying individuals, groups or local communities that may be affected by the project, positively or negatively, and directly or indirectly, making special effort to identify those who are directly affected, including those who are disadvantaged or vulnerable; (ii) identifying broader stakeholders who may be able to influence the outcome of the project because of their knowledge about the affected communities or political influence over them; (iii) identifying legitimate stakeholder representatives, including elected officials, non-elected community leaders, leaders of informal or traditional community institutions, and elders within the affected community; and (iv) mapping the impact zones by placing the affected groups and communities

within a geographic area, which will help the client define or refine the project's area of influence (see paragraph 5 of Performance Standard 1, and paragraphs G18 and 22 below).

G16. The baseline information gathering phase is an important and often a necessary step in the Assessment process to enable the determination of the potential impacts and risks of a project. Baseline information gathering should describe the relevant existing conditions, such as physical, biological, medical and socio-economic. Analysis of project- and site-specific impacts should be based on current and verifiable primary information. Reference to secondary information on the project's area of influence is acceptable, but it may still be necessary to gather primary information from field surveys to establish baselines appropriate to the proposed project's potential impacts and risks. Relevant data may be available from various host governmental, NGO and academic studies. However, clients should carefully evaluate data sources and potential data gaps. Accurate and up-to-date baseline information is essential, as rapidly changing situations, such as in-migration of people in anticipation of a project or development², or lack of data on disadvantaged or vulnerable individuals and groups within an affected community, can seriously affect the efficacy of social mitigation measures. Limitations on data, such as the extent and quality of available data, assumptions and key data gaps, and uncertainties associated with predictions, should be clearly identified.

Impacts and Risks

G17. Potential impacts and risks should be assessed and documented for each key stage of the project cycle including design and planning, construction, operations, and decommissioning or closure and for their short-term, long-term, and cumulative contexts (see paragraph G22 below), keeping in mind the dynamic and shifting nature of these impacts and risks.

G18. The size of a project's area of influence and the social and environmental impacts and risks within the area can vary considerably. Some of these impacts and risks, particularly those described in the Performance Standards, may be attributable to third parties within the area of influence. The larger the area of influence, the more likely that third party action or non-performance could pose risks to projects. Where relevant, the Assessment includes these third party risks, particularly risks over which the client may have a degree of control or influence.

G19. In addition to adverse impacts and risks, the Assessment can assess potential positive or beneficial impacts of a project and propose measures to enhance them. These measures can be implemented through the client's social and environmental management program. If requested by clients, IFC can assist clients to enhance the positive outcomes of the project through various technical and financial assistance and programs.

Global Impacts

G20. While individual project impacts on climate change, ozone layer, biodiversity or similar environmental issues may not be significant, when taken together with impacts created by other human activities, they can become nationally, regionally or globally significant. When a project

² In-migration can pose significant impacts on host communities. Demographic surveillance systems that can accurately track community level influx have been established in many settings and there are established methodologies that can be readily consulted (for examples, see the References Section).

has the potential for large scale impacts that can contribute toward adverse global environmental impacts, the Assessment should consider these impacts. Specific requirements and guidance on greenhouse gases and ozone-depleting substances can be found in Performance Standard 3 and its accompanying Guidance Note, and on biodiversity, in Performance Standard 6 and its accompanying Guidance Note.

Transboundary Impacts

G21. Transboundary impacts are impacts that extend to multiple countries, beyond the host country of the project, but are not global in nature. Examples include air pollution extending to multiple countries, use or pollution of international waterways³, and transboundary epidemic disease transmission⁴. If the Assessment determines that: (i) the project entails activities that may cause adverse effects through air pollution or abstraction of water from or pollution of international waterways; (ii) the affected countries and the host country have entered into any agreements or arrangements or have established any institutional framework regarding the potentially affected airshed, waterway, subsurface water, or other resources; or (iii) there are unresolved differences between the affected and host countries regarding the potentially affected resource, and the likelihood of a resolution is not imminent, the client may be required to provide notice of the proposed project to the affected country or countries. When requested by the client, IFC will assist the client with notifying competent authorities of the affected countries. IFC's role in this regard is outlined in paragraph 40 of the IFC Policy on Social and Environmental Sustainability (Sustainability Policy). IFC's procedure for notification of competent authorities can be found in the Environmental and Social Review Procedure. Examples of regional systems of assessment and notification of transboundary impacts can be found in the References section.

Cumulative Impacts

G22. The combination of multiple impacts from existing projects, the proposed project, and/or anticipated future projects may result in significant adverse and/or beneficial impacts that would not be expected in case of a stand-alone project. The Assessment should evaluate these cumulative impacts commensurate with the source, extent, and severity of cumulative impacts anticipated. As a result, the geographic and temporal boundaries of the cumulative impact assessment would depend on the potential cumulative impacts that are attributable to the project and those that affect the project as a result of reasonably foreseeable activities by third

³ IFC defines an international waterway as: (a) any river, canal, lake, or similar body of water that forms a boundary between, or any river or body of surface water that flows through, two or more states, whether IFC members or not; (b) any tributary or other body of surface water that is a component of any waterway described in (a) above; and (c) any bay, gulf, strait, or channel bounded by two or more states or, if within one state, recognized as a necessary channel of communication between the open sea and other states--and any river flowing into such waters.

⁴ Transboundary epidemic disease transmission is well known and has been observed in many settings. Many infectious diseases, such as cholera, influenza and meningitis, can be rapidly and easily spread across national borders, particularly when a project attracts a large influx of potential job seekers during a construction phase. Similarly, a project may bring in large numbers of overseas workers for short-term specialty construction work. In some situations, the disease spectrum of the imported workers may be quite different than the host country, e.g., multi-drug resistant tuberculosis, *vivax* versus *falciparum* forms of malaria. In some cases, it may be appropriate for very large scale transboundary projects to consider the potential for global or regional level disease epidemic transmission, e.g., avian influenza and SARS.

parties, and will influence the final definition of the project area of influence. Examples of cumulative impacts include ambient conditions in an airshed (see paragraph 9 of Performance Standard 3), conditions in a watershed, or secondary or induced social impacts, such as in-migration or substantially increased transport activity in a project area of influence (see paragraphs G5, G22, and G23 of Guidance Note 4). The client's baseline study should identify any relevant existing project or condition. In terms of anticipated future projects, priority should be given to assessing cumulative impacts stemming from the proposed project, such as further planned development of the project and other project-related future developments that are realistically defined at the time of the Assessment (for example, an anticipated future development for which licenses or permits have been issued should be included, even if it is not yet in implementation). IFC will work with the client to identify existing data and studies, and if necessary will consider available technical and financial assistance mechanisms on a case-by-case basis. In situations where cumulative impacts are likely to occur from activities by third parties in the project region, a regional or sectoral assessment may be appropriate. It may not be feasible for the client to undertake such a study, for example, in situations where the impacts from the client's own operations are expected to be a relatively small amount of the cumulative total. For further guidance on such assessments, see paragraph G31 and 32 below. While the client is responsible for gathering information on cumulative impacts under paragraph 5 of Performance Standard 1, paragraph 6 of the Performance Standard also indicates that the client is expected to address risks and impacts commensurate to the client's control and influence over third party actions.

Human Rights

G23. A number of international agreements and conventions have established basic human rights (a list of these international instruments can be found in the References section of Guidance Note 2; other useful guidance supporting human rights can be found in the References section of Guidance Notes 3, 4, 5, and 7). While states are responsible for protecting these human rights, it is increasingly expected that private sector companies conduct their affairs in a way that would uphold these rights and not interfere with states' obligations under these instruments. In addition, business conduct that is inconsistent with these basic human rights can pose risks to business, and as a result, the Assessment process is a useful tool to analyze these risks and to consider management measures. Descriptions of some of these risks can be found in Performance Standards 2, 3, 4, 5 and 7. IFC recently released a draft of the [Guide to Human Rights Impact Assessment and Management \(Guide to HRIA\)](#) jointly developed by IFC and the International Business Leaders Forum. The draft Guide to HRIA was released to enable voluntary road-testing of the HRIA by a number of companies. If human rights are likely to be a significant and specific risk for the project, companies can consider carrying out an HRIA along with the Social and Environmental Assessment.

Disadvantaged or Vulnerable Groups

G24. There may be individuals or groups within the project area of influence who are particularly vulnerable or disadvantaged and who could experience adverse impacts from the proposed project more severely than others, as described in footnote 2 of Performance Standard 1. Large scale projects with a large project area of influence and multiple affected communities are more likely to expose these individuals and groups to adverse impacts than smaller scale projects with site specific issues. Where it is anticipated that the project will

impact one or more affected communities, the Assessment process should use accepted sociological and health methods to identify and locate vulnerable individuals or groups within the affected community population, collecting data on a disaggregated basis. Using this disaggregated information, the client should assess potential impacts, including differentiated impacts, on these individuals and groups and propose specific (and if necessary separate) measures in consultation with them to ensure that potential impacts and risks to them are appropriately avoided, mitigated or compensated. Vulnerable or disadvantaged individuals and groups should be able to benefit from project opportunities equally with the rest of the affected community; this may require that differentiated benefit-sharing processes and levels (such as ensuring that compensation for a house taken during resettlement is provided equally to the woman and man of the household, providing training for individuals or groups who might lack the necessary skills to find a job with the project, ensuring access to medical treatments for medical conditions resulting from the project, etc.) are available. Project monitoring should track these individuals or groups on a disaggregated basis. Specific considerations and measures for Indigenous Peoples are described in Performance Standard 7 and the accompanying Guidance Note. Clients should exercise discretion in gathering personal data and information and should treat such data or information as confidential (except where disclosure is required by law). Where Performance Standard 1 requires disclosure of plans based on personal info or data collected, (such as a resettlement action plan) the client should ensure that any personal data or information cannot be associated with particular individuals.

Disability

G25. There are country laws, regulations, and other guidance pertaining specifically to people with disabilities, who are highly vulnerable to disproportionate impact from projects. Where no adequate legal framework exists, the client should identify appropriate alternatives to avoid, minimize, mitigate, or compensate for potential adverse impacts and risks on people with disabilities. The alternatives should be focused on creating access to the resources and services for the community (e.g., accessibility to education, medical assistance, training, employment, tourism, and consumer goods; and physical accessibility to transportation, schools, hospitals/clinics, work facilities, hotels, restaurants, stores, and other commercial areas). See the References Section for *A Design Manual for a Barrier Free Environment*, and *The U.S. Access Board*. Clients should also consider incorporating the principles of universal design (defined as the design of products, environments, programmes and services to be usable by all people, to the greatest extent possible, without the need for adaptation or specialized design⁵) into project design, construction, and operation (including emergency and evacuation plans), whether new construction or restructuring, expansion, or modernization of facilities, to maximize use by all potential users, including people with disabilities.

Gender

G26. A project may have different impacts on women and men, due to their differentiated socioeconomic roles and their varying degrees of control over and access to assets, productive

⁵ "Universal design" shall not exclude assistive devices for particular groups of persons with disabilities where this is needed (Article 2 of the United Nation Convention on the Rights of Persons with Disabilities adopted December 13, 2006)

resources, and employment opportunities. There may be norms, societal practices, or legal barriers that impede the full participation of persons of one gender (usually women, but potentially men) in consultation, decision-making, or sharing of project benefits. These legal and societal norms and practices may lead to gender discrimination or inequality. Gender-differentiated impacts should be assessed and the Assessment should propose measures designed to ensure that one gender is not disadvantaged relative to the other in the context of the project. This may include providing opportunities to enhance full participation and influence in decision-making through separate mechanisms for consultation and grievances, and developing measures that allow both women and men equal access to project benefits (such as land titles, compensation, and employment).

G27. Health performance indicators and gender are strongly associated with each other. Demographic Health Surveys (DHS) have repeatedly demonstrated the profound connection between gender (usually women) and a wide variety of key health performance indicators. Proposed interventions should be sensitive to and aware of the unique role played by women in health. The use of peer educators and community level women's organizations should be considered. In many developing country settings, there are marked differences in the literacy and educational attainment levels of women. Typically, female literacy and educational attainment levels are marked lower than men, even if the woman is the household head. Household level education literacy/attainment is also strongly tied to many critical health performance indicators. Therefore, proposed mitigation interventions and/or outreach efforts must factor this "education gap" into the planning process.

Third Party Impacts including Supply Chain Considerations

G28. The client may have limited or no leverage on third parties, such as a government agency in charge of controlling in-migration in the project area, or an illegal logging operation taking advantage of project access roads through forests. Nonetheless, the project description in the Assessment report should encompass facilities and activities by third parties that are essential for the successful operation of the project, and the Assessment process for a project with a large area of influence should identify the roles of third parties and the potential impacts and risks from their actions or non-performance. Clients should collaborate with third parties and take action to the extent of their influence or control over them. IFC will work with the client on a case-by-case basis to have the client and, where feasible, third parties develop appropriate mitigation strategies.

G29. Among these third parties are operators of associated facilities (see item (ii) in paragraph 5 of Performance Standard 1) that may have a particularly close relationship with the project. Because of this relationship, the client will normally have some commercial leverage on the operators of such facilities. Where such leverage allows, undertakings can be secured from these operators to operate their facilities consistent with the applicable Performance Standards. In addition, the client should identify its own actions, if any, that will support or supplement the actions of the associated facilities.

G30. As with the third party impacts and risks described above, projects' relationships with supply chains could pose a particular challenge in certain sectors. The Assessment should identify the roles, impacts and risks of key suppliers in relation to labor issues and ecologically sensitive resources, as described in paragraph 6 of Performance Standard 1. Generally, where

the client has commercial leverage over its suppliers, IFC will expect the client to work with its suppliers to propose mitigation measures proportionate to identified risks on a case-by-case basis, while recognizing that assessing and addressing supply chain implications beyond the first or the second tier suppliers would not be practical or meaningful to the client or the supplier. Additional information on addressing labor issues of the client's key suppliers, particularly those related to child labor and forced labor, can be found in paragraph 18 of Performance Standard 2 and the accompanying guidance. For biodiversity issues in the supply chain, see Performance Standard 6 and the accompanying Guidance Note.

Regional, Sectoral or Strategic Assessments

G31. In exceptional circumstances, regional, sectoral, or strategic social and environmental assessment may be required in addition to the social and environmental impact assessment. Regional assessment is conducted when a project or series of projects are expected to have a significant regional impact or influence regional development (e.g., an urban area, a watershed, or a coastal zone), and is also appropriate where the region of influence spans two or more countries, or where impacts are likely to occur beyond the host country. Sectoral assessment is useful where several projects are proposed in the same or related sector (e.g., power, transport, or agriculture) in the same country, either by the client alone or by the client and others. Strategic assessment examines impacts and risks associated with a particular strategy, policy, plan, or program, often involving both the public and private sectors. Regional, sectoral, or strategic assessment may be necessary to evaluate and compare the impact of alternative development options, assess legal and institutional aspects relevant to the impacts and risks, and recommend broad measures for future social and environmental management. Particular attention is paid to potential cumulative impacts of multiple activities. These assessments are typically carried out by the public sector, though they may be called for in some complex and high risks private sector projects.

G32. When the need for such assessments is indicated, IFC will work with the client to identify existing data and studies already carried out by other institutions, such as the World Bank, other multilateral financial institutions and/or national agencies. In the absence of such data or studies, IFC will assist the client to identify the appropriate terms of reference for such assessments, and will consider available technical and financial assistance mechanisms.

Mitigation Measures

G33. If the impact analysis confirms potential impacts and risks, clients should develop measures and actions to avoid, minimize, mitigate, compensate for, or offset potential adverse social and environmental impacts, or, in case of positive or beneficial impacts, to enhance them. As a general principle for adverse social and environmental impacts, the Assessment should focus on measures to prevent these from occurring in the first place, as opposed to minimization, mitigation, or compensation. At the same time, however, IFC recognizes this can pose challenges for projects, and that measures should be drawn from options that are technically and financially feasible (as defined in footnote 1 of Performance Standard 1) and cost effective (as defined in footnote 2 of Performance Standard 3). Where trade-offs between avoidance and mitigation/compensation are considered, these should be documented. The Assessment should consider economic, financial, environmental and social costs and benefits and identify to which parties these accrue. The costs and benefits may be expressed in

qualitative or quantitative terms, and the analysis of the balance between costs and benefits should be explained. Where these impacts are within the client's capacity to control or influence, the client should capture the mitigation or corrective measures in a management program or the Action Plan (see paragraphs 13 through 16 of Performance Standard 1 and the accompanying Guidance Notes) and implement these through the Management System.

Documentation of Assessment Process

G34. The outcome of the Assessment process should be documented. The assessment process may result in one or more documents with separate analysis, particularly when the client engages various experts to address multiple Performance Standards.

G35. Projects with limited adverse impacts and risks, both new projects and those involving existing facilities (the type of projects likely to be considered as Category B projects by IFC), need documentation on the screening process, impacts analysis, proposed mitigation measures, and the process of disclosure of information, and community engagement (if there are affected communities). At a minimum, clients should have one or more documents or analysis that describe:

- The project and its social and environmental aspects
- Maps and drawings of the project and a delineation or description of its area of influence
- Compliance with the legal and regulatory framework, the applicable Performance Standards and the environmental and health and safety performance levels established for the project
- Key potential impacts and risks, including the identification of the affected communities
- Planned mitigation and any areas of concern that need to be further addressed
- The process of community engagement

G36. If early analysis for the Assessment identifies potentially significant adverse social and environmental impacts and risks that are diverse, irreversible, or unprecedented (the type of projects likely to be considered as Category A projects by IFC), a formal social and environmental impact assessment report will be prepared in accordance with accepted international practice, and consistent with Annex A. For these projects, summaries of analyses should explain findings clearly and objectively, and be understandable to laypersons. For those projects with potentially significant adverse impacts predominantly in the social area (e.g., involuntary resettlement), the Assessment process should largely focus on generating appropriate social baseline data, impacts analysis, and mitigation measures (e.g., Resettlement Action Plan).

G37. These projects will normally need to conduct an alternatives analysis as part of the social and environmental assessment. The purpose of alternative analysis is to improve project design, construction, and operation decisions based on feasible project alternatives. This analysis may facilitate the consideration of social and environmental criteria at the early stages of project development and make decisions based on the differences between real choices. The alternatives analysis should be conducted as early as possible in the Assessment process and examine feasible alternatives such as alternative project locations, designs or operational

processes, or alternative ways of dealing with social and environmental impacts. The analysis is subject to the disclosure and consultation requirements of the Assessment. Additional information regarding the analysis of alternatives is provided in Annex A.

G38. When projects involve existing facilities, environmental and social audit reports and hazard/risk assessment reports should be prepared in accordance with accepted international practice and follow the table of contents provided in Annex B.

Management Program

13. Taking into account the relevant findings of the Social and Environmental Assessment and the result of consultation with affected communities, the client will establish and manage a program of mitigation and performance improvement measures and actions that address the identified social and environmental risks and impacts (the management program).

14. Management programs consist of a combination of operational policies, procedures and practices. The program may apply broadly across the client's organization, or to specific sites, facilities, or activities. The measures and actions to address identified impacts and risks will favor the avoidance and prevention of impacts over minimization, mitigation, or compensation, wherever technically and financially feasible. Where risks and impacts cannot be avoided or prevented, mitigation measures and actions will be identified so that the project operates in compliance with applicable laws and regulations, and meets the requirements of Performance Standards 1 through 8 (see paragraph 16 below). The level of detail and complexity of this program and the priority of the identified measures and actions will be commensurate with the project's risks and impacts.

15. The program will define desired outcomes as measurable events to the extent possible, with elements such as performance indicators, targets, or acceptance criteria that can be tracked over defined time periods, and with estimates of the resources and responsibilities for implementation. Recognizing the dynamic nature of the project development and implementation process, the program will be responsive to changes in project circumstances, unforeseen events, and the results of monitoring (see paragraph 24 below).

G39. The level of detail and complexity of the management program should be commensurate with the project's anticipated impacts and risks. Where a Social and Environmental Impact Assessment format is required as described in paragraph 9 of Performance Standard 1, the management program should include an Action Plan as described in paragraph 16 of Performance Standard, and contain the measures listed under the heading "Management Program" in Annex A. For projects with limited potential impacts, the management program should address those limited impacts, and are likely to be less elaborate. In the case of existing facilities, the management program is likely to include corrective measures and an Action Plan to address areas of improvement identified in the social and environmental audit. As part of the management program, the client may wish to establish its own internal performance measures so as to enhance positive project impacts and the desired outcomes as measurable events to the extent possible. These include measures such as performance indicators, targets, or acceptance criteria that can be tracked over defined time periods, to ensure continuous improvement of performance in these areas.

G40. The management program should be implemented through the client's Social and Environmental Management System (see paragraph 3 of Performance Standard 1 and the accompanying guidance), so that it will enable the client to determine adequate allocation of financial resources and designation of responsible personnel within the client's organization, and to implement as part of overall site, project or corporate management.

Action Plan

16. *Where the client identifies specific mitigation measures and actions necessary for the project to comply with applicable laws and regulations and to meet the requirements of Performance Standards 1 through 8, the client will prepare an Action Plan. These measures and actions will reflect the outcomes of consultation on social and environmental risks and adverse impacts and the proposed measures and actions to address these, consistent with the requirements under paragraph 21. The Action Plan may range from a brief description of routine mitigation measures to a series of specific plans.³ The Action Plan will: (i) describe the actions necessary to implement the various sets of mitigation measures or corrective actions to be undertaken; (ii) prioritize these actions; (iii) include the time-line for their implementation; (iv) be disclosed to the affected communities (see paragraph 26); and (v) describe the schedule and mechanism for external reporting on the client's implementation of the Action Plan.*

³ For example, Resettlement Action Plans, Biodiversity Action Plans, Hazardous Materials Management Plans, Emergency Preparedness and Response Plans, Community Health and Safety Plans, and Indigenous Peoples Development Plans.

G41. Taking the result of the Social and Environmental Assessment process, including the result of consultation during this process (see paragraphs 19 through 23 of Performance Standard 1 and the accompanying Guidance Notes), the client should prepare its Action Plan, which is a part of the management program focusing on the measures and actions necessary for the client to comply with applicable national laws and regulations and to meet the requirements of the applicable Performance Standards. It can exclude information that is of an internal nature, such as proprietary information, cost data, information that would compromise project site security and safety, and detailed procedures, business processes, and instructions for workers (which should be included in the management program). As part of its ongoing engagement with affected communities, the client is required to disclose its Action Plan in advance of project implementation to affected communities and stakeholders, and provide updates throughout the life of the project as mitigation measures are adjusted and upgraded, reflecting the feedback from the affected communities.

Organizational Capacity

17. *The client will establish, maintain, and strengthen as necessary an organizational structure that defines roles, responsibilities, and authority to implement the management program, including the Action Plan. Specific personnel, including management representative(s), with clear lines of responsibility and authority should be designated. Key social and environmental responsibilities should be well defined and communicated to the relevant personnel and to the rest of the organization. Sufficient management sponsorship and human and financial resources will be provided on an ongoing basis to achieve effective and continuous social and environmental performance.*

G42. The successful implementation of the management program, including the Action Plan, calls for the commitment of management and workers of the client's organization. Accordingly, the client should designate specific in-house personnel, including management representative(s), with clear lines of responsibility and authority for social and environmental issues. If functions are outsourced to contractors, the client's agreement with the contractors should include actions and measures necessary for the parties to perform the agreement consistent with the management program. In large or complex organizations multiple personnel or operational units may be designated. In small or medium-sized enterprises, these responsibilities may be undertaken by one individual. It is also important that the key social and environmental responsibilities are well defined and communicated to the relevant personnel and the rest of the organization. Appropriate human and financial resources should be allocated to those designated as responsible for the implementation of the management program and any additional performance measures. Annex C contains a series of questions that may be useful for clients to pose to assess adequacy of its capacity and process.

Training

18. The client will train employees and contractors with direct responsibility for activities relevant to the project's social and environmental performance so that they have the knowledge and skills necessary to perform their work, including current knowledge of the host country's regulatory requirements and the applicable requirements of Performance Standards 1 through 8. Training will also address the specific measures and actions required under the management program, including the Action Plan, and the methods required to perform the action items in a competent and efficient manner.

G43. The management program should identify the knowledge and skills necessary for its implementation, including implementation of the Action Plan. These should be considered in personnel selection, training, skills development, on-going education, and new recruitment if necessary. Training programs typically have the following elements:

- Identification of training needs for employees
- Development of a training plan to address defined needs
- Verification of training programs to ensure consistency with organizational requirements
- Training of target employees
- Documentation of training received
- Evaluation of training received

G44. Training relevant to implementing specific action items in the management program may be necessary. Training designed to help the employees gain appropriate knowledge base and skills to perform their work may include current knowledge of host country regulatory requirements, the applicable requirements of Performance Standards 2 through 8, the material impacts predicted through the Assessment process, the content of the management program, including the Action Plan, and the methods required to perform the action items in a competent and efficient manner. When a project is likely to impact vulnerable or disadvantaged individuals or groups within affected communities, employees who will interact with such individuals or groups should be trained so that they understand the specific issues related to such individuals or groups.

G45. When specific aspects of the project or the implementation of the management program are outsourced to contractors, the client should also ensure that these contractors have the requisite knowledge, skills, and training to perform the work in accordance with the management program and the requirements of Performance Standards 2 through 8, consistent with the guidance in paragraph G44 above.

Community Engagement

19. *Community engagement is an on-going process involving the client's disclosure of information. When local communities may be affected by risks or adverse impacts from a project, the engagement process will include consultation with them. The purpose of community engagement is to build and maintain over time a constructive relationship with these communities. The nature and frequency of community engagement will reflect the project's risks to and adverse impacts on the affected communities. Community engagement will be free of external manipulation, interference, or coercion, and intimidation, and conducted on the basis of timely, relevant, understandable and accessible information.*

Disclosure

20. *Disclosure of relevant project information helps affected communities understand the risks, impacts and opportunities of the project. Where the client has undertaken a process of Social and Environmental Assessment, the client will publicly disclose the Assessment document. If communities may be affected by risks or adverse impacts from the project, the client will provide such communities with access to information on the purpose, nature and scale of the project, the duration of proposed project activities, and any risks to and potential impacts on such communities. For projects with adverse social or environmental impacts, disclosure should occur early in the Social and Environmental Assessment process and in any event before the project construction commences, and on an ongoing basis (see paragraph 26 below).*

Consultation

21. *If affected communities may be subject to risks or adverse impacts from a project, the client will undertake a process of consultation in a manner that provides the affected communities with opportunities to express their views on project risks, impacts, and mitigation measures, and allows the client to consider and respond to them. Effective consultation: (i) should be based on the prior disclosure of relevant and adequate information, including draft documents and plans; (ii) should begin early in the Social and Environmental Assessment process; (iii) will focus on the social and environmental risks and adverse impacts, and the proposed measures and actions to address these; and (iv) will be carried out on an ongoing basis as risks and impacts arise. The consultation process will be undertaken in a manner that is inclusive and culturally appropriate. The client will tailor its consultation process to the language preferences of the affected communities, their decision-making process, and the needs of disadvantaged or vulnerable groups.*

22. *For projects with significant adverse impacts on affected communities, the consultation process will ensure their free, prior and informed consultation and facilitate their informed participation. Informed participation involves organized and iterative consultation, leading to the client's incorporating into their decision-making process the views of the affected communities on matters that affect them directly, such as proposed mitigation measures, the sharing of development benefits and opportunities, and implementation issues. The*

client will document the process, in particular the measures taken to avoid or minimize risks to and adverse impacts on the affected communities.

Grievance Mechanism

23. The client will respond to communities' concerns related to the project. If the client anticipates ongoing risks to or adverse impacts on affected communities, the client will establish a grievance mechanism to receive and facilitate resolution of the affected communities' concerns and grievances about the client's environmental and social performance. The grievance mechanism should be scaled to the risks and adverse impacts of the project. It should address concerns promptly, using an understandable and transparent process that is culturally appropriate and readily accessible to all segments of the affected communities, and at no cost and without retribution. The mechanism should not impede access to judicial or administrative remedies. The client will inform the affected communities about the mechanism in the course of its community engagement process.

G46. The purpose of community engagement is to establish and maintain a constructive relationship with affected communities over the life of the project. In some industry sectors, this engagement is considered as an important process that enables the client to obtain and maintain its "social license to operate." An effective engagement process allows the community's views, interests and concerns to be heard, understood, and taken into account in project decisions and creation of development benefits. Depending on the nature of the project, its risks and potential impacts, the size and characteristics of the affected communities, and the stage of the project cycle, engagement may entail varying degrees of interaction between the company and affected communities. Engagement should reflect the specific needs of the individuals and groups within the community, including those who are disadvantaged or vulnerable (see paragraph 12 and footnote 2 of Performance Standard 1 and the accompanying guidance). See also the [Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets](#).

G47. If the Assessment process indicates that there may be potential impacts and risks to the communities within the project's area of influence, companies should seek early engagement with these affected communities. Engagement should be based on the timely dissemination of relevant project information, including the social and environmental impacts and risks of the project identified in the Assessment and proposed mitigation measures, in languages and methods preferred by the affected communities. In cases where the Assessment has been completed prior to IFC involvement in a project, IFC reviews the process of community engagement carried out by the client. If necessary, IFC and the client will agree on a supplemental community engagement program.

Disclosure of Information

G48. Information disclosure involves delivering information about the project to the affected communities and other stakeholders. The information should be in appropriate language(s). It should be made accessible and understandable to the various segments of the affected communities, in ways appropriate to the community. For example, information can be made available in city halls, public libraries, in the local print media, over the radio, or in public meetings. The timing and the method of disclosure will vary depending on national law requirements, the type of Assessment involved, and the stage of the project's development or

operation. As a minimum, the client should disclose the final Assessment document and the Action Plan prior to the commencement of construction or other implementation activities. In some cases, disclosure of information will occur earlier in the Assessment process. For projects with potential adverse impacts to communities, timely disclosure of information should occur after the initial screening, and should include information on the purpose, nature and scale of the project, the duration of proposed project activities, and any risks to and potential impacts on such communities. Such disclosure may be achieved by disclosing a draft Assessment document. In addition, it may also be appropriate for the client to disclose a draft Action Plan so that the measures proposed by the client to mitigate the identified risks and impacts can be explained. Disclosure of information will be the basis of the client's consultation process (see paragraphs 21 and 22 of Performance Standard 1 and the accompanying guidance).

G49. Disclosure of information is normally expected as part of the Assessment process, but if the project is expected to create ongoing impacts and risks to the affected communities, the client should continue to provide information about the project during the life of the project. The client's reporting requirements to the affected community are addressed in paragraph 26 of Performance Standard 1 and the accompanying guidance. The client may disclose information on non-financial issues or opportunities for enhancing social and environmental impacts through sustainability reports, as described in paragraph G67 below.

G50. In the extractive industries and infrastructure sectors in particular, where a project can have potentially broader implications for the public at large, disclosure of information is an important means to manage governance risks. Accordingly, clients should be aware that IFC has sector-specific initiatives on disclosure of project-related information, as described in paragraphs 21 through 23 of IFC's Sustainability Policy. Further guidance on the Extractive Industries Transparency Initiative and how the private sector can support this initiative can be found in the References section.

Consultation

G51. Consultation involves two-way communication between the client and the affected communities. Effective consultation provides opportunities for the client to learn from the experience, knowledge, and concerns of the affected communities, as well as to manage community expectations by clarifying the extent of its responsibilities and resources so that misunderstandings and unrealistic demands can be avoided. For the consultation process to be effective, project information needs to be disclosed and explained to the communities, and sufficient time should be allocated for them to consider the issues. Consultation should be inclusive of various segments of the affected community, including both women and men, and accessible to the disadvantaged and vulnerable groups within the community. Based on an earlier preliminary stakeholder analysis, the client's representatives should meet with the affected communities and explain the project information, answer questions and listen to comments and suggestions. In addition to community meetings open to members of the affected communities, the client should identify community leaders and any formal or informal existing decision-making mechanisms so that their input can be sought.

G52. Some projects may not require a process of consultation, unless community members seek to engage with the client on disclosed project information or raise grievances. Consultation should be undertaken in most situations where the project presents a specific but

limited number of potential adverse impacts to affected communities. In these cases, the client should consult with the affected communities during the process of Assessment after the risks and impacts have been identified and analyzed. In the case of projects with significant adverse impacts on affected communities, and projects with adverse impacts on Indigenous Peoples, the process of free, prior, and informed consultation and informed participation is required (see paragraph G53 below). In addition to the requirements in Performance Standard 1, requirements on consultation can be found in Performance Standards 4, 5, 6, 7, and 8.

Free, Prior, and Informed Consultation

G53. For projects with significant potential adverse impacts to the affected communities, the client's consultation process will include their free, prior and informed consultation and informed participation. Such consultation should be "free" (free of intimidation or coercion), "prior" (timely disclosure of information) and "informed" (relevant, understandable and accessible information), and should continue through the entire life of the project and not only during the early stages of the project. Consultation with affected communities should be part of the early scoping process that establishes the terms of reference for the Assessment process, which includes an inventory of risks and impacts to be assessed. Informed participation entails organized and iterative consultation on issues concerning potential impacts to the affected communities, so that the client can incorporate into their decision-making process their views on these issues. Free, prior, and informed consultation and informed participation are also required for projects with potential adverse impacts to Indigenous Peoples (see Performance Standard 7). The client should document specific actions, measures or other instances of decision-making that have been influenced by or resulted directly from the input of those who participated in the consultation. Annex D describes the type of information IFC will seek from its client during its social and environmental review to ascertain that the client's process of community engagement involves the free, prior, and informed consultation of the affected communities.

Broad Community Support

G54. As outlined in paragraphs 19 and 20 of the IFC Sustainability Policy, IFC will review the client's community engagement process and, through its own investigation, assure itself that there was free, prior, and informed consultation and informed participation, leading to broad community support for the project by the affected communities. IFC will make this investigation when a project may pose significant adverse impacts to local communities, or in the case of communities of Indigenous Peoples, adverse impacts on such communities. Broad community support is a collection of expressions by the affected communities, through individuals and their recognized representatives, in support of the project. There may be broad community support even if some individuals or groups object to the project. IFC's inquiry on the existence of free, prior and informed consultation and broad community support is an inquiry on the overall engagement process of the client. This inquiry is not intended to establish any consent or veto right for the affected communities. IFC's Environmental and Social Review Procedure describes the type of information IFC will seek to ascertain that the client's process of free, prior, and informed consultation led to the broad community support for the project within the affected communities. After the Board approval of the project, IFC will continue to monitor the client's community engagement process as part of its portfolio supervision.

Broader Stakeholder Engagement

G55. IFC encourages clients with high-risk projects to also identify and engage with other stakeholders, beyond those who will be affected by the project, such as local government officials, community leaders and civil society organizations, particularly those who work in or with the affected communities. While these groups may not be directly affected by the project, they may have the ability to influence or alter the relationship of the client with affected communities, and in addition may play a role in identifying risks, potential impacts and opportunities for the clients to consider and address in the Assessment process.

Ongoing Engagement

G56. Throughout the life of the project, clients should build upon the channels of communication and engagement with affected communities established during the Assessment process. In particular, clients should use the appropriate community engagement practices described in Performance Standard 1 to disclose information and receive feedback on the effectiveness of the implementation of the mitigation measures in the Action Plan as well as the affected communities' ongoing interests and concerns about the project.

Grievance Mechanism

G57. Grievance mechanisms should be appropriate to respond to community concerns around risks and potential adverse impacts of the project. In the case of large projects with potentially complex issues, grievance mechanism should be established from the beginning of the Assessment process and be in place during construction and operations to the end of the project. The client should establish and maintain an organizational structure with authority and responsibilities for the community liaison function. To the extent practicable, the function of investigating the complaint and determining the appropriate response should be separate from the personnel in charge of project management. In smaller projects with relatively straightforward issues, the client should consider designating a point of contact, such as a community liaison officer, to whom project-related views and concerns of the affected community can be addressed. The responsibility for receiving and responding to grievances should be handled by experienced and qualified personnel within the client organization. In addition, suggestion boxes and periodic community meetings and other communication methods to receive feedback may be helpful. Maintaining consistency in the personnel who interact with members of the affected communities improves the quality of interaction and can help build trust over time.

G58. Except in the simplest cases, the client should establish a procedure for receiving, addressing, and recording/documenting complaints. This procedure should clearly define who can raise complaints, and ensure that the confidentiality of the persons raising the complaint is protected. It should also be easily accessible and understandable to the members of the affected community and should be communicated to the affected community. The client may wish to seek solutions to complaints in a collaborative manner with the involvement of the affected communities. If the project is unable to solve a complaint, it may be appropriate to enable complainants to have recourse to external experts or neutral parties. Clients should be aware of judicial and administrative mechanisms available in the country for resolution of

disputes, and should not impede access to these mechanisms. Grievances received and responses provided should be documented (such as the name of the individual or organization; the date and nature of the complaint; any follow up actions taken; the final decision on the complaint; how and when relevant project decision was communicated to the complainant; and whether management action has been taken to avoid recurrence of community concerns in the future), and reported back to the affected communities periodically. In addition to the requirements in Performance Standard 1, specific requirements for grievance mechanisms can be found in Performance Standards 2, 4, 5, and 7. For additional guidance on grievance mechanisms, see IFC's publication [Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets](#).

Monitoring

24. As an element of its Management System, the client will establish procedures to monitor and measure the effectiveness of the management program. In addition to recording information to track performance and establishing relevant operational controls, the client should use dynamic mechanisms, such as inspections and audits, where relevant, to verify compliance and progress toward the desired outcomes. For projects with significant impacts that are diverse, irreversible, or unprecedented, the client will retain qualified and experienced external experts to verify its monitoring information. The extent of monitoring should be commensurate with the project's risks and impacts and with the project's compliance requirements. Monitoring should be adjusted according to performance experience and feedback. The client will document monitoring results, and identify and reflect the necessary corrective and preventive actions in the amended management program. The client will implement these corrective and preventive actions, and follow up on these actions to ensure their effectiveness.

G59. Monitoring is the client's primary means for tracking and evaluating progress towards the implementation of action items specified in the Action Plan and other aspects of the management program. Clients should establish a system for measuring and monitoring consisting of: (i) the key impacts of the project on workers, communities and the natural environment as identified by the Assessment; (ii) compliance with laws and regulations; and (iii) monitoring progress with the implementation of the management program. The extent of monitoring should be commensurate with the potential impacts and risks of the project as identified by the Assessment, and as specified in the management program. In addition, depending on the project, it may be appropriate for the client to establish, track and measure key indicators and other performance measures over time to improve the project's performance.

G60. Social monitoring programs may be established to enhance the effective follow-up of social issues identified in the Assessment and to respond to on-going issues from operations identified through assessment of these issues. As part of the monitoring programs established in the management program, it would be appropriate for the client to establish key social development measurements and indicators, quantitative and qualitative measures of success, or community engagement practices included in the Action Plan in order to improve performance on social issues identified in the Assessment process.

G61. The factors to be considered in establishing an environmental monitoring program include engineering estimates, environmental modeling, pollutant source, noise, ambient water, and air and workplace contaminant measurements. The focus and extent of the monitoring

should be commensurate with the risk of the pollutant releases as related to the sensitivity of the surrounding areas, taking into account the affected community's perception of project risks to their health and environment. Appropriate processes should also be in place to ensure the reliability of data, such as calibration of instruments, test equipment, and software and hardware sampling. Specific environmental monitoring measures comprise the parameters to be measured, methods to be used, sampling locations, frequency of measurements, detection limits (where appropriate), and the definition of thresholds that signal the need for corrective actions.

G62. Monitoring results should be documented, and the necessary corrective and preventive actions identified. Clients should also ensure that these corrective and preventive actions have been implemented and that there is a systematic follow-up to ensure their effectiveness. The client should normally carry out the monitoring using its internal resources, as part of its management program. For projects with significant adverse impacts that are diverse, irreversible, unprecedented, the client will retain qualified and experienced external experts to verify its monitoring information. Participatory monitoring (i.e. involvement of affected communities and other stakeholders) should be considered for large, high-risk projects. In these cases, the client should evaluate the capacity of those participating in the monitoring and provide periodic training and guidance as appropriate.

G63. The outcome of monitoring may indicate that the mitigation measures in the management program should be adjusted or upgraded. As part of on-going maintenance of its Management System, the client should update the management program from time to time, so that it can adequately address the change in the social or environmental risks arising from any change in the client's business or circumstances.

Reporting

Internal Reporting

25. Senior management in the client organization will receive periodic assessments of the effectiveness of the management program, based on systematic data collection and analysis. The scope and frequency of such reporting will depend upon the nature and scope of the activities identified and undertaken in accordance with the client's management program and other applicable project requirements.

External Reporting on Action Plans

26. The client will disclose the Action Plan to the affected communities. In addition, the client will provide periodic reports that describe progress with implementation of the Action Plan on issues that involve ongoing risk to or impacts on affected communities, and on issues that the consultation process or grievance mechanism has identified as of concern to those communities. If the management program results in material changes in, or additions to, the mitigation measures or actions described in the Action Plan on issues of concern to the affected communities, the updated mitigation measures or actions will also be disclosed. These reports will be in a format accessible to the affected communities. The frequency of these reports will be proportionate to the concerns of affected communities but not less than annually.

G64. The results of social and environmental monitoring should be evaluated and documented. Periodic reporting of progress and monitoring results should be made to the senior management of the client's organization, as a function of the client's management system. Reports should furnish the information and data needed to determine compliance with relevant host country legal requirements and progress on implementing the management program. The format of these reports can vary according to the nature of the organization, but should include summary of findings and recommendations. This information should also be made available broadly within the client's organization and the relevant workers as appropriate.

G65. As part of IFC's ongoing review of portfolio projects, IFC requires its clients to submit Monitoring Reports on social and environmental performance pursuant to the project's management program, including the Action Plan and any other key social and environmental criteria. The format and frequency of the Monitoring Reports to IFC will be initially agreed with the client. Reporting formats can vary according to project circumstances, and can be based on the existing formats used by the client to prepare internal or external reports. Monitoring reports will normally be on an annual basis unless IFC and the client agree otherwise. The Monitoring Reports should contain sufficient data and descriptive information to enable IFC to track the project's progress on implementing the management program and the Action Plan. IFC's procedural requirements in relation to the Monitoring Reports can be found in the ESRP. The client will also establish in discussion with IFC appropriate project specific performance indicators to ascertain ongoing compliance of the project with the applicable Performance Standards and to improve its performance over time. The suggested performance indicators can be found in the Environmental and Social Review Procedure. The client should also report to IFC all amendments (subject to IFC's consent) and updates to the Action Plan as part of its Monitoring Report.

G66. The client should provide periodic updates to the affected communities at least annually on the implementation and progress on the specific items in the Action Plan that involve ongoing risks to or impacts on affected communities. As appropriate, where amendments and updates to the Action Plan materially change impacts to affected communities, the client will also disclose this to communities. In addition, information should be made available to affected communities in response to community feedback or grievance and as a means to further involve the affected community in the social and environmental performance of the project.

G67. Clients may wish to consider using sustainability reports to report on the financial, environmental and social aspects of its operations, including areas of success of its performance measures and positive project impacts that are being enhanced, as well as any unsuccessful outcomes and the lessons learned. Reporting initiatives, guidelines, including sector-specific guidelines, and good practices are rapidly emerging in this area. The most notable is the Global Reporting Initiative as included in the References section. IFC can work with clients to develop appropriate sustainability report formats upon request.

Annex A

Content of a Social and Environmental Impact Assessment (SEIA) Report

A social and environmental impact assessment (SEIA) report focuses on the significant issues of a project. The report's scope and level of detail should be commensurate with the project's potential impacts and risks. The SEIA report typically includes the following items (not necessarily in the order shown):

- *Non-technical executive summary.* Concisely discusses significant findings and recommended actions in lay language.
- *Policy, legal, and administrative framework.* Discusses the policy, legal, and administrative framework within which the Assessment is carried out, including host country regulations, including obligations implementing relevant international social and environmental treaties, agreements, and conventions, IFC Performance Standards, as well as any additional priorities and objectives for social or environmental performance identified by the client. Explains the environmental requirements of any co-financiers.
- *Project description.* Concisely describes the proposed project and its geographic, ecological, social, health and temporal context, including any related facilities that may be required (e.g., dedicated pipelines, access roads, power plants, water supply, housing, and raw material and product storage facilities). Encompasses facilities and activities by third parties that are essential for the successful operation of the project. Normally includes maps showing the project site and the project's area of influence.
- *Baseline data.* Assesses the dimensions of the study area and describes relevant physical, biological, socioeconomic, health and labor conditions, including any changes anticipated before the project commences. Also takes into account current and proposed development activities within the project area but not directly connected to the project. Data should be relevant to decisions about project location, design, operation, or mitigation measures. The section indicates the accuracy, reliability, and sources of the data.
- *Social and Environmental impacts.* Predicts and assesses the project's likely positive and negative impacts, in quantitative terms to the extent possible. Identifies mitigation measures and any residual negative impacts that cannot be mitigated. Explores opportunities for enhancement. Identifies and estimates the extent and quality of available data, key data gaps, and uncertainties associated with predictions, and specifies topics that do not require further attention. Evaluates impacts and risks from associated facilities and other third party activities. Examines global, transboundary, and cumulative impacts as appropriate.
- *Analysis of Alternatives.* Compares reasonable alternatives to the proposed project site, technology, design, and operation in terms of their potential environmental impacts; the feasibility of mitigating these impacts; their capital

and recurrent costs; their suitability under local conditions; and their institutional, training, and monitoring requirements. States the basis for selecting the particular project design proposed and justifies recommended emission levels and approaches to pollution prevention and abatement.

- *Management Program.* Consists of the set of mitigation and management measures to be taken during implementation of the project to avoid, reduce, mitigate, or compensate for adverse social and environmental impacts, in the order of priority, and their timelines. May include multiple policies, procedures, practices, and management plans and actions. Describes the desired outcomes as measurable events to the extent possible, such as performance indicators, targets or acceptance criteria that can be tracked over defined time periods, and indicates the resources, including budget, and responsibilities required for implementation. Where the client identifies measures and actions necessary for the project to comply with applicable laws and regulations and to meet the Performance Standards, the management program will include an Action Plan, which is subject to disclosure to the affected communities and ongoing reporting and updating.
- *Appendixes:*
 - List of SEIA report preparers – individuals and organizations.
 - References – written materials, both published and unpublished, used in study preparation.
 - Record of interagency and consultation meetings, including consultations for obtaining the informed views of the affected communities and other stakeholders. The record specifies any means other than consultations (e.g., surveys) that were used to obtain the views of affected groups.
 - Tables presenting the relevant data referred to or summarized in the main text.
 - Associated reports, audits, and plans (e.g., Resettlement Action Plan or Indigenous Peoples/ Natural Resource Dependent Community plan, community health plan).
 - Action Plan that (i) describes the actions necessary to implement the various sets of mitigation measures or corrective actions to be undertaken, (ii) prioritizes these actions, (iii) includes the time-line for their implementation, and (iv) describes the schedule for communicating with affected communities when on-going disclosure or consultation is expected.

Annex B
Content of an Environmental Audit Report

An environmental audit report focuses on: (i) compliance of existing facilities and operations with relevant laws and regulations, and applicable IFC Performance Standards; and (ii) the nature and extent of significant adverse environmental impacts, including contamination of soils, surface and ground water, and structures as a result of historical activities. The environmental audit report typically includes the following items (not necessarily in the order shown):

- *Executive Summary:* A concise discussion of all environmental and occupational health and safety areas of concern, recommended mitigation measures and their priority, the cost of mitigation, and a schedule for compliance.
- *Facilities Description:* A concise description of the project facilities, including both past and current operations. The description should focus on aspects or components with potential environmental and occupational health and safety impacts.
- *Regulatory Setting:* Tabular summary of host country, local and any other applicable environmental and occupational health and safety laws, regulations, guidelines, and policies as they may directly pertain to the facilities.
- *Audit and Site Investigation Procedure:* Brief overview of the approach used to conduct the audit. A discussion of the records review, site reconnaissance, and interview activities; a description of the site sampling plan and chemical testing plan; a description of field investigations, environmental sampling and chemical analyses and methods.
- *Findings and Areas of Concern:* Detailed discussion of all environmental and occupational health and safety areas of concern. The areas of concern should be discussed in terms of both existing facilities and operations and contamination or damages due to past activities, including the affected media and its quality and recommendations for further investigation and remediation. Areas of concern should be prioritized into one of three categories: immediate action; mid-term action; and long-term action.
- *Corrective Action Plan, Costs and Schedule (CAP):* For each area of concern, provide specifics on the appropriate corrective actions to mitigate the areas of concern and why they are necessary. Indicate priorities for action. Provide estimates of the cost of implementing the corrective actions and a schedule for their implementation. Schedules should be recommended within the context of any planned capital expenditure for the facility. Each site CAP should be formatted as a table with columns for area of concern, corrective action, priorities, schedule, and cost estimates.
- *Annexes:* These should include references, copies of interview forms, any details regarding the audit protocol not already included, and data obtained during the audit but not included directly above.

Annex C

Useful questions to assess Management Capacity and Process:

Client's social and environmental management organization and capacity:

- *How does the client's organization identify and allocate the human, technical, and financial resources, including external experts, necessary to manage social and environmental performance?*
- *How has social and environmental management been integrated into the overall business management process?*
- *What is the process for balancing and resolving conflicts between social, environmental and other business objectives and priorities?*
- *What are the responsibilities and accountability of personnel who manage, perform, and verify work effecting social and environmental issues, and are these well defined and documented?*
- *How has top management established, reinforced and communicated organizational commitment?*
- *Is there a process for periodic review of the management program in the event of changed project circumstances?*

Training:

- *How does the client's organization identify social and environmental training needs?*
- *How are training needs of specific job functions analyzed?*
- *Is training needed for contractors?*
- *Is training developed and reviewed and modified as needed?*
- *How is the training documented and tracked?*

Monitoring:

- *How is social and environmental performance regularly monitored?*
- *Have specific quantitative and/or qualitative performance indicators been established that relate to the clients compliance requirements and management program, and what are they?*
- *What control processes are in place to regularly calibrate and sample environmental measuring and monitoring equipment and systems?*
- *What social monitoring methods are in place to track social impacts and assess progress toward mitigation and development outcomes?*
- *What is the process to periodically evaluate compliance with laws and regulations, and to meet the applicable Performance Standards?*

Reporting:

- *What social and environmental information is reported to client's senior management, IFC, and communities?*
- *How is this information managed?*
- *Is information made available to those who need it when they need it?*

Annex D An example of Indicators and Validation Methods for Ascertaining the Process of Free, Prior and Informed Consultation

The determination (scores) for these considerations will be made against the scaling system used by the Environment and Social Development Department for project supervision.

| Material Consideration | Examples of Validation Methods |
|---|--|
| 1. Company Strategy, Policy, or Principles on Engagement Strategy, policy, or principles for on-going engagement with explicit mention of project-affected persons and/or communities. | Client's strategy, policy or principles or other supporting documents. |
| 2. Stakeholder Identification and Analysis As part of the Social and Environmental Assessment process, identification of all project-affected communities, their disaggregation (numbers, locations) in terms of different levels of vulnerability to adverse project impacts and risks, and an analysis of the effect of adverse project impacts and risks on each group. Part of the Social and Environmental Assessment process, this analysis should also look at communities and individuals that will benefit from the project. | Stakeholder analysis document as part of SEIA or SEA. Client's planning documentation for community engagement, e.g. communications strategy, consultation plan, Public Consultation and Disclosure Plans, and stakeholder engagement plan. |
| 3. Community Engagement A process of consultation that is ongoing during the project planning process (including the process of Environmental and Social Assessment), such that: (a) affected communities have been engaged in: (i) identifying potential impacts and risks; (ii) assessing the consequences of these impacts and risks for their lives; and (iii) providing input into the proposed mitigation measures, the sharing of development benefits and opportunities and implementation issues; and that (b) new impacts and risks that have come to light during the planning and assessment process have also been consulted upon. | Client's schedule and record of community engagement. Client's record of discussions with recognized community representatives, respected key informants, and legitimate representatives of sub-groups (e.g., women, minorities). |
| 4. Information Disclosure Timely disclosure by the client of project information by the client to all project-affected communities about the purpose, nature and scale of the project; the duration of proposed project activities; and expected risks, impacts and development benefits that directly affect them. Disclosure should be in a form that is understandable and meaningful. | Client's materials prepared for disclosure and consultation. Client's record of discussions with recognized community representatives; respected key informants; and legitimate representatives of sub-groups. |

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| Material Consideration | Examples of Validation Methods |
|--|---|
| 5. Consultation a) Free Evidence from the communities adversely affected by the project that the client or its representatives have not coerced, intimidated or unduly incentivized the affected population to be supportive of the project. | Client's record of discussions with recognized community representatives, respected key informants, and legitimate representatives of subgroups. |
| b) Prior Consultation with affected communities must be sufficiently early in the project planning process: (i) to allow time for project information to be interpreted and comments and recommendations formulated and discussed; (ii) for the consultation to have a meaningful influence on the broad project design options (e.g., siting, location, routing, sequencing, and scheduling); (iii) for the consultation to have a meaningful influence on the choice and design of mitigation measures, the sharing of development benefits and opportunities, and project implementation. | Client's record of discussions with recognized community representatives, respected key informants, and legitimate representatives of subgroups. |
| c) Informed Consultation with affected communities on project operations and potential adverse impacts and risks, based on adequate and relevant disclosure of project information, and using methods of communication that are inclusive (i.e., accommodating various levels of vulnerability), culturally appropriate, and adapted to the communities' language needs and decision-making, such that members of these communities fully understand how the project will affect their lives. | Client's record of discussions with recognized community representatives; respected key informants; and legitimate representatives of sub-groups. |
| 6. Informed Participation Evidence of the client's organized and iterative consultation, leading to the client's specific decisions to incorporate the views of the affected communities on matters that affect them directly, such as the avoidance or minimization of project impacts, proposed mitigation measures, the sharing of project benefits and opportunities, and implementation issues. | Client's schedule and record of community engagement. The client's documentation of measures taken to avoid or minimize risks to and adverse impacts on affected communities in response to community feedback received during consultation. Drafts of Action Plan. |

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| Material Consideration | Examples of Validation Methods |
|--|---|
| <p>7. Vulnerable Groups – Consultation and Mitigation</p> <p>Evidence that individuals or groups particularly vulnerable to adverse project impacts and risks have been party to effective prior, free and informed consultation as well as informed participation, and evidence that the potential impacts and specific or exacerbated risks to them will be mitigated to the satisfaction of these parties.</p> | <p>Stakeholder analysis as part of SEIA or SEA or socio-economic baseline data.</p> <p>Client's record of community engagement, including record of discussions with legitimate representatives of vulnerable groups.</p> <p>Client's documentation of measures taken to avoid or minimize risks to and adverse impacts on vulnerable groups in response to feedback received during consultation.</p> <p>Drafts of Action Plan.</p> |
| <p>8. Grievance Mechanism – Structure, Procedure, and Application</p> <p>An effective grievance mechanism procedure that is fully functioning: (i) throughout the process of environmental and social assessment; and (ii) that is suitable for the operational phase of the project to receive and address the affected communities' concerns about the client's social and environmental performance. The mechanism should be culturally appropriate, readily accessible to all segments of the affected communities, and available to affected communities at no cost and without retribution.</p> | <p>Client's organizational structure and responsibilities, and procedures for managing grievances.</p> <p>Client's record of grievances received about the project and addressed, including expressions in support or dissent.</p> <p>Client's record of discussions with recognized community representatives, respected key informants, and legitimate representatives of subgroups.</p> |
| <p>9. Feedback to affected communities</p> <p>Documentation that the client provided the results of consultation to the project-affected communities, and either: (i) demonstrated how the comments and recommendations made by the project-affected communities have been accommodated in the project design, mitigation measures, and/or sharing of development benefits and opportunities; or (ii) provided a rationale why these comments and recommendations have not been accommodated.</p> | <p>Client's record of community engagement.</p> <p>Client's documentation of measures taken to avoid or minimize risks to and adverse impacts on affected communities.</p> <p>Discussions with recognized community representatives, respected key informants, and legitimate representatives of subgroups.</p> <p>Client's ongoing reporting on implementation of Action Plan.</p> <p>Revised management program or Action Plan.</p> |

The client may also use perception surveys to pose questions to affected communities and solicit their responses

References

Several of the requirements set out in the Performance Standard are based on principles expressed in the following international agreements and the related guidelines:

- *Espoo Convention* – Convention on Environment Impact Assessment in a Transboundary Context (UNECE, 1991), lays down the general obligation of states to notify and consult each other on all major projects under consideration that are likely to have a significant adverse environmental impact across boundaries.
<http://www.unece.org/env/eia/eia.htm>
- *Guidelines on Environmental Impact Assessment in a Transboundary Context in the Caspian Sea Region* (UNEP & Caspian Environment Programme, 2003) – provides a regional based framework for implementation of EIA in a transboundary context in the Caspian region. http://www.caspianenvironment.org/report_technical.htm

In addition to the international human rights conventions referenced in GN2, the UN Convention on the Rights of Persons with Disabilities elaborates in detail the rights of persons with disabilities and sets out a code of implementation.

<http://www.un.org/disabilities/convention/conventionfull.shtml>

UN “Optional Protocol to the Convention on the Rights of Persons with Disabilities”

<http://www.un.org/disabilities/convention/optprotocol.shtml>

Additional international agreements are referred to at the end of other Guidance Notes.

IFC and the World Bank have published a number of resource materials:

- *IFC’s Environmental and Social Review Procedure* (IFC, 2006), gives direction to IFC officers in implementing the Sustainability Policy and reviewing compliance and implementation by private sector projects.
<http://ifcln1.ifc.org/ifcext/enviro.nsf/Content/ESRP>
- *IFC’s Policy on Disclosure of Information* (IFC, 2006) defines IFC’s obligations to disclose information about itself as an institution and its activities
<http://ifcln1.ifc.org/ifcext/enviro.nsf/Content/Disclosure>
- *Good Practice Note: Addressing the Social Dimensions of Private Sector Projects* (IFC, 2003) – A practitioner’s guide to undertaking social impact assessment at the project level for IFC-financed projects.
<http://ifcln1.ifc.org/ifcext/enviro.nsf/Content/Publications>
- *Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets* (IFC, 2007) explains new approaches and forms of engagement with affected local communities, including guidance on grievance mechanisms.
[http://ifchq14.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_StakeholderEngagement_Full/\\$FILE/IFC_StakeholderEngagement.pdf](http://ifchq14.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_StakeholderEngagement_Full/$FILE/IFC_StakeholderEngagement.pdf)

- *The World Bank's Environmental Assessment Sourcebook and Updates* (World Bank, 2001) provides assistance for advisory tasks, through discussions of fundamental environmental considerations; summaries of relevant Bank policies; and analyses of other topics that affect project implementation <http://www.worldbank.org/>
- *World Bank's Operational Policy 7.50 International Waterways* (World Bank, 2001) World Bank's policy for projects that may involve the use or pollution of international waterways.
<http://lnweb18.worldbank.org/ESSD/sdvext.nsf/52ByDocName/InternationalWaterways>

The following are examples of accepted international standards for formal environmental, health and safety and social management systems:

- *ISO 14001 - Environmental Management Systems* (International Organization of Standardization, 2004) details the requirements for an environmental management system, to enable an organization to develop a policy and objectives taking into account legislative requirements and information about significant environmental impacts. <http://www.iso.org/iso/en/iso9000-14000/index.html>
- *Technical Committee on Environmental Management - Technical Committee 207* (ISO 14001) Committee under which ISO 14000 series on Environmental Management standards are being developed. Provides useful information on the standardization of Environmental Management. <http://www.tc207.org/faq.asp>
- *EMAS - Eco-Management and Audit Scheme* (European Commission, 1995) - EU voluntary instrument which acknowledges organizations that improve their environmental performance on a continuous basis.
http://europa.eu.int/comm/environment/emas/index_en.htm
- *OHSAS 18001 - Occupational Health and Safety Zone* - an international occupational health and safety resource that specifies policies and procedures to minimize risks to employees and improve OH&S management systems.
<http://www.ohsas-18001-occupational-health-and-safety.com/>
- *SA8000 - Social Accountability International* – a standard and verification system that assures humane workplaces and provides standards and guidance on protecting the basic human rights of workers.
<http://www.sa-intl.org/index.cfm?fuseaction=Page.viewPage&pageId=473>

Additional guidance published by the following organizations provides useful information:

- *IFC Sustainability Resources* (IFC) – examples and benefits of improving sustainability performance. <http://www.ifc.org/sustainability>
- *GRI Guidelines and Sector Supplements* – (Global Reporting Initiative) provides a framework for reporting and organization's sustainability performance.
<http://www.globalreporting.org/>

- *DIHR Human Rights Quick Check* (Danish Institute for Human Rights) - a diagnostic self-assessment tool designed to detect human rights risks in business operations.
<https://hrca.humanrightsbusiness.org/>
- *Guide to Human Rights Impact Assessment and Management* is a road-testing version of the assessment tool to be used alongside the social assessment process.
http://www.ifc.org/ifcext/enviro.nsf/Content/OurStories_SocialResponsibility_HumanRights
- *EITI Source book* (Extractives Industries Transparency Initiative – 2005) - the initiative supports improved governance in resource-rich countries through the full publication and verification of aggregated company payments and government revenues from oil, gas and mining.
<http://www.eitransparency.org/UserFiles/File/keydocuments/sourcebookmarch05.pdf>
- *Demographic Surveillance Site (DSS) (The INDEPTH Network)* – DDS is an extremely cost-effective and well established program that can transparently and longitudinally collect and evaluated a wide range of social, health and economic survey data.
<http://www.indepth-network.org/>
- *A Design Manual for a Barrier Free Environment* (United Nations Division for Social Policy and Development) – This Manual is a design guidebook made for the purpose of providing architects and designers with the basic information and data necessary for a barrier- free environment
<http://www.un.org/esa/socdev/enable/designm>
- *The U.S. Access Board* – This website provides additional accessibility guidelines and standards, technical assistance, and training downloadable publications.
<http://www.access-board.gov/>

Guidance Note 2

Labor and Working Conditions

July 31, 2007

This Guidance Note 2 corresponds to Performance Standard 2. Please also refer to the Performance Standards 1 and 3-8 as well as the corresponding Guidance Notes for additional information. Bibliographical information on all reference materials appearing in the text of this Guidance Note can be found in the References Section at the end.

Introduction

1. Performance Standard 2 recognizes that the pursuit of economic growth through employment creation and income generation should be balanced with protection for basic rights of workers. For any business, the workforce is a valuable asset, and a sound worker-management relationship is a key ingredient to the sustainability of the enterprise. Failure to establish and foster a sound worker-management relationship can undermine worker commitment and retention, and can jeopardize a project. Conversely, through a constructive worker-management relationship, and by treating the workers fairly and providing them with safe and healthy working conditions, clients may create tangible benefits, such as enhancement of the efficiency and productivity of their operations.

2. The requirements set out in this Performance Standard have been in part guided by a number of international conventions negotiated through the International Labour Organization (ILO) and the United Nations (UN).¹

¹ These conventions are:

[ILO Convention 87 on Freedom of Association and Protection of the Right to Organize](#)

[ILO Convention 98 on the Right to Organize and Collective Bargaining](#)

[ILO Convention 29 on Forced Labor](#)

[ILO Convention 105 on the Abolition of Forced Labor](#)

[ILO Convention 138 on Minimum Age \(of Employment\)](#)

[ILO Convention 182 on the Worst Forms of Child Labor](#)

[ILO Convention 100 on Equal Remuneration](#)

[ILO Convention 111 on Discrimination \(Employment and Occupation\)](#)

[United Nations Convention on the Rights of the Child, Article 32.1](#)

Objectives

- *To establish, maintain and improve the worker-management relationship*
- *To promote the fair treatment, non-discrimination and equal opportunity of workers, and compliance with national labor and employment laws*
- *To protect the workforce by addressing child labor and forced labor*
- *To promote safe and healthy working conditions, and to protect and promote the health of workers*

G1. The nature of the relationship between management and workers affects costs, quality, efficiency, productivity, and customer service, in addition to shaping a client's reputation. Performance Standard 2 recognizes that a good relationship between management and workers is an important ingredient in determining the overall success of the client and the project.

G2. Performance Standard 2 is in part guided by a number of ILO and UN Conventions. By applying Performance Standard 2, the client will be able to operate its business in a manner consistent with the four core labor standards (child labor, forced labor, non-discrimination, and

freedom of association and collective bargaining). In addition, Performance Standard 2 also addresses other areas such as working conditions and terms of employment, retrenchment, and occupational health and safety issues. Some of these requirements refer the client to the applicable national law. Where national law establishes standards that are less stringent than those in Performance Standard 2, or are silent, clients are expected to meet the requirements of Performance Standard 2.

G3. In addition to the ILO Conventions referred to in Performance Standard 2 and throughout this Guidance Note, ILO has established numerous conventions on labor and working conditions. These are available through the [ILO website](#). ILO has a considerable presence in many of its member countries and some of the local offices have programs with expertise to guide the private sector in good labor practices.

G4. It is the client's responsibility to assess its labor practices in accordance with Performance Standard 2. A traditional process of environmental and social assessment would not usually include a review of labor issues other than occupational health and safety considerations. As a result, the client should provide IFC with an assessment that integrates labor issues consistent with the requirements of Performance Standard 2 or provide IFC with other evidence of meeting these requirements. IFC will assist its clients in the application of Performance Standards 2 during the various stages of a project. As part of IFC due diligence, IFC reviews the overall performance of the client, including its labor and employment practices, in order to ascertain whether there are any risks to the project and to IFC from such practices. IFC's initial review will be based on the client's information, such as records of prior labor audits or self-assessment or information provided in response to a set of questions on labor practices. In some cases, IFC may gather information about the client's labor practices when making a site visit. In countries, sectors or firms where there have been issues with one or more of the requirements of Performance Standard 2, IFC may require a labor assessment as part of its due diligence.¹ Annex A provides a list of labor issues that may be included in a labor assessment.

G5. In the preparation of the labor assessment, clients should engage with workers and with representatives of workers' organizations where they exist. Actions identified through the labor assessment that the client should take to achieve compliance with national law or to meet the requirements under Performance Standard 2 will become part of the Action Plan, which is outlined in Performance Standard 1 and its accompanying Guidance Note. This process will allow the client to design or update its employment policies in ways that enhance the long-term viability and success of the business while safeguarding the rights of workers. If requested, IFC will assist clients in identifying opportunities and meeting challenges identified in the assessment. A management system consistent with the requirements of Performance Standard 1 will help clients implement a systematic approach to labor and working conditions in their operations (see paragraphs G1 and G3 through G6 of Guidance Note 1).

¹ There are numerous reliable sources of public information that identify problems and risks at the country as well as the company and industry sector levels. See the "Reference Materials" section of this document for links to International Labor Organization and World Bank websites that provide extensive and detailed information.

Scope of Application

3. The applicability of this Performance Standard is established during the Social and Environmental Assessment process, while implementation of the actions necessary to meet the requirements of this Performance Standard is managed through the client's Social and Environmental Management System. The assessment and management system requirements are outlined in Performance Standard 1.

4. Throughout this Performance Standard, the term "workers" is used to refer to employees of the client, as well as to certain types of non-employee workers described in paragraph 17. The application of this Performance Standard will vary depending on the type of workers, as follows:

- **Employees: All the requirements of this Performance Standard, except for the requirements under paragraphs 17 and 18, apply**
- **Non-Employee Workers: The requirements of paragraph 17 apply**

5. Supply chain² issues are addressed in paragraph 18.

² Supply chain refers to both labor and material inputs for the life-cycle of a good or service.

G6. Clients have differing degrees of influence and control over the working conditions and treatment of different types of workers associated with the project, and the requirements of Performance Standard 2 reflect this reality.

G7. Workers: This term includes the employees of the client and certain types of non-employee workers as defined in paragraph 17 of Performance Standard 2. See also paragraph G9 below.

G8. Employees: The client has complete control over the working conditions and treatment of its employees, and therefore all requirements of Performance Standard 2 apply to this group of workers, with the exception of the requirements under paragraphs 17 and 18 of Performance Standard 2.

G9. Non-employee workers: Non-employee workers covered by Performance Standard 2 are those performing work directly related to core functions essential to the client's products or services for a substantial duration. These workers are directly contracted by the client or through contractors or other intermediaries. Even though they are outsourced by the client, these workers tend to perform important functions of the client's business for a substantial period as if they are substitute employees of the client. For these non-employee workers, specific paragraphs, as stated in paragraph 17 of Performance Standard 2, apply.

Requirements

Working Conditions and Management of Worker Relationship

Human Resources Policy

6. The client will adopt a human resources policy appropriate to its size and workforce that sets out its approach to managing employees consistent with the requirements of this

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Performance Standard. Under the policy, the client will provide employees with information regarding their rights under national labor and employment law, including their rights related to wages and benefits. This policy will be clear and understandable to employees and will be explained or made accessible to each employee upon taking employment.

G10. The human resources policy is a statement of the client's practices regarding management of its employees. The scope and complexity of the policy can be tailored to the size and nature of the client's workforce. At a minimum, the policy will be consistent with the requirements of Performance Standard 2 and contain information on the employees' rights under national labor and employment law. Annex B provides a list of topics typically included in a policy. The policy should be written in a manner that is easy to understand, and made readily available to the employees or explained in a language understandable to them. The employee should be informed if he or she is covered by a collective bargaining agreement.

Working Relationship

7. The client will document and communicate to all employees and workers directly contracted by the client their working conditions and terms of employment, including their entitlement to wages and any benefits.

G11. Clients should keep a written record of the working relationship at the time of hire of each employee and directly contracted non-employee worker, and communicate the working conditions and terms of employment to them. The record should cover wages and any benefits, terms and duration of the employment relationship, and working conditions. The working conditions and terms of employment should be communicated to the workers orally or in writing. Oral communication may be appropriate for simple tasks or where workers are illiterate. In other cases, clients should provide documentation of the working conditions and terms of employment.

G12. In general, documentation should be clear, easily understandable, and accurate, and in the language of the employee or directly contracted worker. The extent of documentation can be appropriate to the length and nature of the relationship. For example, a simple public notice of the job to be done, the number of hours, pay and other key terms and working conditions may be adequate for seasonal workers (with copies available on request), while for longer term employment, material terms of the employment relationship should be documented. In some countries individual contracts are a legal requirement. The documentation provided to employees need not include all matters maintained by the client in its internal records, although access to such records should be provided to employees and directly contracted workers in accordance with applicable law.

Working Conditions and Terms of Employment

8. Where the client is a party to a collective bargaining agreement with a workers' organization, such agreement will be respected. Where such agreements do not exist, or do not address working conditions and terms of employment (such as wages and benefits, hours of work, overtime arrangements and overtime compensation, and leave for illness, maternity, vacation or holiday) the client will provide reasonable working conditions and terms of employment that, at a minimum, comply with national law.

G13. Working conditions, as used in Performance Standard 2, refers to conditions in the workplace and treatment of workers. Conditions in the workplace include the physical

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environment, health and safety precautions and access to sanitary facilities. Treatment of workers includes disciplinary practices, reasons and process for termination of workers and respect for the worker's personal dignity (such as avoiding physical punishment or abusive language).

G14. Terms of employment include wages and benefits, hours of work, overtime arrangements and overtime compensation, and leave for illness, vacation, maternity or holiday.

G15. Performance Standard 2 identifies two distinct circumstances that define the clients' obligations with regard to working conditions and terms of employment. One circumstance is where the client is party to a collective bargaining agreement with a workers' organization that was chosen by the workers without employer interference. The other is where such agreements do not exist, do not cover all workers employed or contracted by the client, or do not address working conditions.

G16. Where collective bargaining agreements are in force, IFC will defer to the choices made by the client and the workers' organization, provided they meet national legal requirements and those of Performance Standard 2, whichever is higher.

G17. Where collective bargaining agreements do not exist, or do not address working conditions and terms of employment, clients should provide reasonable working conditions and terms of employment that, at a minimum, comply with national law. Most countries have extensive legal frameworks covering many working conditions and terms of employment, such as minimum wage, maximum hours, payments for overtime work, minimum leave times for vacation, holiday, illness, injury and maternity and health and safety protections.

Workers' Organizations

9. In countries where national law recognizes workers' rights to form and to join workers' organizations of their choosing without interference and to bargain collectively, the client will comply with national law. Where national law substantially restricts workers' organizations, the client will enable alternative means for workers to express their grievances and protect their rights regarding working conditions and terms of employment.

10. In either case described in paragraph 9, and where national law is silent, the client will not discourage workers from forming or joining workers' organizations of their choosing or from bargaining collectively, and will not discriminate or retaliate against workers who participate, or seek to participate, in such organizations and bargain collectively. Clients will engage with such worker representatives. Worker organizations are expected to fairly represent the workers in the workforce.

G18. A workers' organization is any organization of workers for the purpose of furthering and defending the interests of workers with regard to working conditions and terms of employment.² Workers' organizations are typically called trade unions or labor unions. Professional and administrative workers' organizations are often called employee associations. Under Performance Standard 2, the term excludes organizations that have not been freely chosen by the workers involved.

² Based on ILO Convention 87 on Freedom of Association and Protection of the Right to Organize

G19. Collective bargaining consists of discussions and negotiations between employers and representatives of workers' organizations for the purpose of determining working conditions and terms of employment by joint agreement.³ It also includes the implementation and administration of any agreements that may result from collective bargaining and the resolution of other issues that arise in the employment relationship with respect to workers represented by the workers' organization.

G20. In the large majority of IFC member countries, workers have the legal right to form unions or other workers' organizations of their own choosing and to bargain collectively with their employers. National laws typically reflect a number of international agreements that recognize and protect these rights.⁴

G21. Clients should not interfere with workers' rights to form or join a workers' organization, for example, by favoring one workers' organization over another or unreasonably restricting access to workers by representatives of such organizations. Workers' organizations should be representative of the work force and act pursuant to the principles of fair representation of workers. Examples of high risk practices regarding workers organizations by clients or by unions are provided in Annex C.

G22. Clients should not discourage workers from forming or joining a workers' organization or discriminate or retaliate against workers who attempt to form or join workers' organizations. Refusing to hire workers who have been members or leaders of workers' organizations at other firms (for reasons unrelated to qualifications or job performance) would constitute discrimination. Other forms of discrimination or retaliation would include demoting or re-assigning workers, as well as outsourcing or shifting work among facilities in response to union activities.

G23. Clients should also provide reasonable access for representatives of workers' organizations to the workers they represent. Workers should be free to meet and discuss workplace issues on the premise during scheduled breaks and before and after work. Further, workers should be allowed to choose representatives to speak with management, inspect working conditions in an appropriate manner and in a way that does not disrupt productivity and carry out other organizing activities. This can build trust and good will with the workforce and demonstrate the client's commitment to enable and facilitate workers to organize and bargain collectively.

G24. In a limited number of countries, workers' freedom of association and/or collective bargaining is substantially restricted by law. This occurs in two ways. In several countries unions are prohibited, while in others workers' organizations may exist but must be approved by official labor bodies. In any of these circumstances, the client should engage with workers to address issues relating to their working conditions and terms of employment. Methods to enable alternative means include but are not limited to recognizing worker committees and allowing workers to choose their own representatives for dialogue with the employer in a

³ Based on ILO Convention 98 on the Right to Organize and Collective Bargaining

⁴ International agreements include the UN International Covenant on Economic, Social and Cultural Rights; UN International Covenant on Civil and Political Rights; ILO Convention 87 on Freedom of Association and Protection of the Right to Organize; and Convention 98 on the Right to Organize and Collective Bargaining.

manner that does not contravene national law. If requested by a client, IFC will work with the client to address these issues in such restrictive legal environments.

G25. In a smaller number of countries, the law is silent on workers' freedom of association and/or collective bargaining rights but does not prohibit workers' organizations or collective bargaining. In these countries, clients should engage with workers to address issues relating to their working conditions and terms of employment. In the absence of legal constraints, clients in these countries are encouraged to recognize workers' organizations if the workers have chosen to form or join such organizations and engage in collective bargaining.

Non-Discrimination and Equal Opportunity

11. The client will not make employment decisions on the basis of personal characteristics unrelated to inherent job requirements. The client will base the employment relationship on the principle of equal opportunity and fair treatment, and will not discriminate with respect to aspects of the employment relationship, including recruitment and hiring, compensation (including wages and benefits), working conditions and terms of employment, access to training, promotion, termination of employment or retirement, and discipline. In countries where national law provides for non-discrimination in employment, the client will comply with national law. When national laws are silent on non-discrimination in employment, the client will meet this Performance Standard. Special measures of protection or assistance to remedy past discrimination or selection for a particular job based on the inherent requirements of the job will not be deemed discrimination.

G26. Discrimination in employment is defined as any distinction, exclusion or preference with respect to recruitment, hiring, working conditions or terms of employment made on the basis of personal characteristics unrelated to inherent job requirements that nullifies or impairs equality of opportunity or treatment in employment or occupation.⁵ Inherent job requirements refer to bona fide occupational qualifications that are necessary to perform the job in question. For example, requiring that a worker possess strength sufficient for lifting that is a frequent and essential part of a job would be considered a bona fide occupational qualification.

G27. Equal opportunity is the principle of basing all employment decisions, such as hiring and promotion, on the ability of a person to perform the job in question, without regard to personal characteristics that are unrelated to the inherent job requirements. For further guidance on non-discrimination and equal opportunity see Annex D, and IFC's [Good Practice Note on Non-Discrimination and Equal Opportunity](#). A client can apply the principles of equal opportunity and non-discrimination using methods that are effective and acceptable within the country's legal framework and cultural context as long as the methods used do not compromise the principles.

⁵ Based on ILO Conventions 100 and 111. ILO Convention 111 and a number of other international instruments have enumerated types of personal characteristics that are unrelated to the requirements of the job. ILO Convention 111 defines as discrimination any distinction, exclusion or preference made on the basis of race, color, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation. The UN Universal Declaration of Human Rights covers all of the personal characteristics listed in the ILO Convention and also includes language, political or other opinion, property, birth or other status; the UN Convention on the Elimination of All Forms of Racial Discrimination also prohibits discrimination based on descent or ethnic origin; the UN Convention on the Rights of the Child also prohibits discrimination based on disability.

G28. Laws in most IFC member countries forbid discrimination based on a range of factors. These laws typically reflect a number of international agreements that recognize and protect the rights established in those agreements.⁶ When the law is silent, clients are expected to base recruitment, hiring, working conditions and terms of employment on equal opportunity and non-discrimination in accordance with these principles. In circumstances where national law contravenes these principles, if requested by a client, IFC will work with the client to address the issue in such restrictive legal environments.

G29. Clients should also address protection of disabled people's human rights under all of its labor policies and procedures. Labor policies and procedures should be available for disabled employees to view, which may mean providing them in alternative formats such as large print, Braille, audio tape, etc.⁷

G30. Special measures of protection or assistance to remedy past discrimination refer to policies designed to increase employment of underrepresented groups in the workforce or in particular occupations in order to remedy past discrimination, such as affirmative action, with a view to achieving effective equality of opportunity and treatment in the workplace. These will not be deemed discrimination and may be used where permitted by law.

Retrenchment

12. The client will develop a plan to mitigate the adverse impacts of retrenchment on employees, if it anticipates the elimination of a significant number of jobs or a layoff of a significant number of employees. The plan will be based on the principle of non-discrimination and will reflect the client's consultation with employees, their organizations and, where appropriate, the government.

G31. Retrenchment means the elimination of a significant number of employee positions or the dismissal or layoff of a significant number of employees by an employer, generally by reason of plant closing or for cost savings. Retrenchment does not cover isolated cases of termination of employment for cause or voluntary departure.

G32. In many countries, national law requires advance notice to affected workers, communities and/or governments of plant closings or layoffs above specified numerical thresholds. Some national laws require that retrenchments must be negotiated with workers' organizations through collective bargaining. Severance payments to affected workers may be required by national law or existing collective bargaining agreements.⁸

⁶ Many laws are based on international conventions that have been widely ratified, including ILO Convention 100 on Equal Remuneration; Convention 111 on Employment and Occupation Discrimination; UN Convention on the Elimination of All Forms of Racial Discrimination (CERD); UN Convention on the Elimination of All Forms of Discrimination against Women (CEDAW).

⁷ Additional references can be found in the ILO C159 Vocational Rehabilitation and Employment (Disabled Persons) Convention and the UN Convention on Disability.

⁸ Useful guidance on retrenchment is included in the Guidelines for Multinational Enterprises of the Organization for Economic Co-operation and Development (OECD) available at: http://www.oecd.org/topic/0,2686,en_2649_34889_1_1_1_1_37439,00.html and the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy of the ILO, available at: <http://www.ilo.org/public/english/employment/multi/index.htm>.

G33. When significant layoffs cannot be avoided, a plan should be developed to address the adverse impacts on workers and their community. The retrenchment plan should address issues such as the schedule of cutbacks, retrenchment methods and procedures, selection criteria, severance payments, offers of alternative employment or assistance in retraining efforts and job placement.

G34. Selection criteria for those to be laid off should be objective, fair and transparent. The retrenchment should not be based on personal characteristics unrelated to inherent job requirements.

G35. Clients should also consult with employees and their organizations in developing the retrenchment plan. Consultations are essential for the development of plans that reflect workers' concerns as well as their ideas about ways to avoid or minimize layoffs, criteria for selection and compensation payments. Where national law or an existing collective bargaining agreement stipulates that retrenchment is a subject for collective bargaining, the client should allow time for good faith bargaining as well as to implement the terms of applicable collective bargaining agreements. Any legal requirements specifying a period of advance notice must be followed. It is good practice to establish a grievance mechanism to deal with claims that any provisions in the retrenchment plan were not followed.

G36. Consultation with governments may be required by law, and, in addition, clients are encouraged to consult governments where the scale of layoffs can have a significant effect on communities, and where government assistance may be available to help address the impacts.

For further guidance on good practices in retrenchment, see IFC's [Good Practice Note on Retrenchment](#).

Grievance Mechanism

13. The client will provide a grievance mechanism for workers (and their organizations, where they exist) to raise reasonable workplace concerns. The client will inform the workers of the grievance mechanism at the time of hire, and make it easily accessible to them. The mechanism should involve an appropriate level of management and address concerns promptly, using an understandable and transparent process that provides feedback to those concerned, without any retribution. The mechanism should not impede access to other judicial or administrative remedies that might be available under law or through existing arbitration procedures, or substitute for grievance mechanisms provided through collective agreements.

G37. In providing a grievance mechanism through which workers may raise workplace concerns, the client should ensure that matters are brought to management's attention and addressed expeditiously. It should also provide feedback to those involved and should bar retribution for filing complaints. Grievance mechanisms may be designed to direct complaints through an appropriate process in order to protect the confidentiality of the worker, and should ensure that workers can raise concerns other than to immediate supervisors. Where countries have judicial or administrative processes to address labor complaints (most countries have such processes), the client's mechanism should not delay or hinder access to other judicial or administrative remedies that are available under law.

G38. Where a grievance mechanism is provided through a collective bargaining agreement, and meets the requirements of Performance Standard 2, the client should utilize it for those workers covered by the agreement. If there are other workers who are not covered by an agreement, the client should establish a separate mechanism for them.

Protecting the Work Force

Child Labor

14. The client will not employ children in a manner that is economically exploitative, or is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral, or social development. Where national laws have provisions for the employment of minors, the client will follow those laws applicable to the client. Children below the age of 18 years will not be employed in dangerous work.

G39. For purposes of Performance Standard 2, child labor consists of work by children that is economically exploitative or likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral or social development.⁹ Obligations on child labor are extended to the client's supply chain as has been outlined in paragraph 18 of Performance Standard 2.

G40. Almost all IFC member countries impose legal restrictions on the use of child labor, although terms vary.¹⁰

G41. If IFC is approached by a potential client employing, using or knowingly benefiting from child labor, or if child labor is discovered in the course of IFC due diligence, IFC will not proceed to process the project, unless the client is able to demonstrate that it will eliminate child labor prior to IFC's financing, consistent with the paragraph below.

G42. The presence of child labor may not be immediately evident at the time of due diligence or financing. Handling the discovery of children working in a business presents significant challenges for a client to manage. Removing children from their jobs will likely worsen their financial condition. IFC does not intend for its clients to cause further harm to children in need. Rather, clients should immediately remove children from tasks that are dangerous, harmful or inappropriate given their age. Children who are under the national school-leaving age may only be allowed to work outside of school hours. Those children who are over the school-leaving age but are performing hazardous tasks must be moved to non-harmful tasks. Clients should review workplace conditions (i.e., occupational health and safety conditions including exposure

⁹ Based on the United Nations Convention on the Rights of the Child, Article 32.1.

¹⁰ The definition of what constitutes unacceptable employment of children under Performance Standard 2 is based on the 1990 UN Convention on the Rights of the Child, which has been ratified by almost all IFC member countries. Additional guidance is provided by ILO Conventions 138 and 182. ILO Convention 138 requires ratifying member states to set a minimum age that is not less than the completion age for compulsory schooling, or not less than 15 years (14 for less developed countries). Light work that is not likely to be harmful to the health or development of the child and does not interfere with schooling may be permitted for children aged 12 to 14 in less developed countries. ILO Convention 182 defines and prohibits the "worst forms" of child labor including: (i) all forms of slavery, debt bondage, and forced or compulsory labor; (ii) prostitution or the production of pornography; (iii) illicit activities, production and trafficking in drugs; (iv) work which by its nature or the circumstances in which it is carried out is likely to harm the health, safety or morals of children. With respect to the client's project, this is a continuation of the 1998 IFC Policy on Harmful Child Labor.

to machinery, toxic substances, dust, noise and ventilation, work hours and nature of the tasks) to be certain that legally employed children are not exposed to conditions likely to be harmful to them. To do this effectively, clients need to examine the specific types of tasks that are hazardous to children, and whether employment interferes with access to education.

G43. Clients should set a corporate minimum work age that at a minimum complies with national law and Performance Standard 2 and develop a corporate policy against employing, using or benefiting from child labor. In countries or sectors where there is a risk of child labor, clients should review and retain copies of verifiable documentation, in addition to those required through paragraph 7 of Performance Standard 2, concerning the age and employment profile of all people under 18 working in the business, paying particular attention to those under school leaving age. As a matter of good practice, clients should maintain on-site legal documentation of all workers below the age of 18.

G44. Human trafficking, the forced movement of people across international borders, of children for labor exploitation has been identified as an international problem. Clients should inquire about and address these issues with contractors who supply labor and products so that they do not benefit from these coercive practices. More information can be found in the ILO's International Programme for the Elimination of Child Labor (IPEC) and the International Organization for Migration (IOM) (see the References Section).

G45. For further guidance, see IFC's [Good Practice Note, Addressing Child Labor in the Workplace and Supply Chain](#).

Forced Labor

15. The client will not employ forced labor, which consists of any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty. This covers any kind of involuntary or compulsory labor, such as indentured labor, bonded labor or similar labor-contracting arrangements.

G46. Forced labor consists of any work or service not voluntarily performed that is exacted or coerced from a person under threat of force or penalty.¹¹ Forced labor includes any kind of involuntary or compulsory labor, such as indentured labor, bonded labor or similar labor arrangements. A common form of indentured labor is the practice that forced labor is extracted by granting compensation in other forms than money, such as food or housing, as a result of which the worker's exit from the work is effectively prevented. Bonded labor is the practice that extract forced labor by creating debt or other obligations (such as deductions from pay as a disciplinary measure) not based on a valid and mutually beneficial economic purpose that must be worked off on terms that effectively prevent the worker's exit from the work. Examples of similar labor contract arrangements are requirements of monetary deposits, limitations on freedom of movement, excessive notice periods or substantial or inappropriate fines or loss of previously earned wages that serve to prevent workers from voluntarily ending employment within their legal rights, or contractual clauses that limit or prohibit resignation within a certain timeframe. Migrant workers are most vulnerable to these types of arrangements. Obligations on forced labor are extended to the client's supply chain as has been outlined in paragraph 18 of Performance Standard 2.

¹¹ Based on ILO Convention 29 on Forced Labor.

G47. The vast majority of IFC member countries' laws prohibit most forced labor practices. ILO Convention 29 on Forced and Compulsory Labor, which provides the basis for the definition above, has been ratified by a large majority of IFC member countries.¹²

G48. The employment relationship should be freely chosen and free from threats. Forced extraction of labor violates the fundamental rights of the worker, and retards economic development by keeping capital in sectors that would not survive without such practices. IFC will not finance projects that employ, use or knowingly benefit from forced labor as defined above.¹³ If IFC is approached by a potential client employing, using or knowingly benefiting from forced labor, or if forced labor is discovered in the course of IFC due diligence, IFC will not proceed to process the project unless the client is able to demonstrate that it will eliminate forced labor prior to IFC's financing, consistent with the paragraph below.

G49. Forced labor practices may not be immediately apparent. If forced labor is discovered in the client's workforce or supply chain, immediate steps should be taken to address the practice that has coerced the worker and instead offer terms of employment that can be freely chosen and do not recreate conditions of coercion.

G50. Clients need to avoid any type of physical coercion of workers, such as restrictions on movement or physical punishment that have the effect of forced labor. Examples of such practices include locking workers in their workplace or worker housing. Clients may not retain worker's identity documents and passports in a manner that by intent or effect restricts their movement.

G51. Obligations from indentured labor, bonded labor or similar labor contract agreements are sometimes passed from one generation to the next. Clients should avoid practices that have the effect of creating improper or effectively unpayable debt obligations, such as inappropriate charges for housing and meals as part of the employment relationship. Clients should also exercise diligence with regard to key contractors and subcontractors so that they do not knowingly benefit from practices that lead to bonded or indentured status of workers.

G52. Trafficked persons and migrant workers who lack legal status in a country may be particularly vulnerable to being caught in a forced labor situation, for example through debt bondage to "jobs brokers" who charge exorbitant fees to place workers in foreign factories or farms. Human trafficking, the forced movement of people across international borders, for labor exploitation has been identified as an international problem. Clients should inquire about and address these issues with contractors who supply labor so that they do not benefit from these coercive practices. Exercising diligence should also be exercised when the client's project is situated in an export processing zone since export processing zones are often exempt from national labor laws or have weak enforcement of such laws. Migrant workers are one of the groups that have been identified as more vulnerable to human trafficking and forced labor. Several institutions are addressing the problem including the ILO and the International Organization for Migration (IOM).

¹² Additional guidance is provided by ILO Convention 105 on the Abolition of Forced Labor.

¹³ Also see <http://www.ifc.org/ifcext/enviro.nsf/Content/IFCExclusionList>

G53. Prison labor should normally be considered forced labor. In some circumstances, prison inmates volunteer for work assignments in sectors such agricultural production and light manufacturing. If such labor comprised an important and irreplaceable part of the client's supply chain, the client should provide a detailed review on the status of the proposed prison labor.

Occupational Health and Safety

16. The client will provide the workers with a safe and healthy work environment, taking into account inherent risks in its particular sector and specific classes of hazards in the client's work areas, including physical, chemical, biological, and radiological hazards. The client will take steps to prevent accidents, injury, and disease arising from, associated with, or occurring in the course of work by minimizing, so far as reasonably practicable, the causes of hazards. In a manner consistent with good international industry practice,³ the client will address areas, including: the identification of potential hazards to workers, particularly those that may be life-threatening; provision of preventive and protective measures, including modification, substitution, or elimination of hazardous conditions or substances; training of workers; documentation and reporting of occupational accidents, diseases, and incidents; and emergency prevention, preparedness and response arrangements.

³ Defined as the exercise of professional skill, diligence, prudence and foresight that would reasonably be expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally.

G54. Occupational health and safety refers to the range of endeavors aimed at protecting workers from injury or illness associated with exposure to hazards encountered in the workplace or while working. Hazards may arise from materials (including chemical, physical and biological substances and agents), environmental or working conditions (such as oxygen deficient environments, excessive temperatures, improper ventilation, poor lighting, faulty electrical systems or unshored trenches), or work processes (including tools, machinery and equipment). Occupational health and safety practices include the identification of potential hazards and responses including design, testing, choice, substitution, installation, arrangement, organization, use and maintenance of workplaces, working environment and work processes to eliminate or minimize any risks to workers.

G55. Most countries have laws regulating occupational health and safety (OHS) and workplace conditions¹⁴ and the client is expected to comply with such laws. Additional guidance on the management of occupational health and safety issues according to Good International Industry Practice (GIIP) is provided in the World Bank Group's General EHS Guidelines and Industry Sector Guidelines.

G56. Sources of hazard to workers' health and safety should be eliminated rather than allowing the hazards to continue and providing personal protective equipment. However when

¹⁴ Parties to the ILO have also negotiated numerous conventions that address these matters, both at the general level and with regard to specific industries. Examples include ILO Convention 155 on Occupational Safety and Health and Protocol 155 of 2002 to Convention 155; Convention 162 on Asbestos; Convention 174 on Prevention of Major Industrial Accidents.

the hazard is inherent to the project activity or it is otherwise not feasible to completely eliminate the hazard, the client should take appropriate protective measures and provide adequate personal protective equipment at no cost to the worker. Protective measures and equipment may, for example, be necessary to prevent occupational exposure to hazardous materials such as asbestos, which has been classified as a Group 1 carcinogen by many national and international organizations.

G57. Training should be provided to all workers on relevant aspects of occupational health and safety associated with their work, including emergency arrangements. Workers should not face any disciplinary measures or negative consequences for reporting or raising concerns about occupational health and safety conditions.

G58. The client should document and report occupational injuries and illnesses, including injuries to the public. Worker monitoring data (such as exposure levels and health testing) should be retained.

G59. Clients will extend a safe and healthy work environment to contracted workers and to any other workers who provide project-related services on the client's premises or work sites. Contract specifications for contractors providing workers on the client's premises or work sites should include provisions that they meet the OHS requirements of the client, both to satisfy the requirements of Performance Standard 2 and to minimize risk and liability to the client. As a way to lessen risk and liability, and to improve performance, IFC encourages clients to require comparable practices of key off-site contractors, subcontractors and suppliers.

G60. The client's Action Plan should deal with hazards identified through assessment that have not already been addressed by the client. The overall social and environmental management system required by Performance Standard 1 should be designed with adequate capacity for oversight of occupational health and safety matters. The management system should include regular monitoring and review of safety matters, ambient working environments and other OHS indicators. It is good practice to apply information compiled and any corrective measures in a continuous process to improve OHS conditions and management. .

G61. Emergency preparedness and response plans should be tailored to the risks faced by the organization and should include an integrated approach to address emergency needs and protect the health and safety of workers, the public and the environment - inside and outside the physical project boundary. Facilities that face fire risk should have evacuation plans that are well understood and have been rehearsed by all workers. Emergency plans should encompass all persons normally working on or visiting the client's site, including workers (regular or contracted), approved visitors, and customers. The arrangements should be prepared in cooperation with external emergency services and agencies, such as local fire departments and emergency response teams, and include adequate communication with workers and outside authorities as needed. Further guidance on this subject, including some of the basic elements of emergency preparedness and response plans, is provided in the Guidance Notes to Performance Standard 3 on Pollution Prevention and Abatement and Performance Standard 4 on Community Health and Safety.

Non-Employee Workers

17. For purpose of this Performance Standard, “non-employee workers” refers to workers who are: (i) directly contracted by the client, or contracted through contractors or other intermediaries; and (ii) performing work directly related to core functions essential to the client’s products or services for a substantial duration. When the client contracts non-employee workers directly, the client will use commercially reasonable efforts to apply the requirements of this Performance Standard, except for paragraphs 6, 12, and 18. With respect to contractors or other intermediaries procuring non-employee workers, the client will use commercially reasonable efforts to: (i) ascertain that these contractors or intermediaries are reputable and legitimate enterprises; and (ii) require that these contractors or intermediaries apply the requirements of this Performance Standard, except for paragraphs 6, 12, and 13.

G62. Non-employee workers are directly contracted by the client or through contractors or other intermediaries. Even though they are outsourced by the client, these workers tend to perform important functions of the client’s business for a substantial period as if they are substitute employees of the client.

G63. Determination of which group of non-employee workers falls into the scope of Performance Standard 2 will require an analysis of the client’s business and judgment. The following table of examples illustrates work that would constitute a core function as defined in Performance Standard 2, followed by work that would not constitute a core function:

| Core-functions (covered by Performance Standard 2) | Non-core functions (not covered by Performance Standard 2) |
|---|---|
| <ul style="list-style-type: none"> Workers performing functions under a turn-key or an engineering, procurement and construction (EPC) contract | <ul style="list-style-type: none"> Day laborers hired for a short duration for limited construction activities. |
| <ul style="list-style-type: none"> (in case of a client that provides retail banking services) non-employee workers providing ongoing security services | <ul style="list-style-type: none"> (in case of a client that provides retail banking services) individuals contracted on a one-time basis to install surveillance equipment |
| <ul style="list-style-type: none"> (in the case of a client engaged in manufacturing) non-employee workers who regularly transport finished goods to distributors | <ul style="list-style-type: none"> (in the case of a client engaged in manufacturing) individuals who provide food services for the client’s workers, unless the client operates the food service function directly. |
| <ul style="list-style-type: none"> (in the case of a client engaged in agricultural production) workers who repeatedly perform seasonal tasks that are essential to harvesting the product | <ul style="list-style-type: none"> (in the case of a client engaged in agricultural production) individuals contracted to clear new land for cultivation on a one-time basis |

Provision of professional services (e.g., accounting, legal service) by outside firms will not be covered by Performance Standard 2.

G64. Most national laws address contract labor, though the terms vary widely among countries and types of contract labor. The client should comply with legal requirements

covering such matters as minimum wage, hours of work, overtime payments, health and safety conditions, contributions to health insurance and pension schedules and other legally mandated employment terms with regard to all directly contracted non-employee workers.

G65. Clients should use commercially reasonable efforts so that they do not benefit from unfair labor practices of contractors and intermediaries. This includes establishing contractual obligations on contractors or intermediaries who supply the non-employee workers to the client; unannounced visits and visual inspections at the worksite; and exercise of due diligence in supervising contractors and intermediaries who supply workers. The client will use commercially reasonable efforts to inquire about the track record or standing of contractors and intermediaries that will procure non-employee workers. The client should also exercise due diligence to ensure that contractors or intermediaries procuring non-employee workers for the client satisfy all legal requirements.

G66. It is good practice for clients to exercise visual inspections over all those working at the client's work site even if some types of workers may not be covered by Performance Standard 2.

Supply Chain

18. The adverse impacts associated with supply chains will be considered where low labor cost is a factor in the competitiveness of the item supplied. The client will inquire about and address child labor and forced labor in its supply chain, consistent with paragraphs 14 and 15 above.

G67. Supply chain refers to both labor and material inputs of a good or service. A supply chain of goods may include suppliers of raw material and suppliers of pieces or components for assembly and production. The supply chain of multinational corporations can be extensive and may be global in nature, whereas the supply chain of national or smaller enterprises will be smaller in scale and may be local in nature, involving local contractors, subcontractors, and homeworkers.

G68. When the pricing of the client's goods or services depends on the competitiveness of key materials and items essential for the goods or services, and low labor cost is a factor in the competitiveness of such materials and items, the client should review its supply chain for potential adverse impacts and identify any risks to the client and the project, as part of the Assessment process. It is good practice for the client to address labor issues, particularly those issues specified in Performance Standard 2, in its supply chain by exercising control and influence over the supplier of materials and items, commensurate with the level of risks and impacts. In addition to risk mitigation, effective supplier management on labor issues can lead to competitive or strategic advantage, such as quality improvement, cost reduction and security of supply. Good practice materials and tools for supply chain management are under rapid development by various sectoral organizations' corporate social responsibility initiatives¹⁵.

¹⁵ E.g. The International Federation of Purchasing and Supply Management (IFPSM)
The Chartered Institute of Purchasing and Supply
Institute for Supply Management
The Triple Innova "How to Manage Yours Supply Chain Sustainability"

G69. The effectiveness in addressing the supply chain will depend on the leverage that the client will likely be able to exercise. In situations where there is an integrated chain of suppliers that depend on the client for their business viability, this leverage and client risk from supplier nonperformance will be high. As the supply chain extends into commodity market where the client's operation has little significance, the client's supply chain review will simply reflect sectoral issues, rather than opportunities for project-specific mitigation. Where the client has complex operations with multiple tiers of suppliers, its leverage will diminish toward the more distant tiers of suppliers. As a result, the client should focus on the primary tier of suppliers, and possibly the secondary ones to have any meaningful impact.

G70. With regard to child labor and forced labor as defined in Performance Standard 2, the client should exercise due diligence in its supply chain to avoid benefit or financial gain from these practices. Clients should make particular effort and engage in additional diligence when such practices are prevalent or known to exist within certain stages of the supply chain, in specific industries or in geographic areas. Financial gain from child labor is a specific risk when the cost of labor is a factor in the competitiveness of the client's goods or services. Clients should utilize their influence to the fullest extent to eradicate child labor and forced labor in their supply chain.

Annex A
Content of the Labor Assessment Component of a Social and Environmental Assessment

A labor assessment may be carried out at different levels, depending on IFC's initial assessment of the project risk posed by labor practices. The labor assessment should include a review of the potential client's employment policies, the adequacy of existing policies, and management's capacity to implement.

The assessment may include the following:

- Description of the workforce – This includes numbers of employees, types of jobs and skills, and composition of the workforce (gender, age, minority status, etc.).
- Description of working conditions and terms of employment – A copy of the client's human resources policy should be provided. The client should indicate whether the workers are organized and to which workers' organization(s) they belong. All collective bargaining agreements that apply to the project should be included.
- Description of types of employment relationships – A description of the structure of the client's supply chain will be included.
- Description of the working environment and identification of any work place health and safety issues – This includes mitigative measures to protect the welfare of the workforce or address identified risks. Both risks that arise from normal functions and operations as well as less common circumstances and accidents that are known to be a risk within the industry or locality should be covered. The assessment should identify work areas, equipment and processes that may require redesign, risk reduction or hazard control measures.
- Compliance with national employment and labor laws – The nature of any violations of applicable labor law and remediation steps taken should be described.
- Description of conditions in the client's project, the sector or the country that might pose risk of violation of employment and labor laws or the requirements of Performance Standard 2 in the client's project or by key contractors and suppliers
- Aspects of the client's employment policy where improvements may be needed in light of the requirements of Performance Standard 2 or national law – The client should take this opportunity to identify weaknesses in its human resources policy or employment practices and changes that could improve the firm's performance.

Annex B
Contents of a Human Resources Policy

A human resources policy ordinarily would cover the following matters:

- Entitlement to and payment of wages; permissible wage deductions;
- Overtime payments; hours of work and any legal maximums;
- Entitlement to leave for holidays, vacation, illness, injury, and maternity and other reasons;
- Entitlement to benefits;
- The employees' right to form and join workers' organizations of their choosing without any interference or employment consequences and to bargain collectively with the employer;
- Disciplinary and termination procedures and rights;
- Conditions of work;
- Occupational safety, hygiene and emergency preparedness;
- Promotion requirements and procedures;
- Vocational training opportunities;
- Other matters covered by law and Performance Standard 2.

A human resources policy is an appropriate place for the client to include statements of corporate policy on matters such as child labor and equal opportunity.

Annex C
Workers' Organizations - High Risk Practices

There may be circumstances in which workers' organizations or employers' dealings with such groups have been tainted by corruption. For example, where laws allow only one organization to hold a collective bargaining agreement with an employer, corrupt organizations designed to preclude autonomous workers' organizations have sometimes been employed for the enrichment of individuals associated with these schemes, the benefit of an employer or both. In some situations employers make payments to workers' organizations with the object of placing the organization under the control of the employer. Whether the corruption arises from the workers' organization itself or from the employer, these arrangements are contrary to the objectives and requirements of Performance Standard 2. If a client believes it is confronted with a corrupt organization, it may need to seek external help. This may include, for example, assistance from public authorities or creating a means for the workers to choose their representative organization in a way that allows them to avoid corrupt intermediaries.

In some countries where laws protect workers' freedom of association and right to bargain collectively, other laws or practice also allow for employer-dominated organizations in the workplace. In those cases, Performance Standard 2 requires that clients allow workers to choose their organizations without interference and then bargain collectively with the workers' chosen representative.

Questions may arise about whether a group claiming to represent workers is a workers' organization or a political party. In most countries, laws specify the requirements for a group to establish itself as a workers' organization, union or collective bargaining agent. It should be noted that under ILO Convention 87 and most national laws, both workers' and employers' organizations have the right to organize their activities and determine their affiliations without interference by other parties or public authorities. This would include political and legislative activities by workers' and employers' organizations.

Annex D
Managing Discrimination

IFC recognizes the diversity of cultures in the countries where it provides financing. It further recognizes that addressing issues of discrimination that arise from cultural norms or local practice (and that are sometimes even incorporated into formal legislation) is a difficult challenge. However, given the closely intertwined business, economic and social benefits of equal opportunity to employment, as well as the damage done by discrimination, IFC looks to clients to take a positive view of equal opportunity and a diverse workforce. Companies that embrace diversity have identified a range of business advantages, such as improving employee morale and retention and decreasing complaints and litigation. This shift in company attitudes is also mirrored in regulatory changes around the world, shifting from laws that simply prohibit discrimination to laws that provide for a positive duty to prevent discrimination and promote equality.

Clients can take proactive steps to create a workplace environment that makes equal access to employment and equal treatment on the job a reality throughout the employment relationship, from recruiting through retirement and pension. These steps may include, for example, recruitment drives that focus on attracting workers from groups that are under-represented in the workforce; awareness raising and training programs for managers and workers; anti-harassment policies that communicate the client's determination to eliminate such practices in the workplace; and skills training programs for workers to improve their chances of promotion. Where training is provided it should be accessible to all workers for whom the training is relevant, on a non-discriminatory basis.

Gender discrimination can arise in ways that differ from other forms of discrimination and clients should review policies and practices to ensure that they do not negatively affect either women or men. For example, clients should ensure that women have access to the same career advancement possibilities as men and are not excluded from consideration on the basis of stereotyping or a failure to complete training that has not been made available to female workers. Establishing sound policies on maternity leave that enable women to balance their responsibilities as workers and as mothers will help clients to avoid discriminatory outcomes and retain experienced workers. In some countries it is common for employers to require pregnancy tests and then dismiss (or refuse to hire) women who are pregnant. Even where this is not a violation of national law, the practice is not consistent with Performance Standard 2.

Clients should consider involving workers and workers' organizations in identifying and addressing discrimination in the workplace. In some cases the policies or practices of workers' organizations can contribute to or inadvertently support discriminatory practices. It is good practice for clients to invite workers' organizations to participate in the development of equal opportunity policies. They may be aware of discriminatory effects of policies that the employer has not identified. Workers' organizations are often able to educate workers about why discrimination is unacceptable, and they can help to establish a positive and inclusive workplace environment.

References

Several of the requirements set out in Performance Standard 2 are partly guided by standards set by the following international agreements negotiated through the International Labor Organization (ILO) (<http://www.ilo.org/iloex>) and the United Nations (UN), noted in each case:

- ILO Convention 87 on Freedom of Association and Protection of the Right to Organize
- ILO Convention 98 on the Right to Organize and Collective Bargaining
- ILO Convention 29 on Forced Labor
- ILO Convention 105 on the Abolition of Forced Labor
- ILO Convention 138 on Minimum Age (of Employment)
- ILO Convention 182 on the Worst Forms of Child Labor
- ILO Convention 100 on Equal Remuneration
- ILO Convention 111 on Discrimination (Employment and Occupation)
- United Nations Convention on the Rights of the Child, Article 32.1

A list of the eight ILO conventions and the countries that have ratified each of them is available at: <http://www.ilo.org/ilolex/english/index.htm>. The text of the ILO conventions and list of ratifying countries are available at: <http://www.ilo.org/ilolex/english/convdisp2.htm>

In 1998, the members of the ILO agreed on a “Declaration on Fundamental Principles and Rights at Work” (<http://www.ilo.org/dyn/declaris/DECLARATIONWEB.INDEXPAGE>) which declares that “all Members, even if they have not ratified the eight Conventions in question (as included above), have an obligation arising from the very fact of membership in the Organization to respect, to promote and to realize, in good faith and in accordance with the Constitution, the principles concerning the fundamental rights which are the subject of those Conventions.” The membership of the ILO is almost identical with the membership of the IFC. A large majority of IFC member countries have ratified at least some of the eight ILO conventions that together comprise of the four core labor standards. In addition, most IFC member countries have labor laws in place that reflect the eight core standards, whether or not they have ratified the conventions. Where these standards have not been expressly incorporated into national law, IFC will work with clients to identify and implement the relevant standards as described in the Performance Standard 2 and its accompanying Guidance Note.

Other references to ILO documents in Guidance Note 2:

- ILO Convention 155 on Occupational Safety and Health
- ILO Protocol 155 of 2002 to the Occupational Safety and Health Convention
- ILO Convention 162 on Asbestos
- ILO Convention 174 on Prevention of Major Industrial Accidents

Several of the topics covered by Performance Standard 2 (noted in relevant sections) are also within the scope of the following international agreements negotiated through the UN:

- UN Universal Declaration of Human Rights
- UN International Covenant on Economic, Social and Cultural Rights
- UN International Covenant on Civil and Political Rights
- UN Convention on the Rights of the Child

- UN Convention on the Elimination of All Forms of Racial Discrimination
- UN Convention on the Elimination of All Forms of Discrimination against Women.

A list of the six UN Conventions and the countries that have ratified each of them is available at: <http://www.ohchr.org/english/law/index.htm>. The ratification status of each convention by country is available at: <http://www.unhchr.ch/pdf/report.pdf>

Also see UN “Convention on the Rights of Persons with Disabilities” elaborates in detail the rights of persons with disabilities and sets out a code of implementation.

<http://www.un.org/disabilities/convention/conventionfull.shtml>

UN “Optional Protocol to the Convention on the Rights of Persons with Disabilities”

<http://www.un.org/disabilities/convention/optprotocol.shtml>

In addition, the guidance, recommendations and adjudications issued by the following organizations provide useful additional guidance:

- The *ILO’s Committee of Experts on the Application of Conventions and Recommendations* – reviews member countries’ implementation of ratified labor conventions on a periodic basis. A searchable database can access the Committee’s findings on country and issue violations. Available at: <http://webfusion.ilo.org/public/db/standards/normes/appl/index.cfm?lang=EN>
- The *ILO’s Committee on Freedom of Association* – investigates claimed violations of the right to organize or bargain collectively. This 9 member tripartite (government, employer and trade union) body reviews complaints on country compliance with the principles of freedom of association and collective bargaining, whether or not a country has ratified ILO Conventions 87 and 98. To review cases, go to: <http://www.ilo.org/ilolex/english/index.htm> and click on “Cases of the Committee on Freedom of Association”. Cases are sorted by country and by case
- The *ILO’s Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy* – for guidance on retrenchment. Available at: <http://www.ilo.org/public/english/employment/multi/index.htm>
- *Organization for Economic Co-operation and Development (OECD) - Guidelines for Multinational Enterprises* – for guidance on retrenchment. Available at: http://www.oecd.org/topic/0,2686,en_2649_34889_1_1_1_1_37439,00.html
- The International organization of Migration (IOM) is an intergovernmental organization established in 1951, IOM is committed to the principle that humane and orderly migration benefits migrants and society. <http://www.iom.int/jahia/jsp/index.jsp>

IFC and the World Bank have published a number of resource materials:

- *Good Practice Note: Addressing Child Labor in the Workplace and Supply Chain* (IFC, 2002) – provides good practice approaches that business have successfully

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applied in managing risks associated with child labor in their own workplaces and those of their vendors and suppliers

[http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_childlabor/\\$FILE/ChildLabor.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_childlabor/$FILE/ChildLabor.pdf)

- *Good Practice Note: Managing Retrenchment* (IFC, 2005) provides guidance on how to plan and manage the process of retrenchment where significant job losses are anticipated.
[http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_Retrenchment/\\$FILE/Retrenchment.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_Retrenchment/$FILE/Retrenchment.pdf)
- *Good Practice Note: Non-Discrimination and Equal Opportunity* (IFC, 2005) provides guidance to IFC clients and other employers in emerging markets on promoting both equality and diversity, and overcoming discriminatory practices, while acknowledging that this can often be a controversial and difficult topic.
[http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_NonDiscrimination/\\$FILE/NonDiscrimination.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_NonDiscrimination/$FILE/NonDiscrimination.pdf)
- *Environmental Guidelines: Occupational Health and Safety* (IFC, 2003) – applies to places of work associated with IFC projects and provides guidelines for general aspects for occupational health and safety
[http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/gui_OHS/\\$FILE/OHSGuideline.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/gui_OHS/$FILE/OHSGuideline.pdf)
- *The World Bank's "Toolkit" on Core Labor Standards* (World Bank) – General information on the ILO's four fundamental principles and rights at work. The Toolkit also provides links to other useful information sources.
<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALPROTECTION/EXTLM/0,,contentMDK:20224298~menuPK:584854~pagePK:148956~piPK:216618~theSitePK:390615,00.html>
- *World Bank - Information on Active Labor Market Programs* (World Bank) – useful information for clients confronting large-scale retrenchments.
<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALPROTECTION/EXTLM/0,,contentMDK:20223809~menuPK:584846~pagePK:148956~piPK:216618~theSitePK:390615,00.html>
- The General Environmental, Health and Safety Guidelines as well as the sector specific IFC Environmental Health and Safety Guidelines apply to all places of work associated with IFC projects and provide guidance for general and specific aspects for OHS.
[http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol_GuidanceNote_2/\\$FILE/GuidanceNote2.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol_GuidanceNote_2/$FILE/GuidanceNote2.pdf).

Examples of sources of information concerning country reports on labor practices:

- *US Department of State - annual Country Reports on Human Rights* – issued on almost all countries. Section 6 of these reports covers many of the labor issues included in Performance Standard 2.
<http://www.state.gov/g/drl/rls/hrrpt/2003>

- *International Confederation of Free Trade Unions (ICFTU)* – country reports on labor rights performance.
<http://www.icftu.org/list.asp?Language=EN&Order=Date&Type=WTORReports&Subject=ILS>

Examples of sources of information concerning supply chain management:

- The International Federation of Purchasing and Supply Management (IFPSM) is the union of 43 National and Regional Purchasing Associations worldwide. Within this circle, about 200,000 Purchasing Professionals can be reached.
<http://www.ifpmm.org/>
- The Chartered Institute of Purchasing and Supply (CIPS) exists to promote and develop high standards of professional skill, ability and integrity among all those engaged in purchasing and supply chain management.
<http://www.cips.org/>
- Institute for Supply Management
<http://www.ism.ws/>
- The Triple Innova “How to Manage Yours Supply Chain Sustainability”
<http://www.triple-innova.com>

Guidance Note 3

Pollution Prevention and Abatement

July 31, 2007

This Guidance Note 3 corresponds to Performance Standard 3. Please also refer to the Performance Standards 1, 2 and 4-8 as well as the corresponding Guidance Notes for additional information. Bibliographical information on all reference materials appearing in the text of this Guidance Note can be found in the References Section at the end.

Introduction

1. Performance Standard 3 recognizes that increased industrial activity and urbanization often generate increased levels of pollution to air, water, and land that may threaten people and the environment at the local, regional, and global level.¹ On the other hand, along with international trade, pollution prevention and control technologies and practices have become more accessible and achievable in virtually all parts of the world. This Performance Standard outlines a project approach to pollution prevention and abatement in line with these internationally disseminated technologies and practices. In addition, this Performance Standard promotes the private sector's ability to integrate such technologies and practices as far as their use is technically and financially feasible and cost-effective in the context of a project that relies on commercially available skills and resources.

Objectives

- ***To avoid or minimize adverse impacts on human health and the environment by avoiding or minimizing pollution from project activities***
- ***To promote the reduction of emissions that contribute to climate change***

¹ For the purposes of this performance standard, the term "pollution" is used to refer to both hazardous and non-hazardous pollutants in the solid, liquid, or gaseous forms, and is intended to include other forms such as nuisance odors, noise, vibration, radiation, electromagnetic energy, and the creation of potential visual impacts including light.

G1. To achieve these objectives, clients should take into account the potential impact of their emissions on the ambient conditions (such as ambient air quality) and seek to avoid or minimize these impacts within the context of the nature and significance of pollutants emitted. For small and medium-sized projects with limited potential emissions, this may be achieved through compliance with emissions and effluent standards and the application of other pollution prevention and control approaches. Large projects with potentially significant emissions and /or high impacts, however, may require impacts on the surrounding environment (i.e., changes in ambient levels) to be monitored, in addition to the implementation of control measures. Further information on how to address ambient conditions is provided in paragraph 9 of Performance Standard 3 and its accompanying Guidance Note.

G2. The potential environmental impacts associated with the emissions of greenhouse gases (GHGs) are considered to be among the most complex to predict and mitigate due to their global nature. Clients are therefore encouraged to consider their potential contribution to climate change when developing and implementing projects and develop a strategy to help reduce it.

Scope of Application

2. The applicability of this Performance Standard is established during the Social and Environmental Assessment process, while implementation of the actions necessary to meet the requirements of this Performance Standard is managed through the client's Social and Environmental Management System. The assessment and management system requirements are outlined in Performance Standard 1.

G3. Impacts and risks associated with the generation, use, storage, release, and/or disposal of pollutants are identified during the Social and Environmental Assessment process, planned as part of the client's Social and Environmental Management, and implemented as part of the client's Action Plan. Since not all potential impacts can possibly be identified at the outset of a project, the client should uphold the requirements of pollution prevention and abatement provided in Performance Standard 3 as part of its Management System so that those unforeseen circumstances that are identified during the course of the project can be evaluated and addressed.

Requirements

General Requirements

3. During the design, construction, operation and decommissioning of the project (the project life-cycle) the client will consider ambient conditions and apply pollution prevention and control technologies and practices (techniques) that are best suited to avoid or, where avoidance is not feasible, minimize or reduce adverse impacts on human health and the environment while remaining technically and financially feasible and cost-effective.² The project-specific pollution prevention and control techniques applied during the project life-cycle will be tailored to the hazards and risks associated with project emissions and consistent with good international industry practice,³ as reflected in various internationally recognized sources, including IFC's Environmental, Health and Safety Guidelines (the EHS Guidelines).

² "Technical feasibility" and "financial feasibility" are defined in Performance Standard 1. "Cost-effectiveness" is based on the effectiveness of reducing emissions relative to the additional cost required to do so.

³ Defined as the exercise of professional skill, diligence, prudence and foresight that would reasonably be expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally. The circumstances that skilled and experienced professionals may find when evaluating the range of pollution prevention and control techniques available to a project may include, but are not limited to, varying levels of environmental degradation and environmental assimilative capacity as well as varying levels of financial and technical feasibility.

(i) Development of a new project (including major expansion of an existing operation)

G4. Clients developing new projects or major expansions should incorporate environmental aspects of the project during the design phase (including project design and site selection). Considerations should include background ambient conditions (that may occur due to natural and/or anthropogenic causes not related to the project), the presence of local communities, environmentally sensitive receptors (such as potable water supplies or ecologically protected

areas), the expected project demand for water, and the availability of waste disposal infrastructure.

G5. Key environmental impacts can occur at any phase of a project and depend on a number of factors including industry sector and site location. Therefore, the design approach should encompass all physical phases of a project, from site investigation and construction through operation to decommissioning. Potential future expansions should be accounted for in the initial design, where possible.

G6. Environmental aspects of the decommissioning stage should be also considered, both during initial design and during periodic reviews undertaken as part of the management system.

(ii) Privatizations, modernizations, and retrofits of existing facilities:

G7. If clients do not have the opportunity to incorporate these environmental aspects into the design phase because a project involves or consists of existing facilities, they are expected to evaluate the feasibility of meeting the requirements of Performance Standard 3, and seek to improve performance through mutually agreed milestones included in the Action Plan.

G8. Clients with existing operations should assess possibilities for investing in environmental and risk management improvements by performing relevant studies including industrial risk assessment or hazard and operability studies, taking into account facility operations at full load under routine circumstances including intermittent exceedances during startups, shutdowns, and warm-up periods.

Pollution Prevention, Resource Conservation and Energy Efficiency

4. The client will avoid the release of pollutants or, when avoidance is not feasible, minimize or control the intensity or load of their release. This applies to the release of pollutants due to routine, non-routine or accidental circumstances with the potential for local, regional, and transboundary impacts.⁴ In addition, the client should examine and incorporate in its operations resource conservation and energy efficiency measures, consistent with the principles of cleaner production.

⁴ In reference to transboundary pollutants, including those covered under the Convention on Long-range Transboundary Air Pollution.

G9. Where control techniques are necessary to minimize emissions or achieve a pre-established performance level, the client should monitor their performance to ensure that the requirements of Performance Standard 3 are being met. The frequency with which pollutant emissions are monitored should be appropriate to the nature and scale of potential impacts. This may range from continuous to daily, monthly, annually, or less frequently. Clients can obtain guidance on recommended monitoring approaches and frequencies appropriate to the nature of their operations from various internationally recognized sources including the EHS Guidelines (as included in the References section). Monitoring emissions can benefit clients by: 1) demonstrating their compliance with environmental permits or other legal obligations; 2) providing information to evaluate project performance and determine if corrective actions are necessary; 3) helping to identify opportunities for further improvement; and 4) by making data

available for analysis of actual incremental impacts on the ambient levels (especially for projects with potentially significant emissions impacts).

G10. Monitoring is particularly important for large projects with impacts that may be uncertain and potentially irreversible and consequently in need of more frequent evaluation of emissions levels or ambient quality. In addition, clients should include monitoring processes within their management system to alert them to significant increases in pollutant emissions or impacts on ambient conditions that may be an indicator of problems with manufacturing processes or pollution control equipment that could require corrective action (see Performance Standard 1 and its accompanying Guidance Note).

G11. The management systems approach may also include an element of continual improvement which, in the application of Performance Standard 3, should encourage performance levels that go beyond compliance with emissions and effluent standards or guidelines. Improvements may include efficiency gains in production processes that result in improved operational, environmental, or financial performance through, for example, improvements in energy/water consumption per unit of industrial output and solid/liquid waste production per unit of industrial output.

G12. Pollutant release and transfer registers that collect and disseminate data on environmental releases and transfers of pollutants from industrial facilities have been found to be effective for promoting pollution reduction in some industrial sectors – particularly where all or most industrial facilities operating within a geographic region participate and where the information is made accessible to local communities. Where such registries are not already required by law, and in addition to meeting the disclosure requirements of Performance Standard 1 for disclosure of significant potential environmental impacts, clients are encouraged to participate in voluntary initiatives that seek to establish formal pollutant release and transfer registers at the national or regional levels. A reference for additional information on pollutant release and transfer registers is included in the References section.

G13. Cleaner production refers to the concept of integrating pollution reduction into the production process and the design of a product. This involves continuous application of an integrated preventive environmental strategy to processes, products, and services in order to increase overall efficiency and reduce risks to humans and the environment through the conservation of raw materials, water and energy, and through the reduction or elimination of the use of toxic and hazardous raw materials.¹ Cleaner production can also mean taking advantage of renewable energy sources such as solar energy and geothermal resources. Cleaner production and energy efficiency are often cost-effective, especially when assessed over the project life-cycle. The client is encouraged to keep abreast of cleaner production examples applicable to its project sector and apply them to the design of the project when technically and financially feasible and cost-effective. References to various examples of cleaner production are included in the References section. Additional guidance is provided in the General EHS Guidelines and Industry Sector EHS Guidelines.

G14. Examples of energy efficiency measures include more energy efficient electricity generation, cogeneration to achieve overall energy utilization efficiency, and the installation of

¹ United Nations Environmental Program (UNEP)

more energy efficient demand-side equipment (e.g. electric motors, heaters, lighting fixtures, etc.). Opportunities for demand-side energy savings with financial benefits are common to almost all industry sectors. Examples of renewable energy sources include solar power, hydro, wind, certain types of geothermal, and biomass. Renewable energy sources are particularly beneficial when they can be used in project operations that include an energy generation component that would otherwise produce potentially significant emissions.

Wastes

5. The client will avoid or minimize the generation of hazardous and non-hazardous waste materials as far as practicable. Where waste generation cannot be avoided but has been minimized, the client will recover and reuse waste; where waste can not be recovered or reused, the client will treat, destroy, and dispose of it in an environmentally sound manner. If the generated waste is considered hazardous,⁵ the client will explore commercially reasonable alternatives for its environmentally sound disposal considering the limitations applicable to its transboundary movement.⁶ When waste disposal is conducted by third parties, the client will use contractors that are reputable and legitimate enterprises licensed by the relevant regulatory agencies.

⁵ As defined by local legislation or international conventions.

⁶ Consistent with the objectives of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes.

G15. Because of the risks to the environment and the ever-increasing costs and liabilities associated with the management and disposal of waste material, Performance Standard 3 requires clients to investigate options for waste avoidance, waste recovery and waste disposal during the operational stage of the project. The level of effort in addressing this requirement depends on the risks associated with the waste materials generated by a project. Clients should reasonably inquire about the location of the final disposal of their waste, even if the disposal is conducted by a third party, and especially if the waste is considered to be hazardous to human health and the environment. If no suitable disposal method is available through commercial or other means, the client should develop their own recovery or disposal facilities or work through their local business association or other similar entity to identify viable alternatives or approaches. Additional guidance is provided in the General EHS Guidelines and Industry Sector EHS Guidelines.

G16. In cases where the waste treatment, storage, or disposal alternative selected has the potential to generate polluting emissions, the client should apply adequate control techniques to avoid, minimize or reduce these emissions according to the requirements of paragraphs 4, 10 and 11 of Performance Standard 3. Further information on the environmentally sound handling and disposal of wastes can be found in the EHS Guidelines as referred to in paragraph 8 of Performance Standard 3 and its accompanying Guidance Note, as well as numerous publications in support of the [Basel Convention on the Control of Transboundary Movements of Hazardous Wastes](#) and in support of the [Stockholm Convention on Persistent Organic Pollutants](#) (see the References Section).

Hazardous Materials

6. The client will avoid or, when avoidance is not feasible, minimize or control the release of hazardous materials resulting from their production, transportation, handling, storage and use for project activities. The client will avoid the manufacture, trade, and use of

chemicals and hazardous materials subject to international bans or phase-outs due to their high toxicity to living organisms, environmental persistence, potential for bioaccumulation, or potential for depletion of the ozone layer,⁷ and consider the use of less hazardous substitutes for such chemicals and materials.

⁷ Consistent with the objectives of the Stockholm Convention on Persistent Organic Pollutants and the Montreal Protocol on Substances that Deplete the Ozone Layer. Similar considerations will apply to certain World Health Organization (WHO) classes of pesticides.

G17. Because the best way to prevent the release of hazardous materials is to avoid using them in the first place, clients should explore opportunities throughout the project life-cycle to use non-hazardous materials in place of hazardous materials, especially where the hazards of the materials cannot easily be prevented under normal use and disposal at the end of their life cycle. Substitutions have been found, for example, for the use of asbestos in building materials, PCBs in electrical equipment, persistent organic pollutants in pesticides formulations, and ozone depleting substances in refrigeration systems. A reference to guidelines on ozone depletion substances is included in the References section.

G18. Where a project has the potential to release toxic, hazardous, flammable or explosive material, or where project operations could result in injury to plant personnel or the public as identified in the Social and Environmental Assessment, the client should conduct a hazard analysis of their operations. Hazard analysis is often conducted in conjunction with Hazard and Operability studies (HAZOP) and allows clients to systematically identify systems and procedures that could result in accidental pollutant release and also helps to prioritize the allocation of resources for emergency response equipment and training programs.

G19. Clients should review the list of active ingredients included in Annex A and B of the Stockholm Convention and ensure that no chemical formulations are manufactured, sold or used in the project that include these ingredients unless it is under the highly exceptional circumstances noted in Annexes A and B of the Stockholm Convention. Persistent Organic Pollutants are chemicals that have five characteristics of environmental and public health concern: they are toxic, long-lived, mobile, accumulate in fatty tissue and magnify in the food chain. Their high mobility makes them a global issue, while their other properties mean that they are hazardous to animal and human health even at low levels of exposure. Where projects have pre-existing involvement with such ingredients, including the presence of existing stockpiles of obsolete chemicals, the Action Plan should include a phase-out plan for the client to meet Performance Standard 3 in a reasonable amount of time. Clients should manage and ultimately dispose of PCBs identified on the project site, in an environmentally sound manner, according to the terms of the Stockholm Convention. Further guidance on the management and disposal of PCBs can be found in the EHS Guidelines.

G20. The client should also minimize the unintentional generation and release such as by incineration, of chemicals listed in Annex C of the Stockholm Convention, as outlined in that Annex. Guidance on how to identify, quantify and reduce emissions of Annex C chemicals from potentially significant sources is included in the publications in support of the Stockholm Convention as included in the References section. Due to its association with the unintentional release of persistent organic pollutants, primarily through the incineration of mixed waste streams containing PVC products, when developing projects that manufacture PVC products,

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clients should weigh the overall benefits of the project against costs, including those to the environment and the communities.

G21. The client should also review the list of chemicals included in Annex III of the [Rotterdam Convention of Prior Informed Consent for Certain Hazardous Chemicals and Pesticides in International Trade](#) (See the References Section) and seek to prevent their manufacture, trade and use. These chemicals are listed in this international convention because their use has been banned or severely restricted in one or more national jurisdictions in order to protect human health and the environment. The list also includes some pesticide formulations considered severely hazardous due to their severe health or environmental effects.

Emergency Preparedness and Response

7. The client will be prepared to respond to process upset, accidental, and emergency situations in a manner appropriate to the operational risks and the need to prevent their potential negative consequences. This preparation will include a plan that addresses the training, resources, responsibilities, communication, procedures, and other aspects required to effectively respond to emergencies associated with project hazards. Additional requirements on emergency preparedness and response are found in paragraph 12 of Performance Standard 4.

G22. While the emergency preparedness and response requirements of Performance Standard 3 refer to the contingencies that could affect personnel and facilities within the physical project boundaries, clients should also take into account the need to protect the health and safety of project workers (as noted in paragraph 16 of Performance Standard 2) and the affected community (as noted in Performance Standard 4) and address emergency preparedness and response in an integrated way. Whether clients are developing a new project or expanding an existing facility, they should address contingencies associated with process upset and accidental circumstances through the use of emergency response plans or other similar tools appropriate to the specific industry sector, as part of the Action Plan. Additional guidance is provided in the General EHS Guidelines and Industry Sector EHS Guidelines.

G23. Effective emergency response plans help clients prepare for the best outcomes while assuming the worst possible scenarios. They include clearly assigned responsibilities for the assessment of the degree of risk to life and property with procedures on whom to communicate different types of emergencies with and how. These plans should also include procedures for shutting down equipment and production processes and for evacuations, including a designated meeting place outside the project site. Additionally, effective emergency plans should include specific training and practice schedules and equipment requirements for employees who are responsible for rescue operations, medical duties, hazardous responses, fire fighting and other responses specific to project site. Further guidance on minimizing the occurrence and harmful effects of technological accidents and environmental emergencies can be found in the References section.

Technical Guidance

8. The client will refer to the current version of the EHS Guidelines when evaluating and selecting pollution prevention and control techniques for the project. These Guidelines contain the performance levels and measures that are normally acceptable and applicable to projects. When host country regulations differ from the levels and measures presented in

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the EHS Guidelines, clients will achieve whichever is more stringent. If less stringent levels or measures are appropriate in view of specific project circumstances, the client will provide full and detailed justification for any proposed alternatives. This justification will demonstrate that the choice for any alternate performance levels is consistent with the overall requirements of this Performance Standard.

G24. The client should refer to the current versions of the [EHS Guidelines](#) when evaluating and selecting pollution prevention and control techniques for the project. These documents contain the performance levels and measures that are normally acceptable to IFC and are generally considered to be achievable at reasonable costs by existing technology. The discharge effluent, air emissions, and other numerical guidelines and performance indicators as well as other prevention and control approaches included in the EHS Guidelines are considered to be default values applicable to new projects, though the application of alternate performance levels and measures may be considered. As described in Performance Standard 3, clients that request application of alternate performance levels of measures (typically for projects involving existing facilities with older equipment and pollution control technologies) must provide justification and explanation for any levels or measures that are less stringent than those identified in the EHS Guidelines and demonstrate consideration of impacts to ambient quality, human health, and the environment. The EHS Guidelines also provide general or industry-specific information relevant to the Occupational Health and Safety aspects of Performance Standard 2, Community Health and Safety aspects of Performance Standard 4, and Biodiversity Conservation and Natural Resource Management under Performance Standard 6.

G25. Clients with projects having significant emissions or whose operations are in already degraded environments should also strive to improve their performance beyond the performance levels and measures articulated in the EHS Guidelines.

Ambient Considerations

9. ***To address adverse project impacts on existing ambient conditions,⁸ the client will: (i) consider a number of factors, including the finite assimilative capacity⁹ of the environment, existing and future land use, existing ambient conditions, the project's proximity to ecologically sensitive or protected areas, and the potential for cumulative impacts with uncertain and irreversible consequences; and (ii) promote strategies that avoid or, where avoidance is not feasible, minimize or reduce the release of pollutants, including strategies that contribute to the improvement of ambient conditions when the project has the potential to constitute a significant source of emissions in an already degraded area. These strategies include, but are not limited to, evaluation of project location alternatives and emissions offsets.***

⁸ Such as air, surface and groundwater, and soils.

⁹ The capacity of the environment for absorbing an incremental load of pollutants while remaining below a threshold of unacceptable risk to human health and the environment.

(i) Development of a new project (including major expansion of an existing operation):

G26. When developing a new project that is expected to produce potentially significant emissions of pollutants, clients should evaluate whether the existing background ambient levels are in compliance with the relevant ambient quality guidelines and/or standards. Ambient

quality standards are ambient quality levels established and published through national legislative and regulatory processes, and ambient quality guidelines refer to ambient quality levels primarily developed through clinical, toxicological, and epidemiological evidence (such as those published by the World Health Organization).

G27. If the ambient levels exceed the relevant ambient quality guidelines or standards (i.e., ambient conditions are already deteriorated), clients are expected to demonstrate that they have explored and, if necessary, adopted a higher level of performance than would be otherwise required under less deteriorated ambient conditions as well as further mitigation measures (e.g. offsetting emissions, modifying site selection) in order to minimize further deterioration of the environment or preferably to achieve improvement. If ambient levels are in compliance with relevant ambient quality guidelines and/or standards, projects with potentially significant emissions of pollutants should be designed so as to reduce the potential for significant deterioration and to ensure continuing compliance. References to internationally-recognized ambient quality guidelines and standards (including those published by the World Health Organization) are included in the References section.

(ii) Privatizations, modernizations, and retrofits of existing facilities:

G28. Where a project that is expected to produce potentially significant emissions of pollutants involves the privatization, modernization, or retrofit of an existing facility, clients are encouraged to evaluate whether the current ambient conditions are in compliance with the ambient quality guidelines and/or standards. If the levels exceed the ambient quality guidelines and/or standards, and if the existing facility is one of the major sources of emissions affecting such exceedances, clients are encouraged to evaluate feasibility of options to reduce emissions and implement selected options (e.g. rehabilitation of existing operations, arranging emissions offsets outside project boundary) so that the already deteriorated ambient conditions will be improved targeting the relevant ambient quality guidelines and/or standards.

(iii) Projects located in or near ecologically sensitive areas:

G29. Clients with projects whose area of influence includes ecologically sensitive areas such as national parks should implement measures to avoid or minimize their incremental impacts on these areas to the extent technically and financially feasible and cost effective.

Greenhouse Gas Emissions

10. The client will promote the reduction of project-related greenhouse gas (GHG) emissions in a manner appropriate to the nature and scale of project operations and impacts.

11. During the development or operation of projects that are expected to or currently produce significant quantities of GHGs,¹⁰ the client will quantify direct emissions from the facilities owned or controlled within the physical project boundary and indirect emissions associated with the off-site production of power used by the project. Quantification and monitoring of GHG emissions will be conducted annually in accordance with internationally recognized methodologies.¹¹ In addition, the client will evaluate technically and financially feasible and cost-effective options to reduce or offset project-related GHG emissions during the design and operation of the project. These options may include, but are not limited to,

carbon financing, energy efficiency improvement, the use of renewable energy sources, alterations of project design, emissions offsets, and the adoption of other mitigation measures such as the reduction of fugitive emissions and the reduction of gas flaring.

¹⁰ The significance of a project's contribution to GHG emissions varies between industry sectors. The threshold for this Performance Standard is 100,000 metric tons CO₂ equivalent per year for the aggregate emissions of direct sources and indirect sources associated with purchased electricity for own consumption. This or similar thresholds will apply to such industry sectors or activities as energy, transport, heavy industry, agriculture, forestry, and waste management in order to help promote awareness and reduction of emissions.

¹¹ Estimation methodologies are provided by the Intergovernmental Panel on Climate Change (IPCC), various international organizations, and relevant host country agencies.

G30. In order to determine the applicability of this requirement to a project, the client should determine if the project falls into sectors that have the potential for emitting one or more of the following six greenhouse gases that form part of the [Kyoto Protocol to the United Nations Framework Convention on Climate Change](#):

- (i) Carbon dioxide (CO₂)
- (ii) Methane (CH₄)
- (iii) Nitrous oxide (N₂O)
- (iv) Hydrofluorocarbons (HFCs)
- (v) Perfluorocarbons (PFCs)
- (vi) Sulphur hexafluoride (SF₆)

G31. Examples of sectors that have potentially significant emissions of greenhouse gases include: energy, transport, heavy industry, agriculture, forestry and waste management. Reduction and control options considered by clients in these and other sectors include: (i) enhancement of energy efficiency, (ii) protection and enhancement of sinks and reservoirs of greenhouse gases, (iii) promotion of sustainable forms of agriculture and forestry, (iv) promotion, development and increased use of renewable forms of energy, (v) carbon capture and storage technologies, and (vi) limitation and/or reduction of methane emissions through recovery and use in waste management, as well as in the production, transport and distribution of energy (coal, oil, and gas). Carbon finance may create additional funding sources for pursuing these reduction and control options. Illustrative examples of project activities that may result in potentially significant emissions of GHGs can be found in Annex A

G32. Indirect emissions associated with the off-site production of power used by the project can be estimated by using a national average GHG emissions performance for electricity generation (e.g., national average of carbon dioxide emissions per unit of electricity generated for the country). More project specific GHG emissions performance for electricity generation should be used if available (e.g., utility average of carbon dioxide emissions per unit of electricity generated for the utility from which the project purchases electricity). Several sources providing statistics on national average GHG emissions are included in the References section.

G33. When developing a project that is expected to produce a significant emission of GHGs the client should consider options to reduce or offset the GHGs, as described above. The use of carbon financing as a carbon emissions reduction strategy may include the host government-endorsed [Clean Development Mechanism](#) or [Joint Implementation](#) of the United Nations

Framework Convention on Climate Change. For the oil and gas sector, the client should seek to reduce flaring and venting of gas associated with the extraction of crude oil. Examples of gas flaring reduction approaches taken by governments and the petroleum industry include the Global Gas Flaring Reduction Public-Private Partnership sponsored by the World Bank Group.

G34. Clients are encouraged to disclose their GHG emissions annually through corporate reports, or through other voluntary disclosure mechanisms currently being used by private sector companies internationally of which an example has been included in the References section.

G35. Suggested GHG quantifying and monitoring practices are provided in Annex A.

Pesticide Use and Management

12. The client will formulate and implement an integrated pest management (IPM) and/or integrated vector management (IVM) approach for pest management activities. The client's IPM and IVM program will entail coordinated use of pest and environmental information along with available pest control methods, including cultural practices, biological, genetic and, as a last resort, chemical means to prevent unacceptable levels of pest damage.

13. When pest management activities include the use of pesticides, the client will select pesticides that are low in human toxicity, known to be effective against the target species, and have minimal effects on non-target species and the environment. When the client selects pesticides, the selection will be based on whether the pesticides are packaged in safe containers, are clearly labeled for safe and proper use, and have been manufactured by an entity currently licensed by relevant regulatory agencies.

14. The client will design its pesticide application regime to minimize damage to natural enemies and prevent the development of resistance in pests. In addition, pesticides will be handled, stored, applied, and disposed of in accordance with the Food and Agriculture Organization's International Code of Conduct on the Distribution and Use of Pesticides or other good international industry practice.

15. The client will not use products that fall in World Health Organization Recommended Classification of Pesticides by Hazard Classes Ia (extremely hazardous) and Ib (highly hazardous); or Class II (moderately hazardous), if the project host country lacks restrictions on distribution and use of these chemicals, or if they are likely to be accessible to personnel without proper training, equipment, and facilities to handle, store, apply, and dispose of these products properly.

G36. Performance Standard 3 requires that the client use pesticides only to the extent necessary to achieve the project objectives under an integrated pest management and integrated vector management approach and only after other pest management practices have failed or proven inefficient. In the event that the use of pesticides beyond isolated or incidental use is proposed as an integral aspect of the client's activities, the client should present evidence in the Social and Environmental Assessment of the need to use pesticides that describes the proposed use and intended users, and the nature and degree of associated risks. Under these circumstances, clients should also take into consideration the potential impacts to the health and resources of nearby communities as described in Performance Standard 4 and its

accompanying Guidance Note. Relevant international guidelines on hazardous chemicals are included in the References section.

G37. Clients who finance agricultural activities that require the use of pesticides by third parties should promote the use of integrated pest management and integrated vector management approaches through all feasible means of dissemination of information about these agricultural approaches.

G38. The client is expected to exercise a high degree of diligence in the selection of pesticides so that the pesticides selected are designed to meet the project's technical and scientific specifications. When selecting pesticides for use, the client should consider the need for appropriate precautions to prevent the improper use of the pesticides and to protect the health and safety of the project workers and the affected community in accordance with the principles and requirements of paragraph 16 of Performance Standard 2 and Performance Standard 4.

G39. The packaging requirements for pesticides of Performance Standard 3 are intended to protect the health and safety of persons involved in the transportation, storage and handling of the pesticides, and to reduce the need for transfer between containers or repackaging into improvised containers. The labeling requirements should clearly identify the contents of the packaging and include instructions for intended use as well as safety information. Packaging and labeling of pesticides should be done in a form that is appropriate for each specific market, but should follow the guidelines for the proper packaging and labeling of pesticides which have been published by the Food and Agriculture Organization, as included in the References section.

G40. Purchasing pesticides manufactured under license will increase the likelihood that the pesticides meet minimum quality and purity conditions consistent with the use and safety documentation provided. The client should refer to and follow the recommendations and minimum standards described in the guidelines published by the Food and Agriculture Organization, as included in the References section

G41. The storage, handling, application, and disposal of pesticides according to good international industry practice should include a program to discontinue the use of pesticides listed in Annex A of the Stockholm Convention, and to store and dispose of them in an environmentally sound manner, especially when these pesticides are considered obsolete.

G42. The client should seek to promote the responsible management and use of pesticides within the context of integrated pest management and integrated vector management by interacting with the agricultural extension services or similar organizations that may be available locally. Additional guidance is provided in the General EHS Guidelines and Industry Sector EHS Guidelines.

Annex A
Suggested GHG Quantifying and Monitoring Practice

Suggested GHG emissions estimation methodologies:

There are many greenhouse gas emission estimation methodologies available for use by private sector projects. The most authoritative and updated methodologies can be found in the 2006 IPCC Guidelines for National Greenhouse Gas Inventories. The 2006 IPCC Guidelines that consist of Volume 1 (General Guidance and Reporting), Volume 2 (Energy), Volume 3 (Industrial Processes and Product Use), Volume 4 (Agriculture, Forestry and Other Land Use) and Volume 5 (Waste) provide suggested estimation methodologies for a number of activities and sectors.

These 2006 IPCC Guidelines build on the previous Revised 1996 IPCC Guidelines and the subsequent Good Practice reports, and cover new sources and gases as well as updates to previously published methods where technical and scientific knowledge have improved. Clients with projects producing significant GHG emissions who were using the Revised 1996 IPCC Guidelines are recommended to review these new 2006 IPCC Guidelines and to continue to monitor the development of newer guidelines and supplemental documents by IPCC.

In addition to the IPCC Guidelines, clients with projects of significant GHG emissions may depending on the type and sector of the project to best meet the objective of estimating and reporting GHG emissions, refer to the several internationally-recognized greenhouse gas emissions methodologies which can be found in the Reference section.

Illustrative examples of project activities that may result in potentially significant GHG emissions (100,000 metric ton CO₂ equivalent per year or more) have been included in the following table:

| Sector / Project | | Projects with 100,000 metric ton CO₂ equivalent per year | Assumptions |
|---|--------------------------------|--|--|
| A: Direct Emissions | | | |
| A-(i) Energy (Fossil Fuel Combustion) | | | |
| | Coal-fired combustion facility | Coal consumption - 45,000 ton/yr (or 1,100 TJ/yr) | Emission factor – 25.8 tC/TJ, Fraction of carbon oxidized – 0.98, Net calorific value – 24.05 TJ/1,000ton |
| | Oil-fired combustion facility | Oil consumption - 32,000 ton/yr (or 1,300 TJ/yr) | Emission factor – 21.1 tC/TJ, Fraction of carbon oxidized – 0.99, Net calorific value – 40.19 TJ/1,000ton |
| | Gas-fired combustion facility | Gas consumption - 36,000 ton/yr (or 1,800 TJ/yr) | Emission factor – 15.3 tC/TJ, Fraction of carbon oxidized – 0.995, Net calorific value – 50.03 TJ/1,000ton |
| A-(ii) Energy (Electricity Generation) | | | |
| | Coal-fired power generation | Generating Capacity - 18MW | World average emission factor in 2001-2003 – 893 gCO ₂ /kWh, Annual capacity factor – 70% |
| | Oil-fired power generation | Generating Capacity - 25MW | World average emission factor in 2001-2003 – 659 gCO ₂ /kWh, Annual capacity factor – 70% |
| | Gas-fired power generation | Generating Capacity - 41MW | World average emission factor in 2001-2003 – 395 gCO ₂ /kWh, Annual capacity factor – 70% |
| A-(iii) Energy (Coal Mining) | | | |
| | Underground coal mining | Coal production - 370,000 | Emission factor – 17.5m ³ CH ₄ /ton of coal, 0.67 |

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| | | | |
|---|--|--|---|
| | | ton coal/yr | GgCH ₄ /million m ³ |
| | Surface coal mining | Coal production - 2,600,000 ton coal/yr | Emission factor – 2.45m ³ CH ₄ /ton of coal, 0.67 GgCH ₄ /million m ³ |
| A-(iv) Heavy Industry | | | |
| | Cement production | Cement production - 201,000 ton cement/yr | Emission factor – 0.4985 tCO ₂ /t cement |
| | Iron and steel production | Iron / steel production - 63,000 ton iron or steel/yr | Emission factor – 1.6 tCO ₂ /t iron or steel |
| A-(v) Agriculture | | | |
| | Domestic livestock (dairy cattle, Latin America) | Livestock - 74,000 cattle | Emission factor – 59 kgCH ₄ /head/yr |
| | Domestic livestock (dairy cattle, Africa) | Livestock- 118,000 cattle | Emission factor – 37 kgCH ₄ /head/yr |
| A-(vi) Forestry / Land Use Change | | | |
| | Conversion of fast growing hardwoods tropical forest | Conversion area: 4,400 ha | Annual average accumulation of dry matter as biomass – 12.5 ton dm/ha/yr, carbon fraction of dry matter – 0.5 |
| | Conversion of Douglas fir temperate forest | Conversion area: 9,100 ha | Annual average accumulation of dry matter as biomass – 6.0 ton dm/ha/yr, carbon fraction of dry matter – 0.5 |
| A-(vii) Oil and Gas Production (Flaring only) | | | |
| | Natural Gas Production | 83,000 million m ³ /yr | CO ₂ emission factor of 1.2E-03 Gg per million m ³ gas production. Source: IPCC Guidelines for National Greenhouse Gas Inventories, Table 4.2.5 (2006) |
| | Oil Production | 2.4 million m ³ /yr | CO ₂ emission factor of 4.1E-02 Gg per thousand m ³ oil production. Source: IPCC Guidelines for National Greenhouse Gas Inventories, Table 4.2.5 (2006) |
| | Associated Gas Flaring | 1,400 million standard cubic feet (SCF) gas flaring/yr | American Petroleum Institute (API) Combustions Emissions Estimation Methods, Exhibit 4.8 (2004) |
| B: Indirect Emissions (from Purchased Electricity) | | | |
| | Average Generation Mixture | Electricity consumption - 200 GWh/yr | World average emission factor in 2001-2003 – 494 gCO ₂ /kWh |
| | Coal-fired generation | Electricity consumption - 110 GWh/yr | World average emission factor in 2001-2003 – 893 gCO ₂ /kWh |
| | Oil-fired generation | Electricity consumption - 150 GWh/yr | World average emission factor in 2001-2003 – 659 gCO ₂ /kWh |
| | Gas-fired generation | Electricity consumption - 250 GWh/yr | World average emission factor in 2001-2003 – 395 gCO ₂ /kWh |

Note: Assumptions are from (i) Revised 1996 and 2006 IPCC Guidelines for National Greenhouse Gas Inventories, (ii) IEA Statistics – CO₂ Emissions from Fuel combustion 1971-2003, and (iii) IEA Energy Statistics Manual, 2004. These levels are for illustrative purpose only and not to be used as threshold to determine whether projects exceed 100,000 metric ton CO₂ equivalent per year.

Evaluation of greenhouse gas emissions performance:

Clients with projects having significant GHG emissions are recommended to annually evaluate the following where necessary statistics are available for the operating country:

1. The project's greenhouse gas emissions relative to the host country total national emissions to understand the magnitude of its own emissions

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2. The project's greenhouse gas emissions performance relative to the good international practice performance / host country national average performance
3. The annual trend of the project's greenhouse gas emissions performance over time to monitor deterioration from the originally designed performance
4. Opportunities to further improve the project's greenhouse gas emissions performance

Greenhouse gas emission performance indicators commonly used for evaluating items 2 and 3 above include intensity ratio indicators such as:

- Electricity generation: kg-CO₂ equivalent per kWh electricity generated
- Steel production: tons of CO₂ equivalent per ton of crude steel produced
- Cement production: tons of CO₂ equivalent per ton of clinker produced; etc

Clients with projects producing significant GHG emissions are also recommended to evaluate (i) direct emissions from the facilities that they own or control within the physical project boundary and, if feasible and relevant, and (ii) major indirect emissions occurring outside the project boundary (e.g. GHG emissions from purchased electricity). This will help the client to formulate a comprehensive strategy to reduce greenhouse emissions. Emissions associated with projects that have an impact on land use and forests should be evaluated as part of the direct emissions. The client should also compare the gross emissions from the project and the gross emissions from an alternative project to determine the net emissions impact by the project. This comparison will help to identify the feasibility of additional carbon financing. Detailed guidance for carbon financing is available from the Clean Development Mechanism Executive Board.

References

- *IFC's Environmental, Health and Safety Guidelines* (IFC) – technical guidance informing those parts of the new policy structure related to environmental, health and safety issues. <http://www.ifc.org/ifcext/enviro.nsf/Content/EnvironmentalGuidelines>

Several of the requirements set out in the Performance Standard relate to the following international agreements and guidelines:

Guidance on Pollutant Release and Transfer Registers can be found in:

- *International Register of Potentially Toxic Chemicals of the United Nations Environment Programme* (Instituted by UNEP Chemicals) – data on environmental releases and transfers of toxic chemicals from industrial facilities. <http://www.chem.unep.ch/prtr/Default.htm>

Guidance on Long-range Transboundary Air Pollution can be found in:

- *Convention on Long-range Transboundary Air Pollution* (UNECE, 1979) provides a framework for controlling and reducing the damage to human health and the environment caused by transboundary air pollution. <http://www.unece.org/env/lrtap>

Various examples of cleaner production are being compiled by international organizations such as:

- United Nations Environmental Program (UNEP)
- United Nations Industrial Development Organization (UNIDO)
- Asian Productivity Organization (APO)

Guidance on waste and hazardous materials can be found in:

- *Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal* (UNEP, 1989) provides assistance and guidelines on legal and technical issues, gathers statistical data, and conducts training on the proper management of hazardous waste <http://www.basel.int/index.html>
- Supporting information to the Basel Convention are available at: <http://www.basel.int/meetings/sbc/workdoc/techdocs.html>
- *Stockholm Convention on Persistent Organic Pollutants* (UNEP, 2001) promotes the reduction or elimination of releases of POPs through intentional and/or unintentional production and use of chemicals, and from stockpiles and wastes. <http://www.pops.int/>
- Draft Guidelines on Best Available Techniques and Provisional Guidance on Best Environmental Practices relevant to Article 5 and Annex C of the Stockholm Convention on Persistent Organic Pollutants

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- *Standardized Toolkit for the Identification and Quantification of Dioxin and Furan Releases* (UNEP Chemicals, 2005) provides methodology to aid countries in developing their inventories to estimate releases of PCDD/PCDF and reviewing these inventories. <http://www.pops.int/documents/guidance/>
- *Montreal Protocol on Substances that Deplete the Ozone Layer* (UNEP, 2000) sets targets for reducing the production and consumption of ozone depleting substances.
<http://hq.unep.org/ozone/Montreal-Protocol/Montreal-Protocol2000.shtml>
- *Rotterdam Convention on the Prior Informed Consent for Certain Hazardous Chemicals and Pesticides in International Trade* (UNEP, revised 2005) - procedure for certain hazardous chemicals and pesticides in international trade (Annex III).
<http://www.pic.int/home.php?type=t&id=49>
- *Marpol 73/78 - International Convention for the Prevention of Pollution from Ships, 1973*, as modified by the Protocol of 1978 relating thereto (International Maritime Organization, 1973/1978) - prevention of pollution of the marine environment by ships from operational or accidental causes.
http://www.imo.org/Conventions/contents.asp?doc_id=678&topic_id=258

For guidance on minimizing the occurrence and harmful effects of technological accidents and environmental emergencies:

- *APELL - Awareness and Preparedness for Emergencies on a Local Level* (UNEP) – provides technical reports and other materials to assist disaster prevention and response planning in vulnerable areas.
<http://www.uneptie.org/pc/apell/>

In addition, the requirements set out in the Performance Standard on Ambient Conditions relate to the following Internationally Recognized Ambient Quality Guidelines and Standards:

- *Air Quality Guidelines – Global Update 2005* (World Health Organization, 2006)
<http://www.euro.who.int/Document/E90038.pdf>
- *Guidelines for Safe Recreational Water Environments - Volume 1. Coastal and Fresh Waters* (World Health Organization, 2003) describes the present state of knowledge regarding the impact of recreational use of coastal and freshwater environments upon the health of users.
http://www.who.int/water_sanitation_health/bathing/srwe1/en/
- *Guidelines for Drinking-Water Quality - Third Edition* (World Health Organization, 2004) sets worldwide basis for regulation and standard setting to ensure the safety of drinking-water. http://www.who.int/water_sanitation_health/dwq/gdwq3/en/

- *Guidelines for Community Noise* (World Health Organization, 1999) provide guidance to environmental health authorities and professional trying to protect people from the harmful effects of noise in non-industrial environments.
<http://www.who.int/docstore/peh/noise/guidelines2.html>
- *Recommendations of the International Commission on Radiological Protection* - ICRP Publication 60. (International Commission on Radiological Protection, 1991) intended to help regulatory and advisory agencies deal with ionizing radiation and with the protection of man. <http://www.icrp.org>
- *International Basic safety Standards for Protection against Ionizing Radiation and for the Safety of Radiation Sources* - Safety Series No. 115 (International Atomic Energy Agency, 1996) provides basic requirements for protection against the risks associated with exposure to ionizing radiation and for the safety of radiation sources that may deliver such exposure.
http://www-pub.iaea.org/MTCD/publications/PDF/SS-115-Web/Pub996_web-1a.pdf
- *Guidelines for Limiting Exposure to Time-Varying Electric, Magnetic, and Electromagnetic Fields (Up To 300 GHz)* (International Commission on Non-Ionizing Radiation Protection, 1998) establishes guidelines for limiting electromagnetic field exposure to protect against known adverse health affects
<http://www.icnirp.de/documents/emfgdl.pdf>

Additional reference to protection against radiation:

IAEA Safety Standards for protecting people and the environment published 2006 provides safety fundamentals/principals.

http://www-pub.iaea.org/MTCD/publications/PDF/Pub1273_web.pdf

In addition, the requirements set out in the Performance Standard on Greenhouse Gas Emissions relate to the following Internationally Recognized Guidelines and Standards:

- *United Nations Framework Convention on Climate Change* (UN, 1994) sets an overall framework for intergovernmental efforts to tackle the challenge posed by climate change. <http://www.unfccc.int>
- *Kyoto Protocol* (UN, 1997) sets individual, legally-binding targets to limit or reduce greenhouse gas emissions in order to pursue the objectives of the UNFCCC.
http://unfccc.int/essential_background/kyoto_protocol/items/2830.php
- *Clean Development Mechanism* (UN) to assist Parties not included in Annex I in achieving sustainable development and in contributing to the ultimate objective of the UNFCCC, and to assist Parties included in Annex I in achieving compliance with their quantified emission limitation and reduction commitments. http://unfccc.int/kyoto_mechanisms/cdm/items/2718.php
- *Joint Implementation* (UN) - an Annex I Party may implement an emission-reducing project or a project that enhances removals by sinks in the territory

of another Annex I Party and count the resulting emission reduction units towards meeting its own Kyoto target.

http://unfccc.int/kyoto_mechanisms/ji/items/1674.php

- *Revised 2006 IPCC Guidelines for National Greenhouse Gas Inventories* (Intergovernmental Panel on Climate Change, 2006) - methodologies for estimating anthropogenic emissions by sources and removals by sinks of greenhouse gases" in calculation of legally-binding targets during the first commitment period.
<http://www.ipcc-nggip.iges.or.jp/public/2006gl/index.htm>

Internationally-recognized greenhouse gas emissions methodologies:

- World Business Council for Sustainable Development (WBCSD) / World Resources Institute (WRI). Greenhouse Gas (GHG) Protocol Initiative:
 - *A Corporate Accounting and Reporting Standard, Revised Edition* (WBCSD and WRI 2004) includes additional guidance, case studies, appendices, and a new chapter on setting a GHG target.
<http://www.wbcsd.org/includes/getTarget.asp?type=d&id=OTA4Mg>
 - *The GHG Protocol for Project Accounting* (WBCSD and WRI, 2005) aims to be a guidance manual as well as a tool for quantifying and reporting reductions from GHG projects. The uniqueness of the protocol lies in its ability to distinguish between policy decisions and technical accounting aspects.
<http://www.wbcsd.org/includes/getTarget.asp?type=d&id=MTc1MDk>
- *Climate Leaders GHG Inventory Protocol* (US Environmental Protection Agency) - guidance on how to inventory and report GHG emissions.
<http://www.epa.gov/climateleaders/resources/guidance.html>
- *ISO 14064 Part 2 - ISO Greenhouse Gas Project Accounting Standard* (ISO, 2006) Specification with guidance at the project level for quantification, monitoring and reporting of greenhouse gas emission reductions or removal enhancements
<http://www.iso.org/iso/en/CatalogueDetailPage.CatalogueDetail?CSNUMBER=38382&ICS1=13&ICS2=20&ICS3=40>
- *Guidelines for the Measurement and Reporting of Emissions* (UK Department of Environment and International Affairs, 2003) a set of reporting guidelines and protocols for direct participants in the UK emissions trading scheme.
<http://www.defra.gov.uk/environment/climatechange/trading/uk/pdf/trading-reporting.pdf>
- *Emission Inventory Improvement Program, Volume VIII – Estimating Greenhouse Gas Emissions* (US Environmental Protection Agency, 1999) currently under revision.
<http://www.epa.gov/ttn/chief/eiip/techreport/>
- *The Aluminum Sector Greenhouse Gas Protocol* (International Aluminum Institute, 2006) enhances and expands for the aluminum sector the World Business Council

for Sustainable Development/World Resources Institute greenhouse gas corporate accounting and reporting protocol.

http://www.world-aluminium.org/environment/climate/ghg_protocol.pdf

- *Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Gas Industry* (American Petroleum Institute, 2004) provides tools for companies measuring and reporting their greenhouse gas emissions in the oil and gas industry.
<http://api-ec.api.org/policy/index.cfm?bitmask=001001004002000000#>
- *Petroleum Industry Guidelines for Reporting GHG Emissions* (International Petroleum Industry Environmental Conservation Association, 2003) guidance focused specifically on the accounting and reporting of GHG emissions at the facility through the corporate level.
http://www.ipieca.org/activities/climate_change/climate_publications.php

An example on private sector disclosure of GHG Emissions:

- *Carbon Disclosure Project* - institutional investors collectively sign a single global request for disclosure of information on Greenhouse Gas Emissions.
<http://www.cdproject.net/>

Various sources providing national greenhouse gas emission statistics are:

- *CO₂ Emissions from Fuel Combustion* (International Energy Agency, 2006 edition) provides data to assist in understanding the evolution of the emissions of CO₂ for more than 140 countries and regions by sector and by fuel.
http://www.iea.org/Textbase/publications/free_new_Desc.asp?PUBS_ID=1825
- *Carbon Dioxide Emission from Fossil Fuel Combustion* (A Compendium of Data on Global Change, 2005) provides synopses of frequently used time series of global-change data. http://cdiac.ornl.gov/trends/emis/em_cont.htm
- *Energy Information Administration* (The US Department of Energy) provides US emission data and other useful tools. <http://www.eia.doe.gov/environment.html>

In addition, the requirements set out in the Performance Standard on Pesticides relate to the following <Internationally Recognized Pesticides Guidelines and Standards>:

- *The International Code of Conduct on the Distribution and Use of Pesticides* (Food and Agriculture Organization of the United Nations (FAO), 2003) establishes and encourages implementation of voluntary standards of conduct associated with the distribution and use of pesticides.
<http://www.fao.org/WAICENT/FAOINFO/AGRICULT/AGP/AGPP/Pesticid/>

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- *Pesticide Storage and Stock Control Manual* (Food and Agriculture Organization of the United Nations, 1996) useful in many countries particularly in the management and stock control of stored pesticides.
http://www.fao.org/documents/show_cdr.asp?url_file=/docrep/V8966E/V8966E00.htm
- *Revised Guidelines on Good Labeling Practice* (Food and Agriculture Organization of the United Nations, 1995) guidance on the preparation of a label and specific advice on content and layout.
<http://www.fao.org/WAICENT/FAOINFO/AGRICULT/AGP/AGPP/Pesticid/Code/Download/label.doc>
- *Guidelines for Retail Distribution of Pesticides with Particular Reference to Storage and Handling at the Point of Supply to Users in Developing Countries* (Food and Agriculture Organization of the United Nations, 1988) guidance on how to store and handle pesticides at the point of supply to users.
<http://www.fao.org/WAICENT/FAOINFO/AGRICULT/AGP/AGPP/Pesticid/Code/Download/retail.doc>
- *Guidelines for the Management of Small Quantities of Unwanted and Obsolete Pesticides* - FAO Pesticide Disposal Series 7 (Food and Agriculture Organization of the United Nations, 1999) guidance on the disposal of small quantities of unusable pesticide stocks, pesticide-related waste and contaminated containers.
http://www.fao.org/documents/show_cdr.asp?url_file=/docrep/X1531E/X1531E00.htm
- *Guidelines for Personal Protection when Working with Pesticides in Tropical Climates* (Food and Agriculture Organization of the United Nations, 1990) guidance on protecting pesticide users while ensuring they are able to work comfortably and efficiently in tropical climates.
<http://www.fao.org/WAICENT/FAOINFO/AGRICULT/AGP/AGPP/Pesticid/Code/Guide.htm>
- Rotterdam Convention on the Prior Informed Consent for Certain Hazardous Chemicals and Pesticides in International Trade (UNEP, revised 2005) - procedure for certain hazardous chemicals and pesticides in international trade (Annex III).
<http://www.pic.int/home.php?type=t&id=36&sid=34>
- *The WHO Recommended Classification of Pesticides by Hazard and Guidelines to Classification* (International Programme on Chemical Safety (IPCS), 2002) Provides classification system to distinguish between the more and the less hazardous forms of selected pesticides based on acute risk to human health.
http://www.who.int/ipcs/publications/pesticides_hazard/en/

This Guidance Note 4 corresponds to Performance Standard 4. Please also refer to the Performance Standards 1-3 and 5-8 as well as the corresponding Guidance Notes for additional information. Bibliographical information on all reference materials appearing in the text of this Guidance Note can be found in the References Section at the end.

Introduction

1. Performance Standard 4 recognizes that project activities, equipment, and infrastructure often bring benefits to communities including employment, services, and opportunities for economic development. However, projects can also increase the potential for community exposure to risks and impacts arising from equipment accidents, structural failures, and releases of hazardous materials. Communities may also be affected by impacts on their natural resources, exposure to diseases, and the use of security personnel. While acknowledging the public authorities' role in promoting the health, safety and security of the public, this Performance Standard addresses the client's responsibility to avoid or minimize the risks and impacts to community health, safety and security that may arise from project activities. The level of risks and impacts described in this Performance Standard may be greater in projects located in conflict and post-conflict areas.

Objectives

- *To avoid or minimize risks to and impacts on the health and safety of the local community during the project life cycle from both routine and non-routine circumstances*
- *To ensure that the safeguarding of personnel and property is carried out in a legitimate manner that avoids or minimizes risks to the community's safety and security*

G1. The client's Social and Environmental Assessment presents an opportunity to the client to identify, evaluate and address potential impacts and risks of the project to the local community, and to decrease the incidence of accidents, injuries, illnesses, and deaths from project related activities in the community within the project's area of influence (the local community). Local community is considered as an affected community if it is likely to be directly affected by the project. The breadth, depth and type of analysis should be proportionate to the nature and scale of the proposed project's risks to and potential impacts on the health and safety of the local community.

G2. Performance Standard 4 also recognizes that clients have a legitimate obligation and interest in safeguarding company personnel and property. If the client determines that they must use security personnel to do so, security should be provided in a manner that does not jeopardize the community's safety and security or the client's relationship with the community and that is consistent with national requirements, including national laws implementing host country obligations under international law, and the requirements of Performance Standard 4.

Scope of Application

2. The applicability of this Performance Standard is established during the Social and Environmental Assessment process, while implementation of the actions necessary to meet the requirements of this Performance Standard is managed through the client's Social and Environmental Management System. The assessment and management system requirements are outlined in Performance Standard 1.

3. This Performance Standard addresses potential risks and impacts to the affected community from project activities. Occupational health and safety standards are found in paragraph 16 of Performance Standard 2, and environmental standards to prevent impacts on human health and the environment due to pollution are found in Performance Standard 3.

Requirements

Community Health and Safety Requirements

General Requirements

4. The client will evaluate the risks and impacts to the health and safety of the affected community during the design, construction, operation, and decommissioning of the project and will establish preventive measures to address them in a manner commensurate with the identified risks and impacts. These measures will favor the prevention or avoidance of risks and impacts over minimization and reduction.

5. Where the project poses risks to or adverse impacts on the health and safety of affected communities, the client will disclose the Action Plan and any other relevant project-related information to enable the affected communities and relevant government agencies to understand these risks and impacts, and will engage the affected communities and agencies on an ongoing basis consistent with the requirements of Performance Standard 1.

G3. Community health and safety considerations should be addressed through a process of Social and Environmental Assessment, resulting in an Action Plan for disclosure to the community. When complex health or safety issues are involved, it may be appropriate for the client to engage experts for free-standing assessment, separate from the Assessment required under Performance Standard 1. Details of Health Impact Assessment process and example of critical elements can be found in Annex C of this Guidance Note, as well as in *Health Impact Assessment: Main concepts and suggested approach* (ECHP/WHO 1999), and *A Guide to Health Impact Assessment in the oil and gas industry* (IPIECA/OGP 2005) (see the Reference Section of this Guidance Note). Where mitigation measures require action by third parties, such as national or local governments, the client should, if permitted by the relevant governmental agency, be prepared to work with them in order to find a solution that helps meet the requirements of Performance Standard 4.

G4. The community engagement requirements of Performance Standard 4 can be met through implementation of the community engagement process described in paragraph 19 through 23 of Performance Standard 1, including the process of free, prior, and informed consultation and informed participation of the affected communities, in the case of projects with potential significant adverse impacts to them. The client should design its community

engagement process that reflects communities' capacities to understand and act on health and safety information. For example, since women generally make most health decisions at the household level, their role in future health education and intervention programs should be considered.

G5. Community health and safety management is more than a technical issue. It also requires a sound understanding of the social and cultural processes through which communities experience, perceive and respond to risks and impacts. Community perceptions are often conditioned less by technical or quantitative assessments, and more by the ways in which community members experience change in their environments. They are, for example, likely to have greater perception of risk where it is involuntary, complex, beyond their personal control, or where the distribution of risks and benefits is considered inequitable. The community might be impacted by various psychosocial effects associated with a project. Impacts include changes in sense of cohesion and security among members of the community, and perceived distribution of the project benefits and negative impacts, e.g., equity, particularly for women. Another psychosocial concerns are changes in alcohol, drugs, or tobacco usage, gender violence and influx of sex workers associated with increased incomes or migration of "outside" workers into established communities surrounding a project.¹ These issues should therefore be taken into account during the engagement process. The client's grievance mechanism as outlined in paragraph 23 of Performance Standard 1 should help the client understand the community's perceptions of project risks and impacts and to adjust its measures and actions to address the community concerns.

G6. For small projects, community engagement to address the health and safety of communities entail brief consultation with community representatives, including women's groups or women only sessions, local authorities and providers of health and safety services to address their concerns about any critical aspects of a project that may be encountered during the construction phase (e.g. increased traffic, noise, dust, movement of heavy machinery). For large or complex projects with risks and potentially significant impacts to public health, health care systems and demand for health services, this process may involve reviewing existing health and safety conditions, wide dissemination of information through public forums, and consultation with communities in the project area of influence about their health and safety concerns in order to address potential impacts from activities such as the influx of workers during the construction phase and more lasting environmental changes during the operational phase. In these large or complex projects, further consultation may be needed with regulatory agencies, local government, and community representatives in order to determine appropriate measures and actions and delineate responsibilities with respect to community health and safety issues.

G7. Generally, community health monitoring is considered as a government function that is not within the technical obligation or expertise of a project. However, some projects may be located in environments that have extremely weak health and demographic surveillance systems. In these cases, a higher level of interaction with the host government may be needed

¹ Survey questionnaires, e.g., the World Bank Core Welfare Indicators Questionnaire (CWIQ) or separate modules developed by the In-Depth Network of Demographic Surveillance Sites (see the References Section) can be useful in identifying such concerns.

in order for the project to accurately track health performance. While from a public health perspective, monitoring is typically performed at a community rather than at an individual household level, in some situations, household level monitoring may be appropriate. For example, where large numbers of vulnerable and disadvantaged individuals may be created by project related resettlement or relocation activities, individual household level health monitoring may be appropriate as part of a monitoring plan under the relevant resettlement action plan. Monitoring and reporting activities that are linked to government health and demographic information systems may provide opportunities to highlight and track positive health outcomes linked to the project, which otherwise may be overlooked.

Infrastructure and Equipment Safety

6. The client will design, construct, and operate and decommission the structural elements or components of the project in accordance with good international industry practice,¹ and will give particular consideration to potential exposure to natural hazards, especially where the structural elements are accessible to members of the affected community or where their failure could result in injury to the community. Structural elements will be designed and constructed by qualified and experienced professionals, and certified or approved by competent authorities or professionals. When structural elements or components, such as dams, tailings dams, or ash ponds, are situated in high-risk locations, and their failure or malfunction may threaten the safety of communities, the client will engage one or more qualified experts with relevant and recognized experience in similar projects, separate from those responsible for the design and construction, to conduct a review as early as possible in project development and throughout the stages of project design, construction, and commissioning. For projects that operate moving equipment on public roads and other forms of infrastructure, the client will seek to prevent the occurrence of incidents and accidents associated with the operation of such equipment.

¹ Defined as the exercise of that degree of skill, diligence, prudence and foresight that would reasonably and ordinarily be expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally.

G8. Qualified and experienced professionals are those with proven experience designing and constructing projects of a similar complexity. Qualifications may be demonstrated through a combination of formal technical training and practical experience or through more formal professional registration or certification systems at the national or international levels.

G9. The need for certification and approval of structural elements to meet the requirements of Performance Standard 4 will entail consideration of engineering safety competencies including geotechnical, structural, electrical, mechanical, and fire specialties. Clients will be expected to base this determination on the potential risk of adverse consequences posed by the nature and use of these structural elements and by local regulatory requirements. Additional guidance is provided in the [General EHS Guidelines and Industry Sector EHS Guidelines](#).

G10. Projects involving structures and buildings accessible to workers and the public may entail certification of structural and fire safety issues by engineering and fire safety professionals registered with national or international professional organizations to perform these duties and/or local regulatory agencies with oversight on these matters. Certification is generally best conducted at the design stage of the project, after construction, and during operation to identify flaws that may be due to the construction phase or to structural movements during operation.

For projects with risks to workers and the public, the client should also build its internal capacity to monitor engineering and fire safety of its operations, including daily monitoring and internal audits. The risk will be higher in hotels, medical facilities, and residential institutions, where members of the public are involved, since they may not have access to safety information about buildings.

G11. High risk structural elements are most commonly encountered in larger projects and include those that could threaten human life in the event of failure, such as dams located upstream of communities. In these cases, a risk assessment should be performed by recognized and qualified experts in addition to the local engineering certification requirements. Representative types of dams which may require risk assessments and/or review by experts include hydroelectric power dams, mine tailings dams, dams for ash ponds, fluid overburden and spoils, water and other liquid storage, and dams for wastewater and storm water management. Examples of risk-based criteria that can be used to evaluate dams are included in Annex D.

Hazardous Materials Safety

7. The client will prevent or minimize the potential for community exposure to hazardous materials that may be released by the project. Where there is a potential for the community (including workers and their families) to be exposed to hazards, particularly those that may be life-threatening, the client will exercise special care to avoid or minimize their exposure by modifying, substituting or eliminating the condition or substance causing the hazards. Where hazardous materials are part of existing project infrastructure or components, the client will exercise special care when conducting decommissioning activities in order to prevent exposure to the community. In addition, the client will exercise commercially reasonable efforts to control the safety of deliveries of raw materials and of transportation and disposal of wastes, and will implement measures to avoid or control community exposure to pesticides in accordance with the requirements outlined in paragraphs 6 and 12 through 15 of Performance Standard 3.

G12. In addition to addressing the release of hazardous materials consistent with Performance Standard 3, clients should also evaluate, as part of the I Assessment, the risks posed by the management of hazardous materials that may extend beyond the project's property boundary and into areas inhabited or used by the community. Clients should take steps to avoid or minimize community exposure to hazards associated with the project. One of the ways to accomplish this is by using less hazardous substitutes where they are found to be technically and financially feasible and cost-effective.

G13. Because some hazardous materials may pose a significant risk to the community at the end of their life-cycle, as may be the case with the use of asbestos in building materials or PCBs in electrical equipment, Performance Standard 4 requires that clients make reasonable efforts to avoid their use, unless there are no feasible alternatives or the client can ensure their safe management. The safe management of hazardous materials should extend into the decommissioning phase of the project where remaining wastes, including demolition wastes, must be safely managed according to the waste management requirements of Performance Standard 3. Additional guidance is provided in the [General EHS Guidelines and Industry Sector EHS Guidelines](#)

G14. Even if the client cannot exert direct control over the actions of its contractors and subcontractors, clients should use commercially reasonable means to investigate their capacity to address safety issues, communicate its expectations of safety performance, and otherwise influence the safety behavior of contractors, especially those involved in the transportation of hazardous materials to and from the project site.

G15. Incremental or cumulative project related increases in emissions or releases to air, water and soil may be critical, particularly in periurban and urban locations. While the absolute magnitude of the proposed new project may be relatively low, the impacts are incremental to what may already be a tenuous health setting. In this situation, careful documentation of pre-project baseline conditions is critical².

Environmental and Natural Resource Issues

8. ***The client will avoid or minimize the exacerbation of impacts caused by natural hazards, such as landslides or floods that could arise from land use changes due to project activities.***

9. ***The client will also avoid or minimize adverse impacts due to project activities on soil, water, and other natural resources in use by the affected communities.***

G16. These requirements primarily apply to projects that may result in significant changes to the physical environment, such as natural vegetation cover, existing topography, and hydrologic regimes including projects such as mining, industrial parks, roads, airports, pipelines, and new agricultural development. In these cases, special precautions should be followed to prevent geological instability, safely manage storm water flow, prevent a reduction in the availability of surface water and groundwater for human and agricultural use (depending on the sources of water that the community has traditionally relied on), and prevent the degradation in the quality of these resources. These requirements also apply to soil resources used by the community for agricultural or other purposes.

G17. Consistent with the requirements of Performance Standard 3, the quality of soil and water as well as other natural resources such as fauna and flora, woodlands, forest products and marine resources, should be protected so as not to pose an unacceptable risk to human health, safety, and the environment due to the presence of pollutants. These requirements also apply to the project's decommissioning phase where the client should ensure that the ambient quality of the project site is compatible with its intended future use. General information on the management and use of renewable natural resources can be found in paragraphs 14 through 17 of Performance Standard 6 and its accompanying Guidance Note.

² Quantitative human health risk assessment techniques that characterize the attributable, facility-specific incremental burden are well described and are focused on risks from impacts to air, soil and water. These risk assessment techniques which use non-cancer and cancer disease endpoints as performance indicators. In a developing country setting, there are other summary measures of population health that may be considered, e.g., disability-adjusted life years (DALY), disability-adjusted life expectancy (DALE), and are discussed at the WHO Statistics and Health Information Systems (See the References section).

Community Exposure to Disease

10. *The client will prevent or minimize the potential for community exposure to water-borne, water-based, water-related, vector-borne disease, and other communicable diseases that could result from project activities. Where specific diseases are endemic in communities in the project area of influence, the client is encouraged to explore opportunities during the project life cycle to improve environmental conditions that could help reduce their incidence.*

11. *The client will prevent or minimize transmission of communicable diseases that may be associated with the influx of temporary or permanent project labor.*

G18. Health impacts to potentially affected communities should be broadly considered and not just restricted to infectious diseases³. In many settings, changes in natural vegetation and habitat have pronounced impacts on vector-borne diseases. Poorly designed surface water drainage and creation of construction pits and depressions can have potentially adverse impacts on adjacent local communities. Primary prevention through appropriate design and construction techniques is likely to be an extremely cost-effective strategy if applied early during the front-end engineering design cycle. In contrast, retrofitting facilities and physical structures is expensive and difficult. Significant health improvements can be captured by design and construction improvements in four critical sectors: (i) housing; (ii) water and sanitation; (iii) transportation; and (iv) information and communication facilities. The public health implications, both positive and negative, of physical structures are often overlooked. Building and construction activity invariably alter habitats with both short and long-term disease consequences. For example, water storage facilities may have significant consequences for the distribution and transmission of vector-borne diseases such as malaria, schistosomiasis and dengue fever.

G19. Food security and nutritional status within communities may be positively or negatively impacted by projects at both a household and community level. Significant food inflation may marginalize vulnerable populations. Individuals who are resettled because of a project may experience both short and long-term changes in nutritional status. These impacts can be observed both acutely and chronically by changes in the levels of stunting, wasting and underweight children under age five. Similar assessments can be made in other age groups including working adults, women of reproductive ages, and adolescents.

G20. Consideration of the typical communicable infectious diseases is equally important. Communicable diseases can pose a risk to the viability of businesses by affecting the availability of a labor pool, the productivity of the workforce, or even the customer base. Communicable diseases, also referred to as infectious diseases, are described as illnesses that are attributable to specific infectious agents or their toxic products that arise through transmission of these agents or their products from an infected person, animal, or inanimate reservoir to a susceptible host. Transmission may occur either directly or indirectly through an intermediate plant or animal host, vector, or the inanimate environment. Examples of

³ There is a clear differentiation between the traditional definition of “public health” with its disease-specific focus and the more broadly defined “environmental health” which encompasses the “human living environment” (See the References section on *Environmental Health: Bridging the Gap*).

communicable diseases include water-borne (e.g. amoebiasis, cholera and typhoid), water-related (e.g. malaria and arboviral disease), food-borne (e.g. botulism, hepatitis A, and Creutzfeldt-Jakob disease), respiratory diseases (e.g. influenzas, SARS, and tuberculosis), and sexually transmitted diseases (e.g. Chlamydia, Syphilis, HIV/AIDS and Gonorrhea). The spread of some communicable diseases can be difficult to control without a comprehensive approach involving national and local governments, and in some cases, the support of international health agencies.

G21. Paragraph 10 of Performance Standard 4 applies primarily to projects that may cause significant changes in the natural hydrologic regime of an area, such as dams and irrigation schemes or project located in areas without proper sanitary wastewater discharge and treatment infrastructure. The waterborne diseases mentioned in Performance Standard 4 and the types of project activities that may contribute to their incidence are described in further detail in Annex E. The client is encouraged to find opportunities during the project life-cycle to improve environmental conditions, such as improvement in site drainage patterns, in order to limit possible habitats for mosquitoes linked to water-based and water-related disease, or through improvements in potable water availability or sanitary wastewater collection, treatment, or discharge, especially where these improvements can be provided at marginal cost to the project.

G22. The client should have adequate surveillance programs to screen the health of its workers, which may include documenting and reporting on existing diseases as required in paragraph 16 of Performance Standard 2. If the client proposes to bring in skilled third-country national workers for short term construction activities, then careful pre-employment screening should be considered. The disease burdens of many important communicable diseases (e.g., malaria, tuberculosis, influenza) can significantly vary from one region of the world to another. Disease resistance patterns can also significantly vary (e.g., multi-drug resistant tuberculosis). Therefore, the client should take precautions to avoid any inadvertent introduction of new or highly resistant diseases into host communities. Similarly, the reverse situation -- host communities introducing diseases into "naïve" work populations -- should also be anticipated and avoided. Within the local community (including workers and their families), the client is encouraged to play an active role to prevent the transmission of communicable diseases through communication and educational programs designed to raise awareness. If the client's workers are composed of a significant percentage of local community residents, they constitute an ideal "peer education" group for introducing positive health programs in host communities.

G23. Contractor action can also have significant health impacts in relation to two key areas; (i) transmission of Sexually Transmitted Infections (STIs), including HIV/AIDS; and (ii) accidents and injuries. For example, in any settings, long-haul truckers have significantly higher rates of STIs than the host communities. Clients should carefully consider the use of specific education and training programs for transport contractors. .

G24. The client should also ensure that health information obtained as part of its efforts to prevent the transmission of communicable diseases, such as through the use of pre-employment medical exams and other forms of health screening, will not be used for exclusion from employment or any other form of discrimination. For further details on good practices to address HIV/AIDS, see IFC's [Good Practice Note on HIV/AIDS in the Workplace](#), and the [HIV/AIDS Resource Guide for the Mining Sector](#).

Emergency Preparedness and Response

12. The client will assess the potential risks and impacts from project activities and inform affected communities of significant potential hazards in a culturally appropriate manner. The client will also assist and collaborate with the community and the local government agencies in their preparations to respond effectively to emergency situations, especially when their participation and collaboration are necessary to respond to such emergency situations. If local government agencies have little or no capacity to respond effectively, the client will play an active role in preparing for and responding to emergencies associated with the project. The client will document its emergency preparedness and response activities, resources, and responsibilities, and will disclose appropriate information in the Action Plan or other relevant document to affected communities and relevant government agencies.

G25. Where the consequences of emergency events are likely to extend beyond the project property boundary or originate outside of the project property boundary (e.g. hazardous material spill during transportation in public roadways), the client is required to design emergency response plans based on the risks to community health and safety identified during the process of Social and Environmental Assessment. When projects need to develop such plans, the proposed actions and measures should be included in the client's Action Plan. Emergency plans should be developed in close collaboration and consultation with potentially affected communities and should include detailed preparation to safeguard the health and safety of workers and the communities in the event of an emergency. Further requirements and guidance on this subject, including some of the basic elements of emergency preparedness and response plans, are provided in paragraph 16 of Performance Standard 2 and paragraph 7 of Performance Standard 3 and the accompanying Guidance Notes.

G26. The client should provide relevant local authorities, emergency services, and the affected community with information on the nature and extent of environmental and human health effects that may result from routine operations or unplanned emergencies at the project facility. Information campaigns should describe appropriate behavior and safety measures in the event of an accident involving project facilities, as well as actively seek community views concerning risk management and associated community preparedness. In addition, clients should consider including the community in regular training exercises (e.g. simulations, drills, and debriefs of exercises and actual events) to familiarize them with proper procedures in the event of an emergency. Emergency plans should address the following aspects of emergency response and preparedness:

- Specific emergency response procedures
- Trained emergency response teams
- Emergency contacts and communication systems / protocols
- Procedures for interaction with local and regional emergency & health authorities
- Permanently stationed emergency equipment & facilities (e.g. first aid stations, fire extinguishers/hoses, sprinkler systems)
- Protocols for fire truck, ambulance and other emergency vehicle services
- Evacuation routes and meeting points
- Drills (annual or more frequently as necessary)

Additional guidance is provided in the [General EHS Guidelines and Industry Sector EHS Guidelines](#).

Security Personnel Requirements

13. When the client directly retains employees or contractors to provide security to safeguard its personnel and property, it will assess risks to those within and outside the project site posed by its security arrangements. In making such arrangements, the client will be guided by the principles of proportionality, good international practices in terms of hiring, rules of conduct, training, equipping and monitoring of such personnel, and applicable law. The client will make reasonable inquiries to satisfy itself that those providing security are not implicated in past abuses, will train them adequately in the use of force (and where applicable, firearms) and appropriate conduct toward workers and the local community, and require them to act within the applicable law. The client will not sanction any use of force except when used for preventive and defensive purposes in proportion to the nature and extent of the threat. A grievance mechanism should allow the affected community to express concerns about the security arrangements and acts of security personnel.

14. If government security personnel are deployed to provide security services for the client, the client will assess risks arising from such use, communicate its intent that the security personnel act in a manner consistent with paragraph 13 above, and encourage the relevant public authorities to disclose the security arrangements for the client's facilities to the public, subject to overriding security concerns.

15. The client will investigate any credible allegations of unlawful or abusive acts of security personnel, take action (or urge appropriate parties to take action) to prevent recurrence, and report unlawful and abusive acts to public authorities when appropriate.

G27. Security arrangements to protect a client's personnel and property will typically depend in large part on security risks in the operating environment, though other factors, such as company policy or the need to protect intellectual property or hygiene in production operations, can also influence security decisions. In determining what security arrangements and equipment are necessary, clients should apply the principle of proportionality. In many circumstances, a night watchman may be all that is required, together with some basic security awareness training for staff, sign-posting, or well-placed lighting and fences. In more complex security environments, the client may have to directly employ further security personnel or engage private security contractors or even work directly with public security forces.

G28. It is important for clients to assess and understand the risks involved in their operations, based on reliable and regularly updated information. For clients with small operations in stable settings, a review of the operating environment can be relatively straightforward. For larger operations or those in unstable environments, the review will be a more complex and thorough risk assessment that may need to consider political, economic, legal, military and social developments, and any patterns and causes of violence and potential for future conflicts. It may be necessary for clients to also assess the record and capacity of law enforcement and judicial authorities to respond appropriately and lawfully to violent situations. If there is social unrest or conflict in the project's area of influence, the client should understand not only the risks posed to its operations and personnel but also whether its operations could create or exacerbate

conflict. Conversely, if provided consistent with Performance Standard 4, the client's operations involving the use of security personnel may avoid or mitigate adverse impacts on the situation and contribute to the improvement of security conditions around the project area. Clients should consider security risks associated with the entire range and stages of their operational activities, including personnel, products and materials being transported. The assessment should also address negative impacts on workers and the surrounding communities, such as the potential for increased communal tensions due to the presence of security personnel or the risk of theft and circulation of firearms used by security personnel.

G29. Community engagement is an important aspect of an appropriate security strategy, as good relations with workers and communities can be the most important guarantee of security. Clients should communicate their security arrangements to workers and the affected community, subject to overriding safety and security needs, and involve workers and surrounding communities in discussions about the security arrangements through the community engagement process described in Performance Standard 1.

G30. Clients should require the appropriate conduct of security personnel it employs or engages. Security personnel should have clear instructions on the objectives of their work and permissible actions. The level of detail of the instructions will depend on the scope of permitted actions (particularly if security personnel are permitted to use force and in exceptional circumstances, firearms) and the number of personnel. The instructions should be based on applicable law and professional standards. These instructions should be communicated as terms of employment and reinforced through periodic professional training.

G31. If security personnel are permitted to use force, instructions must be clear on when and how force may be used, specifying that security personnel are permitted to use force only as a matter of last resort and only for preventive and defensive purposes in proportion to the nature and extent of the threat, and in a manner that respect human rights (see paragraph G26 below). When the use of firearms is appropriate, any firearms and ammunition issued should be licensed, recorded, stored securely, marked and disposed of appropriately. Security personnel should be instructed to exercise restraint and caution, clearly prioritizing prevention of injuries or fatalities and peaceful resolution of disputes. Use of physical force should be reported to and investigated by the client. Any injured persons should be transported to medical facilities.

G32. The appropriate conduct of security personnel should be based on the principle that providing security and respecting human rights can and should be consistent. For example, any security personnel who interact with workers should not harass or intimidate workers exercising their rights in accordance with Performance Standard 2. If community members decide to associate, assemble and speak out in opposition to the project, the client and any security personnel who interact with them should respect the right of the local communities to do so. The instructions for security personnel should also make clear that arbitrary or abusive use of force is prohibited.

G33. Who provides security is as relevant as how security is provided. When employing or engaging any security personnel, the client should make reasonable inquiries to investigate the employment record and other available records, including any criminal record, of individuals or firms and should not employ or use any individuals or companies that have been credibly

alleged to have abused or violated human rights in the past. Clients should use only security professionals who are and continue to be adequately trained.

G34. The client should record and investigate security incidents to identify any necessary corrective or preventive actions for continuing security operations. To promote accountability, the client (or other appropriate party such as the security contractor or appropriate public or military authority) should take corrective and/or disciplinary action to prevent or avoid a repetition if the incident was not handled according to instructions. Unlawful acts of any security personnel (whether employees, contractors or public security forces) should be reported to the appropriate authorities (bearing in mind that clients may have to use their judgment about reporting violations if they have legitimate concerns about treatment of persons in custody). Clients should follow-up on reported unlawful acts by actively monitoring the status of investigations and pressing for their proper resolution. The grievance mechanism required under Performance Standard 1 provides another avenue for workers or community members to address concerns about security activities or personnel within the client's control or influence.

G35. There may be cases where the government decides to deploy public security forces to protect a client's operations, whether on a routine or as needed basis. In countries where it is illegal for companies to employ private security forces, the client may have no choice but to engage public security forces to protect its assets and employees. Governments have the primary responsibility for maintaining law and order and the decision-making authority with respect to deployments. Nonetheless, clients whose assets are being protected by public security forces have an interest in encouraging those forces to behave consistently with the requirements and principles set out above for private security personnel in order to promote and maintain good relations with the community, bearing in mind that public security forces may be unwilling to accept restrictions on their ability to use offensive force where they consider necessary. Clients are expected to communicate their principles of conduct to the public security forces, and express their desire that security be provided in a manner consistent with those standards by personnel with adequate and effective training. The client should request that the government make information about the arrangements to the client and the community, subject to overriding safety and security needs. If clients are required or requested to compensate the public security forces or provide equipment to public security forces, and if the option of declining the request is not available or desirable, clients may choose to provide in-kind compensation, such as food, uniform, or vehicles, rather than cash or lethal weapons. Clients should also try to implement restrictions, controls and monitoring as necessary and possible under the circumstances to prevent misappropriation or use of the equipment in a manner that is not consistent with the principles and requirements set out above.

G36. Pursuant to the requirement of paragraph 15 of Performance Standard 4 to report unlawful and abusive actions to public authorities, IFC may require its client to update IFC on the client's use of security personnel and any material developments and incidents as part of periodic monitoring reports to be submitted to IFC.

Annex A

Environmental Health Areas (EHAs)

Industrial projects will interact with influence health performance in surrounding communities. Potential project related effects are considered across twelve key environmental health areas (EHAs). The EHAs provide a standard framework for considering community and household level impacts.

1. **Respiratory disease** – projects can be associated with significant influx of workers and overcrowding of living quarters and number of occupants per room. Many types of respiratory diseases, including tuberculosis, are strongly related to housing conditions.
2. **Vector-related disease** – the physical setting and environment can be impacted by projects with landscape alterations that can alter the size, location and intensity of existing vectors and their breeding grounds, e.g., mosquito breeding sites, location and distance to forests, temporary water pools, discarded containers, rodents, flies, etc.
3. **Veterinary Medicine** – Zoonotic diseases are those illnesses that are typical present in an animal host but can, under the right conditions, “jump” to humans. Zoonotic disease amplification can readily occur when traditional herding/livestock management patterns are altered due to Project construction and/or relocation of water bodies. .
4. **Sexually Transmitted Infections (STIs) – including but not exclusive to HIV/AIDS-** The key consideration is “men, money, movement and mixing” with local communities and particularly young women.
5. **Soil, Water and food borne disease** – the rapid influx of workers, families, and camp followers triggered by a project can overtax existing community infrastructure and support services, such as sanitation and waste management services/systems.
6. **Nutrition related issues** – significant changes in community level agricultural practices due to changes in landownership status (ownership versus tenant farming), resettlement/relocation and physical environmental alterations, such as increased or decreased availability of water, riverbank gardens, can occur.
7. **Accidents/injuries** – significant increases in the level of road (e.g., car, truck, bicycle, and pedestrian), boat and air traffic within the project area. New physical structures, especially water bodies, can be unintended attractors for community members, particularly children.
8. **Exposure to potentially hazardous materials** – potential project releases and/or emissions. Project drums and containers can inadvertently “leak” into the community and be recycled by community members for food and water storage with unintended hazardous materials exposures.
9. **Psychosocial** – relocation, violence (especially gender-related), security concerns, substance abuse (drug, alcohol, smoking), depression and communal social cohesion including equitable distribution of benefits.
10. **Cultural Health Practices** – including but not exclusive to the role of traditional medical providers, indigenous medicines and unique cultural or ethnic health practices. By developing on-site medical services, particularly during construction, projects often bring a rapid “infusion” of western medicine.
11. **Health Services Infrastructure and Capacity** – local health services/facilities, staffing levels, management of national programs (e.g., malaria, TB, HIV/AIDS, etc.) and technical capabilities of health care system.
12. **Non-Communicable Diseases (NCDs)** – Rising incomes and movement from rural to periurban/urban lifestyle may trigger an epidemiological transition from infectious diseases to NCDs including hypertension, diabetes, stroke, and cardiovascular disorders.

Annex B: Environmental Health Areas and Issues

| Environmental Health Areas | Health Impact Issues | | | | | Changes in income & expenditure consumption including food/housing inflation |
|---|---|---|--|--|--|--|
| | Influx | Resettlement; relocation | Water management including creation of new water bodies; altering existing water bodies and changes in drainage patterns | Linear features: Roadways; transportation routes; Transmission lines | Hazardous materials control and disposal including waste containers (drums) | |
| Vector Related | Increasing human parasite burdens (malaria) | movement to different prevalence area | creation and movement of breeding grounds | improper drainage, temporary water pool creation | creation of breeding sites with drums at household level | |
| Respiratory & Housing | crowded housing, both work camps and community | number of occupants per room.; mix of occupants children/elderly/adults (different vulnerability) | | facilitating mixing/interaction of different groups | | housing inflation triggered crowding |
| Veterinary Medicine | movement and migration of livestock due to influx of new groups | movement and migration of livestock due to influx of new groups | creation and/or movement of livestock watering locations | | inadvertent water source contamination, of streams/rivers | |
| Sexually Transmitted Infections; HIV/AIDS | mixing of high and low prevalence groups | mixing of high and low prevalence groups | | facilitating movement of high risk groups into rural settings | | men with money mixing with vulnerable women |
| Soil, Water & Sanitation | overburdening existing services/systems; explosive food-borne epidemics | failure to anticipate extended family influx in initial design | changes in surface water flows/quality, potential groundwater drawdown | | releases into surface water ; long-term impacts to groundwater | |
| Food & Nutrition | influx of extended family, more mouths to feed | shift from subsistence agriculture to peri-urban living/petty trading | changes in crop /garden selection and planting cycle | changes in access to gardens or local markets | | food inflation further marginalizing vulnerable groups |
| Accidents & Injuries | overcrowding, falls, burns, road traffic | | drownings, boat accidents | road traffic, increased pedestrian activity | unplanned releases/emissions | |
| Hazardous Materials Exposure | squatter developments adjacent to industrial facilities with unplanned releases | | | movement via trucks of hazardous materials across communities to project areas | use of Project drums and containers for water and food storage; inadequate incinerators design | |
| Psychosocial; Gender Issues | cultural shock due to rapid societal change | transformation of rural to periurban/urban lifestyle | | greater ease of mixing of different social/ethnic groups | | sudden money influx in a barter economic structure |
| Cultural Health Practices | introduction of new practices and/or elimination of existing practices | introduction of new practices and/or elimination of existing practices | | | | shift to western medicine |
| Health Services Infrastructure & Capacity | increased visits for out and inpatient services | increased visits for out and inpatient services if access improves | | changes in access | | attraction of additional private providers/increase in insurance enrollment |
| Non-Communicable; hypertension, diabetes | changes in diet | periurban living versus high intensity subsistence farming | | | | shift from high physical activity to sedentary lifestyle |

| | |
|--|-----------------------|
| | High Risk Potential |
| | Medium Risk Potential |
| | Low Risk Potential |

Notes

Influx Management

When the project triggers significant **migration** (laborers, extended families, service providers, etc.) to the project area it can pose potential significant impacts to surrounding communities. These impacts may occur, to varying degree levels, across all phases of the project (exploration, pre-construction, construction, operations and decommissioning). A strong interaction and mixing between local workers, imported specialty workers, and expatriates can facilitate respiratory disease spread including the production of explosive epidemics that can pass and forth between the project and the community. In additions, explosive food-borne epidemics are significant consideration and can spread back and forth between the project worksite and the community via food handlers or petty traders.

Resettlement/relocation

The health effects of resettlement/relocation should be carefully considered above and beyond the more typical social/anthropologic analysis that is triggered by resettlement/relocation.

Water Management

During active construction periods, projects may create new breeding sites for key mosquito vectors. Resettlement/relocation communities may be in closer proximity to water bodies which will significantly increase the vector-borne disease risk. New water bodies, such as surface water environmental control dams or new reservoirs may become attractors for local community members and increase the risks of injury including accidental drowning. In addition, water storage facilities require careful environmental engineering (e.g., shoreline slopes and vegetation control) in order to prevent development of vector breeding sites. During construction and operations phases, tires, drums and other containers may become significant breeding sites for mosquitoes with subsequent increased risk of dengue fever outbreaks. Provide examples of negative impacts (vector borne, contamination of water which it may be used by nearby communities, exposure to community kids (drown), etc. due to poor design and management of man-made water deposits (dam, reservoirs, ponds, etc)

Linear Features

Any physical structure, e.g., roads, bridges, transmission lines, pipelines, river systems, etc. that cross and/or connect diverse ecologic or human populations can be considered a linear feature. Linear features have the potential for both positive and negative health consequences as the movement and interaction of diverse groups of humans and animal livestock is significantly facilitated.

Hazardous Materials Control and Disposal

These materials are often “recycled” within communities with unusual consequences, e.g., increased small-scale breeding grounds for the mosquito vectors of dengue and other arboviral diseases. In addition, waste storage drums may have industrial residues that adversely impact household water and food supplies as these containers are often prized as inexpensive storage devices

Changes in Income & Expenditure Consumption

Projects have significant potential to positively alter underlying levels of community and household income poverty. These potential positive effects can have profound impact on a variety of health performance indicators for all populations in a community, e.g., children under age 5, women of reproductive age, elderly, etc. Conversely, projects can trigger significant inflation impacting both food and housing in surrounding communities. Significant food and/or housing inflation can adversely impact existing vulnerable groups with negative consequences on both individual and community level health performance indicators. Significant food/housing inflation can make recruitment and retention of health care workers and teachers extremely difficult for local communities. Significant and sudden changes in income can have a marked effect on alcohol usage and subsequent gender violence. Workforce education and training are potential key mitigation activities.

Annex C
The Health Impact Assessment Process

Screening: preliminary evaluation, determines whether an HIS is indicated and its complexity.

- Have there been any HIAs or other types of health risk assessments conducted on this project or in this area?
- Is there potential for positive or negative impacts as a result of the project?
- Are the potential negative impacts likely to affect a large number of people or cause death or disability?
- Are the potential negative health impacts likely to be disproportionately greater for disadvantaged or vulnerable population group?
- Is there uncertainty about what the potential health impacts might be?

Scoping: outlines the range and types of hazards and beneficial impacts basis for TOR.

- How will the HIA fit in with the EIA and SIA?
- Are all phases of the project to be considered in the HIA (project conception, design/engineer, construction, operations, decommissioning)?
- For each project phase, what processes are to be included in the HIA?
- What are the main factor determining health that may be affected by this project (health determinants)?
- Which population will be addressed?

Stakeholder Communication and consultation: a two-way communication process carefully planned in a coordinated fashion responsive to overall business objectives.

- Who are the stakeholders?
- Has a stakeholder communication plan been developed?
- What health issues are of concern to the stakeholders within each phase of the project?
- Are there additional data or studies available to help address anticipated health issues?

Risk assessment / appraisal: appraises and qualitatively or quantitatively ranks the health impacts.

- Has existing data been evaluated for accuracy, relevance and completeness?
- If new baseline data is to be collected, are relevant study questions carefully formulated?
- What are the potential impacts on the determinants of health?
- Have all of the Health Areas of Concern been addressed?
- Has a ranking process taken place?

Decision making, establishing priorities, reporting: includes the development of a Health Action Plan (HAP) with mitigation strategies.

- Have the rankings from the risk assessment process been addressed by a Health Action Plan?
- Are mitigation strategies, including primary, secondary and tertiary, included in this plan?
- Is the Health Action Plan coordinated with the Environmental And Social Action Plan?

Implementation and monitoring: surveillance plan that captures early effects and unanticipated consequences.

- Has the Health Action Plan been expanded with specific implementation plans?
- Are responsibilities and timing defined?
- Is a monitoring/surveillance system designed to capture unanticipated effects?

Evaluation and verification: a system for determining that implementation has both occurred and is achieving the intended results.

- Is a system in place to verify that the Health Action Plan has been implemented effectively?
- Are milestones in place, i.e. malaria incidence rates, immunization rates, etc.?
- Are both international and external independent audit systems in place?
- Is contractor health performance verified and assessed?

Source: A Pocket Guide to Health Impact Assessments (IPIECA/OGP 2005)

Example of Critical Elements of a Health Impact Assessment report

Introduction to Health Impact Assessment

HIA within the Project

Scope of the HIA

Project Timescale

Interface of the HIA with environmental and social impact assessments

Impacts Categorization

Direct versus indirect effects

Cumulative impacts

Methodology

Key Sectors- housing, water/sanitation, transportation and information/ communication

Potential Impact Areas (PIAs)

Environmental Health Areas (EHAs)

Poverty and Health

Income Poverty and Health

Country Poverty Data and Wealth Quintiles

Pre-Project Database

Sources of Data

Key demographic Characteristics

Physical Capital- housing, access, water/sanitation, consumer durables

Financial Capital- income, consumption expenditure

Human Capital

Education- literacy, household head education attainment

Health- EHAs

Social Capital

Environmental Capital

Risk Assessment and Impact Characterization

Annex D
Examples of Risk-based Criteria for Assessment of Dams

In the case of dams and impoundments, qualified experts can base their evaluation of safety on specific risk criteria. Experts can initially refer to national regulations and methodologies. Should such regulations not be available in the country, existing, well-developed methodologies promulgated by authorities in countries with mature dam safety programs can be referred to and adapted as necessary to local conditions. In broad terms, risk assessment criteria can include the following aspects:

- Design flood
- Design earthquake (maximum credible event)
- Properties of construction process and properties of construction materials
- Design philosophy
- Foundation conditions
- Height of dam and volume of materials contained
- Quality control during construction
- Management capacity of the client/operator
- Provisions for financial responsibility and closure
- Financial resources for operation and maintenance, including closure when applicable
- Population at risk downstream of the dam
- Economic value of assets at risk in case of dam failure

Annex E
Definitions of Water Diseases

| Waterborne | Water-based | Water-related | Water-washed |
|--|--|---|---|
| <p>Water-borne illnesses are those caused by consuming water contaminated by human, animal, or chemical wastes. These diseases are especially prevalent in areas lacking access to adequate sanitation facilities, and include diarrhea, cholera and typhoid.</p> <ul style="list-style-type: none"> Contaminated water that is consumed may result in water-borne diseases including viral hepatitis, typhoid, cholera, dysentery and other diseases that cause diarrhea | <p>Water-based illnesses are caused by parasites that spend at least part of their life cycles in water. These include guinea worm and schistosomiasis.</p> <ul style="list-style-type: none"> Water-based diseases and water-related vector-borne diseases can result from water supply projects (including dams and irrigation structures) that inadvertently provide habitats for mosquitoes and snails that are intermediate hosts of parasites that cause malaria, schistosomiasis, lymphatic filariasis, onchocerciasis and Japanese encephalitis | <p>Water-related illnesses are those transmitted by vectors that live and breed in or around water. Vectors are insects or animals that carry and transmit parasites between infected people or animals. This category of disease includes Malaria, transmitted by mosquitoes.</p> <ul style="list-style-type: none"> Water-related vector-borne diseases can result from water supply projects (including dams and irrigation structures) that inadvertently provide habitats for mosquitoes that are intermediate hosts of parasites that cause malaria, lymphatic filariasis, and Japanese encephalitis | <p>Water-washed illnesses are those that can be prevented through more frequent hand washing and bathing, including trachoma and onchocerciasis.</p> <ul style="list-style-type: none"> Ascariasis (roundworm infection) Ancylostomiasis (hookworm infection) |

Annex F
What types of Health Impact Assessment are available?

1. Mini HIA
 - Broad overview
 - Used at early development stage
 - Involves collecting and analyzing existing data
 - No new data collection
 - Takes approximately two to six weeks (for one assessor)
2. Desktop HIA
 - More detailed
 - Most frequently used
 - More thorough investigation of impacts
 - Involves collecting and analysing existing data and some new qualitative data from stakeholders and key informants
 - Lasts approximately 12 weeks (for one assessor)
3. Comprehensive
 - Provides comprehensive assessment
 - Most robust definition of impacts
 - Involves collecting and analysing data using multiple methods and sources (quantitative and qualitative, including participatory approaches involving stakeholders and/or their representatives and key informants).
 - Lasts approximately six months (for one assessor).

Source: A Pocket Guide to Health Impact Assessments (IPIECA/OGP 2005)

References

Several of the requirements set out in the Performance Standard are based on principles expressed in the following international agreements and the related guidelines:

- *Natural Disasters: Protecting the Public's Health* (Pan American Health Organization, 2000) provides a framework to make effective decisions in managing the health sector's activities to reduce the consequences of disasters.
<http://www.paho.org/English/PED/sp575.htm>
- *IFC's Environmental, Health and Safety Guidelines* (IFC) – technical guidance informing those parts of the new policy structure related to environmental, health and safety issues. <http://www.ifc.org/ifcext/enviro.nsf/Content/EnvironmentalGuidelines>
- Guidance for Life and Fire Safety for new buildings accessible for public can be found in the “Life and Fire Safety” section of the sub section “3.0 Community Health and Safety” included in the General Environmental, health and Safety Guidelines of the IFC.
[http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/gui_EHSGuidelines2007_GeneralEHS_3/\\$FILE/3+Community+Health+and+Safety.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/gui_EHSGuidelines2007_GeneralEHS_3/$FILE/3+Community+Health+and+Safety.pdf)
- *IFC's Good Practice Note on HIV/AIDS in the Workplace* (IFC, 2002) outlines the costs of HIV/AIDS to businesses and gives companies concrete advice on designing and implementing workplace programs
http://www.ifc.org/ifcext/enviro.nsf/Content/Publications_GoodPractice
- *HIV/AIDS Resource Guide for the Mining Sector* (IFC, 2004) an HIV/AIDS resource guide for developing stakeholder competency in mining communities. Introduces a new framework for management strategies and workplace prevention, as well as care and outreach programs to help combat the disease.
<http://www.ifc.org/ifcext/aids.nsf/Content/Publications>
- *Code of Conduct for Law Enforcement Officials* (UN, 1979) – stipulates code of conduct for law enforcement officials to uphold while serving and protecting all persons against illegal acts. <http://www.ohchr.org/english/law/codeofconduct.htm>
- *Basic Principles on the Use of Force and Firearms by Law Enforcement Officials* (UN, 1990) – provides rules and regulations for the use of firearms by law enforcement officials. <http://www.ohchr.org/english/law/firearms.htm>
- *US/UK Voluntary Principles - Voluntary Principles on Security and Human Rights* (US and UK Governments, 2000) – balance the need for safety while respecting human rights. Provides guidance on risk assessment, relations with public security, and relations with private security. <http://www.voluntaryprinciples.org/>
- *Conflict Sensitive Business Practice: Guidance for Extractive Industries* (International Alert, 2005) -- provides a set of tools for companies concerned about improving their

impact on host countries to begin thinking more creatively about understanding and minimizing conflict risk, and actively contributing to peace.

<http://www.international-alert.org/publications/234.php>

- *Demographic Surveillance Site (DSS) (The INDEPTH Network)* – DDS is an extremely cost-effective and well established program that can transparently and longitudinally collect and evaluated a wide range of social, health and economic survey data. <http://www.indepth-network.org/>
- *Health Impact Assessment: Main concepts and suggested approach (WHO/ECHP)* creates a common understanding of health impact assessment and provides a departure point for discussion, comments and suggestions for the further development of an HIA approach. <http://www.euro.who.int/document/PAE/Gothenburgpaper.pdf>
- *A Guide to Health Impact Assessment in the oil and gas industry (IPIECA/OGP 2005)* – It provides a summary checklist of activities consider when conducting health impact assessments. <http://www.ipieca.org/activities/health/downloads/publications/hia.pdf>
- *A Guide to Malaria Management Programmes in the oil and gas industry (IPIECA/OGP 2006)* -- This Guide outlines and describes the scientific concepts, rationale and value of Malaria Management Programmes (MMPs). The Guide provides a broad overview of MMPs, and templates such as implementation checklists and audit protocols that might typically form part of key activities when implementing. <http://www.ipieca.org/activities/health/downloads/publications/malaria.pdf>
- *Strategic Health Management: Principles and guidelines for the oil & gas industry, International Association of Oil & Gas Producers (OGP 2000)* – This document provides a basis for incorporating workforce and community health consideration systematically into project planning and management. <http://www.ogp.org.uk/pubs/307.pdf>
- *Environmental Health: Bridging the Gap* (World Bank 2001), James A. Listorti and Fadi M. Doumani, *World Bank Discussion Paper 422* – This review written by World Bank consultants provides a detailed analysis of an approach to environmental health assessment.
- *WHO Statistics and Health Information Systems* – This information systems introduce disability-adjusted life years (DALY), which is a health gap measure that extends the concept of potential years of life lost due to premature death (PYLL) to include equivalent years of 'healthy' life lost by virtue of being in states of poor health or disability <http://www.who.int/healthinfo/boddaly/en/index.html>

For guidance on minimizing the occurrence and harmful effects of technological accidents and environmental emergencies:

- *APELL* - Awareness and Preparedness for Emergencies on a Local Level (UNEP) – provides technical reports and other materials to assist disaster prevention and response planning in vulnerable areas <http://www.uneptie.org/pc/apell/>

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This Guidance Note 5 corresponds to Performance Standard 5. Please also refer to the Performance Standards 1-4 and 6-8 as well as the corresponding Guidance Notes for additional information. Bibliographical information on all reference materials appearing in the text of this Guidance Note can be found in the References Section at the end.

Introduction

1. *Involuntary resettlement refers both to physical displacement (relocation or loss of shelter) and to economic displacement (loss of assets or access to assets that leads to loss of income sources or means of livelihood) as a result of project-related land acquisition.¹ Resettlement is considered involuntary when affected individuals or communities do not have the right to refuse land acquisition that results in displacement. This occurs in cases of: (i) lawful expropriation or restrictions on land use based on eminent domain;² and (ii) negotiated settlements in which the buyer can resort to expropriation or impose legal restrictions on land use if negotiations with the seller fail.*

2. *Unless properly managed, involuntary resettlement may result in long-term hardship and impoverishment for affected persons and communities, as well as environmental damage and social stress in areas to which they have been displaced. For these reasons, involuntary resettlement should be avoided or at least minimized. However, where it is unavoidable, appropriate measures to mitigate adverse impacts on displaced persons and host communities³ should be carefully planned and implemented. Experience demonstrates that the direct involvement of the client in resettlement activities can result in cost-effective, efficient, and timely implementation of those activities, as well as innovative approaches to improving the livelihoods of those affected by resettlement.*

3. *Negotiated settlements help avoid expropriation and eliminate the need to use governmental authority to remove people forcibly. Negotiated settlements can usually be achieved by providing fair and appropriate compensation and other incentives or benefits to affected persons or communities, and by mitigating the risks of asymmetry of information and bargaining power. Clients are encouraged to acquire land rights through negotiated settlements wherever possible, even if they have the legal means to gain access to the land without the seller's consent.*

¹ Land acquisition includes both outright purchases of property and purchases of access rights, such as rights-of-way.

² Such restriction may include restrictions of access to legally designated nature conservation areas.

³ A host community is any community receiving displaced persons.

G1. Through proper resettlement planning and implementation, the client can enhance the development impact of a project by enabling affected people to share directly in the benefits of the project and thereby improve their living standards. Investment in local economic and social development pays dividends to the client in the form of enhanced goodwill within the host community, and an enhanced corporate reputation. Conversely, without proper planning and management, involuntary resettlement may have negative consequences that diminish the developmental impact of a project and affect the reputation of the client.

Objectives

- *To avoid or at least minimize involuntary resettlement wherever feasible by exploring alternative project designs*
- *To mitigate adverse social and economic impacts from land acquisition or restrictions on affected persons' use of land by: (i) providing compensation for loss of assets at replacement cost; and (ii) ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation, and the informed participation of those affected*
- *To improve or at least restore the livelihoods and standards of living of displaced persons*
- *To improve living conditions among displaced persons through provision of adequate housing with security of tenure⁴ at resettlement sites*

⁴ A resettlement site offers security of tenure if it protects the resettled persons from forced evictions.

G2. IFC encourages its clients to avoid the acquisition of land that results in the displacement of people. Where such displacement is unavoidable, i.e., where suitable alternative project sites are not available or the cost of developing those sites is prohibitive, adverse impacts on individuals and communities should be minimized through adjustments in routing or siting of project facilities (e.g., pipelines, access roads, plants, depots, etc.).

G3. Compensation for land and other assets should be calculated at the market value plus the transaction costs related to restoring the assets. In practice, those who suffer negative social and economic impacts as a result of the acquisition of land or land use rights for a project may range from those having legally recognized rights or claims to the land, to those with customary claims to land, and those with no legally recognized claims, to seasonal resource users such as herders or fishing families, hunters and gatherers who may have interdependent economic relations with communities located within the project area. The potential variety of land or land use claimants renders the calculation of full replacement cost difficult and complex.

G4. For this reason, clients should identify and consult with all persons and communities that will be displaced by land acquisition as well as host communities who will receive those who are resettled, to obtain adequate information about land titles, claims and use. Affected communities should also have the opportunity for informed participation in resettlement planning so that the mitigation of the adverse project impacts is appropriate and the potential benefits of resettlement are sustainable. More detailed information on consultation and engagement with communities is provided in Performance Standard 1 and its accompanying Guidance Note.

G5. Compensation alone does not guarantee the restoration or improvement of the economic conditions and social welfare of displaced persons and communities. Major challenges associated with rural resettlement include restoring income based on land or natural resources and the need to avoid compromising the social or cultural continuity of affected communities, including the host communities to which the displaced population may be resettled. Resettlement in urban or peri-urban areas typically affects housing, employment and enterprises. A major challenge associated with urban resettlement is the restoration of wage-based or enterprise-based livelihoods that are often tied to location (such as proximity to jobs, customers and markets). IFC encourages clients to undertake resettlement as a sustainable development initiative, i.e., an initiative that leads to an improved standard of living for displaced

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people. The following are recommendations for the design of measures to improve livelihoods that are land-based, wage-based and enterprise-based:

- *Land-based livelihoods* – Depending on the site to which affected people are relocated, they may require: assistance in acquiring or accessing replacement land, including access to grazing land, forest and water resources; physical preparation of farm land (e.g., clearing, leveling, access routes and soil stabilization); fencing for pasture or cropland; agricultural inputs (e.g., seeds, seedlings, fertilizer, irrigation); veterinary care; small-scale credit, including rice banks, cattle banks and cash loans; and access to markets.
- *Wage-based livelihoods* – Wage earners in the community may benefit from skills training and job placement, provisions made in contracts with project sub-contractors for employment of qualified local workers, and small-scale credit to finance start-up enterprises.
- *Enterprise-based livelihoods* – Established and start-up entrepreneurs and artisans may benefit from credit or training (e.g., business planning, marketing, inventory and quality control) to expand their business and generate local employment. Clients can promote local enterprise by procuring goods and services for their projects from local suppliers.

G6. Adequate housing or shelter can be measured by quality, safety, affordability, habitability, cultural appropriateness, accessibility, and locational characteristics. Adequate housing should allow access to employment options, markets, and basic infrastructure and services, such as water, electricity, sanitation, health-care, and education. In addition, security of tenure is an important component of adequate housing. Security of tenure affords residents legal protection from forced eviction. Forced eviction means removal of people and their belongings from structures against their will and without any legal or other protection. Performance Standard 5 affords adequate housing and security of tenure to displaced persons at resettlement sites. Clients should include one or more of the aspects of adequate housing in this paragraph in order to offer improved living conditions at the resettlement site, particularly to those without recognizable legal right or claim to the land they occupy, as described in paragraph 14 (iii) of Performance Standard 5.

G7. Displaced persons falling within the meaning of paragraph 14 (iii) of Performance Standard 5 are vulnerable to the risk of forced evictions and displacement in the future by the state or others, particularly if they receive cash compensation but not a place to relocate. As a result, additional consideration and protection should be available to them. These are described in paragraph G34 of Guidance Note 5.

G8. The living conditions at the new resettlement site should be an improvement over conditions at the site from which the displaced persons were resettled. The improved living conditions to be provided under Performance Standard 5 should include improvement of one or more of these aspects of adequate housing and security of tenure described above. In particular, informal settlers without security of tenure should be provided with adequate housing and security of tenure in the new resettlement sites. Generation of improvement options and

priority setting for such improvements at resettlement sites should be done with the participation of those being resettled as well as host communities as appropriate.

Scope of Application

4. *The applicability of this Performance Standard is established during the Social and Environmental Assessment process, while implementation of the actions necessary to meet the requirements of this Performance Standard is managed through the client's Social and Environmental Management System. The assessment and management system requirements are outlined in Performance Standard 1.*

5. *This Performance Standard applies to physical or economic displacement resulting from the following types of land transactions:*

- ***Type I: Land rights for a private sector project acquired through expropriation or other compulsory procedures***
- ***Type II: Land rights for a private sector project acquired through negotiated settlements with property owners or those with legal rights to land, including customary or traditional rights recognized or recognizable under the laws of the country, if expropriation or other compulsory process would have resulted upon the failure of negotiation⁵***

Paragraph 18 and part of paragraph 20 below apply to displaced persons with no recognizable legal right or claim to the land they occupy.

6. *This Performance Standard does not apply to resettlement resulting from voluntary land transactions (i.e., market transactions in which the seller is not obliged to sell and the buyer cannot resort to expropriation or other compulsory procedures if negotiations fail). In the event of adverse economic, social, or environmental impacts from project activities other than land acquisition (e.g., loss of access to assets or resources or restrictions on land use), such impacts will be avoided, minimized, mitigated or compensated for through the process of Social and Environmental Assessment under Performance Standard 1. If these impacts become significantly adverse at any stage of the project, the client should consider applying the requirements of Performance Standard 5, even where no initial land acquisition was involved.*

⁵ These negotiations can be carried out by the private sector company acquiring the land or by an agent of the company. In the case of private sector projects in which land rights are acquired by the government, the negotiations may be carried out by the government or by the private company as an agent of the government.

G9. Performance Standard 5 applies to transactions where the buyer acquires land or land use rights through direct negotiations with the seller, but where the buyer can resort to government authority to gain access to the land or impose limits on land use (such as easements or rights of way) if the buyer and seller cannot agree on a price, or negotiations otherwise fail. In these cases, the seller does not have the option to retain the land. The seller must accept the buyer's best offer or face expropriation or other legal proceedings based on eminent domain. This process of land acquisition by governments is commonly known as expropriation, compulsory acquisition or eminent domain. Performance Standard 5 seeks to protect sellers from a variety of risks of negotiated transactions that occur under these conditions. It is not relevant to the application of Performance Standard 5 whether the client or

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the government conducts the negotiations (directly or through third parties), since the seller is likely to accept inadequate compensation if he or she knows that the alternative (expropriation) is even less attractive, or if he/she lacks access to adequate information on market prices. The seller may also be forced to accept a cash settlement in situations where alternative housing or replacement land of equivalent value is not available in the area.

G10. In the event of potential adverse economic, social or environmental impacts by project activities *other than land acquisition*, the client's Social and Environmental Assessment process under Performance Standard 1 should address how these impacts will be avoided, minimized, mitigated or compensated for. Examples include loss of access to state-owned sub-surface mineral rights¹ by artisanal miners; loss of access to marine fishing grounds due to project activities; restriction of access to resources located within state-determined exclusion zones not acquired by the client; and demonstrated decreases in agricultural, livestock, forest, hunting and fishing yields resulting from project-related disturbance and/or pollution. In these cases, restrictions of access to natural resources do not occur from project-related land acquisition. While Performance Standard 5 will not apply to these situations, the client should nonetheless consider appropriate measures for the affected people under Performance Standard 1 (see paragraph G9 in Guidance Note 1). Even if the client's Assessment determines at the outset that no significant project impacts are likely to occur, project conditions could subsequently change and affect local communities adversely (e.g., future project-related pollution or project's extraction of water that affects water resources on which communities depend). If and when such conditions occur in the future, they should be assessed by the client under Performance Standard 1. If these impacts become significantly adverse at any stage of the project, so that the relevant communities are left with no alternative except to resettle, the client should consider applying the requirements of Performance Standard 5, even where no initial project-related land acquisition was involved. In these cases, an option for the client may be to acquire the relevant land that is subject to significant adverse impact, and apply the requirements of Performance Standard 5.

Requirements

General Requirements

Project Design

7. The client will consider feasible alternative project designs to avoid or at least minimize physical or economic displacement, while balancing environmental, social, and financial costs and benefits.

Compensation and Benefits for Displaced Persons

8. When displacement cannot be avoided, the client will offer displaced persons and communities compensation for loss of assets at full replacement cost and other assistance⁶ to help them improve or at least restore their standards of living or livelihoods, as provided in this Performance Standard. Standards for compensation will be transparent and consistent within the project. Where livelihoods of displaced persons are land-based, or where land is collectively owned, the client will offer land-based compensation, where feasible.⁷ The client will provide opportunities to displaced persons and communities to derive appropriate development benefits from the project.

¹ In most countries, surface land rights are legally distinct from sub-surface mineral rights.

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⁶ As described in paragraphs 18 and 20.

⁷ See also footnote 9.

G11. The rate of compensation for lost assets should be calculated at full replacement cost, i.e., the market value of the assets plus transaction costs. In applying this method of valuation, depreciation of structures and assets should not be taken into account. For losses that cannot easily be valued or compensated for in monetary terms, in-kind compensation may be appropriate. However, this compensation should be made in goods or resources that are of equivalent or greater value and that are culturally appropriate. With regard to land and structures, replacement costs are defined as follows:

- *Agricultural land*—the market value of land of equal productive use or potential located in the vicinity of the affected land, plus the cost of preparation to levels similar to or better than those of the affected land, and transaction costs such as registration and transfer taxes.
- *Land in urban areas*—the market value of land of equivalent area and use, with similar or improved infrastructure and services preferably located in the vicinity of the affected land, plus transaction costs such as registration and transfer taxes.
- *Houses and other structures*—the cost of purchasing or building a new structure, with an area and quality similar to or better than those of the affected structure, or of repairing a partially affected structure, including labor and contractors' fees and transaction costs such as registration and transfer taxes.

G12. As a matter of general principle under Performance Standard 5, preference should be given to land-based resettlement strategies for physically or economically displaced persons whose livelihoods are land-based. When displaced persons are to be physically displaced (whether in Type I or II transactions), these strategies may include resettlement on public land with agreement of government or on private land acquired or purchased for resettlement. When replacement land is offered, the combined characteristics of the land, such as productive potential, advantages of location, and security of tenure, as well as the legal nature of the land title or use rights should at least be equivalent to those of the old site. If land is not the preferred option of the displaced persons, or sufficient land is not available at a reasonable price, non-land-based options, such as employment opportunities or assistance to establish businesses should be provided in addition to cash compensation for land and other affected assets. The lack of adequate land should be demonstrated and documented. Persons identified as vulnerable (as described in footnote 2 to Guidance Note 5) should be assisted to fully understand their options for resettlement and compensation and encouraged to choose the option with the lowest risk. In cases of economic displacement (whether in Type I or II transactions), the preference for land-based strategies means that the compensation, targeted assistance, and transitional support to be offered to economically displaced persons should be consistent with their land-based livelihood. For additional guidance, see paragraphs G39 and 40 below.

G13. Payment of cash compensation for lost assets may be appropriate where: (i) livelihoods are not land-based; (ii) livelihoods are land-based but the land taken for the project is a small

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fraction of the affected holding and the residual land is economically viable; (iii) replacement land or housing of comparable quality is not available locally; or (iv) active markets for land, housing, and labor exist locally, displaced persons use such markets, and there is sufficient supply of land and housing. Cash compensation levels should be sufficient to replace the lost land (or lost access to land) and other assets at full replacement cost in local markets.

G14. Cash compensation may be offered to those people who do not wish to continue their land-based livelihoods or who prefer to purchase land on their own. When payment of cash compensation is considered, the abilities of the affected population to utilize cash to restore standards of living should be assessed. It is common for households in subsistence-based economies as well as poorer households in cash-based economies to divert cash compensation from longer-term investment to short-term consumption. Under these circumstances, payment of in-kind compensation (e.g., livestock or other moveable/transferable property) or vouchers earmarked for specific types of goods and services may be more appropriate. Detailed guidance on opportunities to derive appropriate development benefits from the project can be found on pages 23 and 24 of [IFC's Handbook for Preparing a Resettlement Action Plan](#).

Consultation

9. Following disclosure of all relevant information, the client will consult with and facilitate the informed participation of affected persons and communities, including host communities, in decision-making processes related to resettlement. Consultation will continue during the implementation, monitoring, and evaluation of compensation payment and resettlement to achieve outcomes that are consistent with the objectives of this Performance Standard.

Grievance Mechanism

10. The client will establish a grievance mechanism consistent with Performance Standard 1 to receive and address specific concerns about compensation and relocation that are raised by displaced persons or members of host communities, including a recourse mechanism designed to resolve disputes in an impartial manner.

G15. Effective resettlement planning requires regular communication and consultation with a wide range of project stakeholders. For the purpose of Performance Standard 5, the key stakeholders groups are the displaced persons and the host community. Early communication helps to manage public expectations concerning the impact of a project and its expected benefits.

G16. Individuals and communities directly affected by resettlement should have the opportunity to participate in the negotiation of compensation packages and consultations regarding eligibility requirements, resettlement assistance, suitability of resettlement sites and the timing of resettlement activities. Special provisions apply to consultation with Indigenous Peoples (see Performance Standard 7), as well as individuals belonging to vulnerable groups.²

² Vulnerable or "at-risk" groups includes people who, by virtue of gender, ethnicity, age, physical or mental disability, economic disadvantage or social status may be more diversely affected by displacement than others and who may be limited in their ability to claim or take advantage of resettlement assistance and related development benefits. Vulnerable groups in the context of displacement also include people living below the poverty line, the landless, the elderly, women- and children-headed households, indigenous peoples, ethnic minorities, natural resource dependent communities or other displaced persons who may not be protected through national land compensation or land titling

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For IFC's requirements and guidance on consultation and informed participation, see paragraphs 19 through 23 of Performance Standard 1 and its accompanying Guidance Note 1. Guidance for effective public consultation can be found in the IFC publication [Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets](#).

G17. Regardless of scale, involuntary resettlement may give rise to grievances among affected persons and communities over issues ranging from rates of compensation and eligibility criteria to the location of resettlement sites and the quality of services at those sites. Timely redress of grievances through an effective and transparent grievance mechanism is vital to the satisfactory implementation of resettlement and to completion of the project on schedule.

G18. The client should make every effort to resolve grievances at the community level without impeding access to any judicial or administrative remedies that may be available. The client should designate an appropriate person to receive grievances and coordinate efforts to redress those grievances through the appropriate channels, taking into consideration any customary and traditional methods of dispute resolution within the affected community. Affected individuals and communities should be informed, as part of the consultation process, of the process for registering grievances and have access to this grievance mechanism. As with the Resettlement Action Plan (see paragraph 13 of Performance Standard 5 and its accompanying Guidance Note), the scope of the grievance mechanism will vary with the magnitude and complexity of the project and its associated displacement. It should provide for fair, transparent and timely redress of grievances and provide special accommodations for women and vulnerable groups to make complaints. In addition, the grievance mechanism should enable those who feel that their grievances have not been adequately addressed to have recourse to an external, neutral person or body for reconsideration of their case. This person or body should serve in an advisory capacity so as to minimize the necessity for litigation. Nonetheless, as part of the consultation process the client should inform affected individuals and communities of their entitlements and the possibilities of administrative and legal recourse or remedies and any legal aid available to assist them. Further guidance on establishing grievance procedures can be found on page 48 of [IFC's Handbook for Preparing a Resettlement Action Plan](#).

Resettlement Planning and Implementation

11. Where involuntary resettlement is unavoidable, the client will carry out a census with appropriate socio-economic baseline data to identify the persons who will be displaced by the project, to determine who will be eligible for compensation and assistance, and to discourage inflow of people who are ineligible for these benefits. In the absence of host government procedures, the client will establish a cut-off date for eligibility. Information regarding the cut-off date will be well documented and disseminated throughout the project area.

G19. Effective resettlement planning entails compiling a census of displaced persons and an inventory of affected land and assets at the household, enterprise and community level. The date of completion of the census and assets inventory represents a cut-off date. Individuals taking up residence in the project area after the cut-off date are not eligible for compensation or

legislation. These groups should be identified through a process of Social and Environmental Assessment (Performance Standard 1). Special measures in terms of consultation and development assistance may be needed to allow such groups to participate in resettlement planning meaningfully and to benefit from development opportunities. Persons identified as vulnerable should be assisted to fully understand their options for resettlement and compensation, and encouraged to choose the option with the lowest risk.

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resettlement assistance provided that notification of the cut-off date is well documented and disseminated. Similarly, the loss of fixed assets (such as built structures, crops, fruit trees, and woodlots) established after the cut-off-date should not be compensated. Seasonal resource users may not be present in the project area during the time of the census and special consideration should be given to the claims of these communities.

12. In the case of Type I transactions (acquisition of land rights through the exercise of eminent domain) or Type II transactions (negotiated settlements) that involve the physical displacement of people, the client will develop a resettlement action plan or a resettlement framework based on a Social and Environmental Assessment that covers, at a minimum, the applicable requirements of this Performance Standard regardless of the number of people affected. The plan or framework will be designed to mitigate the negative impacts of displacement, identify development opportunities, and establish the entitlements of all categories of affected persons (including host communities), with particular attention paid to the needs of the poor and the vulnerable (see Performance Standard 1, paragraph 12). The client will document all transactions to acquire land rights, as well as compensation measures and relocation activities. The client will also establish procedures to monitor and evaluate the implementation of resettlement plans and take corrective action as necessary. A resettlement will be considered complete when the adverse impacts of resettlement have been addressed in a manner that is consistent with the objectives stated in the resettlement plan or framework as well as the objectives of this Performance Standard.

G20. A Resettlement Action Plan that is a component of the client's Action Plan should be prepared for any project that results in physical displacement, i.e., projects that involve the relocation of people from their homes. (Clients undertaking projects that entail land acquisition but require no physical displacement of people will prepare procedures for determining and awarding compensation, as outlined in paragraph 13 of Performance Standard 5 and its accompanying Guidance Note.) The scope and level of detail of the Resettlement Action Plan will vary with the magnitude of displacement and the complexity of the measures required to mitigate adverse impacts. In all cases, the Resettlement Action Plan will describe the manner in which the objectives of Performance Standard 5 will be achieved. At a minimum, the Resettlement Action Plan should: 1) identify all people to be displaced; 2) demonstrate that displacement is unavoidable; 3) describe the process of consultation with affected people regarding acceptable resettlement alternatives, and the level of their participation in the decision-making process; 4) describe the entitlements for all categories of displaced people; 5) enumerate the rates of compensation for lost assets and demonstrate that these rates are adequate, i.e., at least equal to the replacement cost of lost assets; 6) describe relocation assistance to be provided; 7) outline the institutional responsibility for the implementation of the Resettlement Action Plan and procedures for grievance redress; 8) provide details of the arrangements for monitoring and evaluation; and 9) provide a timetable and budget for the implementation of the Resettlement Action Plan. More detailed guidance can be obtained from [of IFC's Handbook for Preparing a Resettlement Action Plan](#).

G21. Women are often the first to suffer when resettlement is badly planned or executed as they are often a disproportionately large number of the poor, have more limited access to resources, opportunities and public services than men, and as a result rely more heavily on informal support networks within their existing communities. The resettlement process should specifically take into account women's situations, adapting the participation process as

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necessary to provide women a role in decision making. Women may, for example, put particular emphasis on maintaining the social continuity of the displaced community.

G22. The RAP should include measures to ensure that women are not disadvantaged in the resettlement process, are fully informed and aware of their rights, and are able to benefit equally from the resettlement opportunities and benefits, by ensuring in particular that the documentation for ownership or occupancy, such as title deeds and lease agreements, and compensation (including the bank accounts established for payment of compensation) is issued in the names of both spouses or women single head of households, as relevant to each situation, and that other resettlement assistance, such as skills training, access to credit and job opportunities are equally available to women and adapted to their needs. Under circumstances in which national law and tenure systems do not recognize the rights of women to hold or contract in property, provision should be made to ensure that the access of women to security of tenure is equivalent to that of men.

G23. A project may include subprojects or multiple components that cannot be identified at project appraisal or that may be implemented sequentially over an extended period (such as a highway project in which all interchanges have not been determined or a mining project for which land acquisition cannot be planned at one time). Under these circumstances, a Resettlement Framework should establish the principles, procedures, entitlements and eligibility criteria, organizational arrangements, arrangements for monitoring and evaluation, the framework for participation, and mechanisms for redressing grievances by which the client will abide during the project implementation. A Resettlement Action Plan consistent with this Resettlement Framework should be prepared for each subsequent subproject or project component that entails physical and/or economic displacement. The Resettlement Action Plan for each subproject or subcomponent will be reviewed and approved by IFC.

G24. Depending on the scale of a project's resettlement, it may be appropriate for the client to commission an external completion audit of the Resettlement Action Plan to determine that the provisions of the Resettlement Action Plan have been met. The completion audit should be undertaken after all inputs in the Resettlement Action Plan – including any developmental initiatives – have been completed, but well before the client's financial commitments to IFC have been met. The timing of the audit enables the client to complete corrective actions, if any, as recommended by the auditors before the project is complete. Based on the outcome of the completion audit, IFC and the client together will determine if the objectives of Performance Standard 5 have been met. In the majority of cases, the completion of corrective actions identified by the completion audit should bring the client's responsibility for resettlement, compensation, livelihood restoration and development benefits to a close.

13. In the case of Type II transactions (negotiated settlements) involving economic (but not physical) displacement of people, the client will develop procedures to offer to the affected persons and communities compensation and other assistance that meet the objectives of this Performance Standard. The procedures will establish the entitlements of affected persons or communities and will ensure that these are provided in a transparent, consistent, and equitable manner. The implementation of the procedures will be considered complete when affected persons or communities have received compensation and other assistance according to the requirements of this Performance Standard. In cases where affected persons reject compensation offers that meet the requirements of this Performance Standard and, as a result, expropriation or other legal procedures are initiated, the client will

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explore opportunities to collaborate with the responsible government agency, and if permitted by the agency, play an active role in the resettlement planning, implementation, and monitoring.

G25. In cases of land acquisition based on negotiated settlement that does not result in the physical displacement of people, the client should provide the affected people with information on current property values and methods of value appraisal. The client should document the procedures for determining and awarding compensation in a Compensation Framework that: 1) identifies all affected people; 2) provides an inventory of affected assets; 3) describes the methods applied for valuing land and other affected assets at full replacement cost; 4) indicates the rates of compensation to be paid; 5) outlines a schedule of land take and compensation payments; and 6) describes the process whereby affected people can appeal property valuations they deem to be inadequate. The client should summarize this information for public disclosure to ensure that affected people understand the land acquisition procedures and know what to expect at the various stages of the transaction (e.g., when an offer will be made to them, how long they will have to respond, grievance procedures, legal procedures to be followed if negotiations fail). The client should provide the affected communities the opportunity to participate in the negotiations based on the established procedures.

G26. Land-based compensation should be offered to affected people in cases where their livelihoods are land-based and the proposed land take is significant enough to render a land holding economically unviable. If it is not possible to offer replacement land (in cases of displaced persons under paragraph 14 (i) or 14 (ii) of Performance Standard 5), the client will provide opportunities that enable sellers of land to restore their livelihoods and standards of living to levels equivalent to, or better than, those maintained at the time of sale (see paragraphs 20 and 21 of Performance Standard 5 and their accompanying Guidance Note). A detailed action plan describing how this restoration will be achieved should be included in the Compensation Framework.

G27. If the affected people reject the client's offer of compensation that meets the requirements of Performance Standard 5 and, as a result, expropriation or other legal procedures are initiated, the affected people may be offered compensation based on the assessed value of the land, which may be less than the compensation required under Performance Standard 5. The matter may proceed to litigation and may take a number of years to be resolved. The court's final determination may confirm compensation based assessed value. Because there is a risk of impoverishment from loss to the income base or livelihood of the affected people or communities from a protracted process and depressed compensation, IFC will ascertain whether such expropriation is consistent with Performance Standard 5 by requesting information on the level of compensation offered by the government and the procedures used under such expropriation. In addition, the client should explore opportunities during these expropriation processes to play an active role in collaboration with the responsible government agency to achieve outcomes that are consistent with the Objectives of Performance Standard 5. Whether the client will be permitted to play an active role will depend in part on the applicable national law and the judicial and administrative processes and practices of the responsible government agency.

Displacement

14. *Displaced persons may be classified as persons: (i) who have formal legal rights to the land they occupy; (ii) who do not have formal legal rights to land, but have a claim to land that is recognized or recognizable under the national laws⁸; or (iii) who have no recognizable legal right or claim to the land they occupy.⁹ The census will establish the status of the displaced persons.*

15. *Land acquisition for the project may result in the physical displacement of people as well as their economic displacement. As a result, requirements for both physical displacement and economic displacement may apply.*

Physical Displacement

16. *If people living in the project area must move to another location, the client will: (i) offer displaced persons choices among feasible resettlement options, including adequate replacement housing or cash compensation where appropriate; and (ii) provide relocation assistance suited to the needs of each group of displaced persons, with particular attention paid to the needs of the poor and the vulnerable. Alternative housing and/or cash compensation will be made available prior to relocation. New resettlement sites built for displaced persons will offer improved living conditions.*

⁸ Such claims could be derived from adverse possession or from customary or traditional law.

⁹ Such as opportunistic squatters and recently arrived economic migrants who occupy land prior to the cut-off date.

G28. Where physical displacement is unavoidable, resettlement should be planned and executed in a manner that provides displaced persons with opportunities to participate in the planning and implementing of resettlement activities to improve or at least restore their standards of living. Under these circumstances, the following steps should be undertaken: 1) inform affected people of their options and entitlements concerning relocation and involve them in a process that considers alternatives to the project that minimizes displacement; 2) provide technically and economically feasible options for resettlement based on consultation with affected people and assessment of resettlement alternatives; 3) provide displaced people with prompt and effective compensation at full replacement value for any loss of assets due to project activities; 4) provide relocation assistance (see below); and 5) provide temporary housing (if necessary), permanent housing sites, and resources (in cash or in kind) for construction of permanent housing inclusive of all fees, taxes, customary tributes, and utility hook-up charges.

G29. Relocation assistance should be provided to people who are physically displaced by a project. Assistance may include transportation, food, shelter, and social services that are provided to affected people during their relocation. Additional measures, such as the provision of emergency health care, should be designed for vulnerable groups during physical relocation, particularly pregnant women, children, the elderly and the handicapped. Assistance may also include cash allowances that compensate affected people for the inconvenience associated with resettlement and defray the expenses of relocating to a new location, such as moving expenses and lost workdays.

G30. The living conditions at the new resettlement site built specifically to resettle people displaced by the project should be an improvement over conditions at the site from which the

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displaced persons were resettled. The improved living conditions to be provided under Performance Standard 5 should include improvement of one or more of these aspects of adequate housing and security of tenure described above. In particular, informal settlers without security of tenure should be provided with adequate housing and security of tenure in the new resettlement sites. Generation of improvement options and priority setting for such improvements at resettlement sites should be done with the participation of those being resettled as well as host communities as appropriate.

17. In the case of physically displaced persons under paragraph 14 (i) or (ii), the client will offer the choice of replacement property of equal or higher value, equivalent or better characteristics and advantages of location, or cash compensation at full replacement value where appropriate.¹⁰

¹⁰ Payment of cash compensation for lost assets may be appropriate where: (a) livelihoods are not land-based; (b) livelihoods are land-based but the land taken for the project is a small fraction of the affected asset and the residual land is economically viable; or (c) active markets for land, housing, and labor exist, displaced persons use such markets, and there is sufficient supply of land and housing. Cash compensation levels should be sufficient to replace the lost land and other assets at full replacement cost in local markets.

G31. Performance Standard 5 requires compensation be made for all land acquired from persons and communities having legally recognized claims to that land. This condition applies to legal owners, i.e., those who, prior to the cut-off date, have formal legal rights to land (including customary and traditional rights recognized under the laws of the country) as well as to claimants, i.e., those who, prior to the cut-off date, do not have formal legal rights to land but who have a claim to such land or assets, for example, through adverse possession (i.e., a method of acquisition of title to real property by possession for a statutory period under certain conditions), provided that such claims are recognized under the national laws.

18. In the case of physically displaced persons under paragraph 14 (iii), the client will offer them a choice of options for adequate housing with security of tenure so that they can resettle legally without having to face the risk of forced eviction. Where these displaced persons own and occupy structures, the client will compensate them for the loss of assets other than land, such as dwellings and other improvements to the land, at full replacement cost, provided that these people occupy the project area prior to the cut-off date for eligibility. Compensation in kind will be offered in lieu of cash compensation where feasible. Based on consultation with such displaced persons, the client will provide relocation assistance sufficient for them to restore their standards of living at an adequate alternative site.¹¹ The client is not required to compensate or assist those who encroach on the project area after the cut-off date.

¹¹ Relocation of informal settlers in urban areas often has trade-offs. For example, the relocated families may gain security of tenure, but they may lose advantages of location.

G32. Persons with no recognizable legal right or claim to the land they occupy are entitled to adequate housing with security of tenure. For a description of adequate housing and security of tenure, see paragraph G6. Options for providing security of tenure will depend on national law and tenure systems, but may include the following:

- a title deed to land owned by the client
- a title deed to land donated by the local government

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- communal titles
- a pay-to-own scheme sponsored by a housing agency
- a long-term leasing or occupancy arrangement
- cooperative housing

Resettlement sites should be selected for locational advantage in terms of availability of basic services and employment opportunities that enable the displaced persons to improve or at least restore their livelihoods and standards of living. Options should be generated in consultation with the displaced persons so that their priorities and preferences can be reflected in the options from which they can make a selection.

G33. Persons with no recognizable legal right or claim are not entitled to compensation for land, but they should be compensated for the structures that they own and occupy and for any other improvements to land at full replacement cost. In addition, they should be offered resettlement assistance sufficient to restore their standards of living at a suitable alternative site. Options for resettlement assistance should be generated through consultation with the displaced persons and reflect their priorities and preferences. These provisions apply to persons who are occupying the project area prior to the cut-off date.

G34. The construction or upgrading of infrastructure projects in urban settings often requires the relocation of residential and commercial structures from areas that are legally required to be free of occupants, such as rights-of-way of roads and transmission lines, sidewalks, parks, and hazardous areas. Families living or conducting businesses in these areas should be offered opportunities to move to sites that can be occupied legally. Compensation in kind that facilitates the transition to the new site (down payment for land, provision of building materials, construction of basic infrastructure at the new site, etc.) is more likely to lead to permanent housing solutions than compensation in cash. Cash payments to illegal occupants tend to be used for consumption and may also result in informal resettlement in other unsafe or public areas. The absence of opportunities to move to alternative resettlement sites may also prompt displaced persons to resettle in informal settlements elsewhere, perpetuating their informal status and potential illegal settlements in new areas. In designing resettlement plans for both legal occupants as well as informal settlers on private or public lands, clients should take care not to create economic incentives for the displaced persons to occupy public or hazardous areas or to invade and occupy privately owned land.

19. Where communities of Indigenous Peoples are to be physically displaced from their communally held traditional or customary lands under use, the client will meet the applicable requirements of this Performance Standard, as well as those of Performance Standard 7 (in particular paragraph 14).

G35. In the event that the affected communities of Indigenous Peoples are to be relocated from their communally held traditional or customary lands under their use (as described in paragraph 12 of Performance Standard 7), the client will follow the requirements under Performance Standard 7, including paragraph 14, in addition to the requirements under Performance Standard 5 that pertain to Resettlement Action Plans and implementation. Where individual members of the affected communities of Indigenous Peoples hold legal title, or where relevant national law recognizes customary rights for individuals, the requirements of Performance Standard 5 will apply, rather than those under Performance Standard 7.

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Economic Displacement

20. *If land acquisition for the project causes loss of income or livelihood, regardless of whether or not the affected people are physically displaced, the client will meet the following requirements:*

- *Promptly compensate economically displaced persons for loss of assets or access to assets at full replacement cost*
- *In cases where land acquisition affects commercial structures, compensate the affected business owner for the cost of reestablishing commercial activities elsewhere, for lost net income during the period of transition, and for the costs of the transfer and reinstallation of the plant, machinery or other equipment*
- *Provide replacement property (e.g., agricultural or commercial sites) of equal or greater value, or cash compensation at full replacement cost where appropriate, to persons with legal rights or claims to land which are recognized or recognizable under the national laws (see paragraph 14 (i) and (ii))*
- *Compensate economically displaced persons who are without legally recognizable claims to land (see paragraph 14 (iii)) for lost assets (such as crops, irrigation infrastructure and other improvements made to the land) other than land, at full replacement cost. The client is not required to compensate or assist opportunistic settlers who encroach on the project area after the cut-off date*
- *Provide additional targeted assistance (e.g., credit facilities, training, or job opportunities) and opportunities to improve or at least restore their income-earning capacity, production levels, and standards of living to economically displaced persons whose livelihoods or income levels are adversely affected*
- *Provide transitional support to economically displaced persons, as necessary, based on a reasonable estimate of the time required to restore their income-earning capacity, production levels, and standards of living*

G36. Economic displacement results from an action that interrupts or eliminates people's access to jobs or productive assets, whether or not the affected persons must move to another location. In other words, there can be economic displacement with or without physical displacement. While project-related land acquisition does not necessarily entail the relocation of people occupying or using the land, it may have an impact on the income, living standards and livelihood of people who depend on resources located in, on or around that land. For example, a farming family may lose a portion of its land to a project without having to vacate its homestead. Nevertheless, the loss of even a portion of its land may reduce the overall productivity of that farm. This threat is magnified among some agrarian populations where farm fields are typically small and often widely scattered, or those who do not own the land they cultivate.

G37. Compensation for economic displacement resulting from land acquisition should be made promptly in order to minimize adverse impacts on the income stream of those who are displaced. In the event that compensation is paid by the responsible governmental agency, the client should collaborate with the agency to help accelerate payments. Where due to government policy or practice, compensation payments cannot be made promptly, the client will explore resettlement assistance options to help the displaced people with temporary loss of income. On compensation for physical displacement, see Performance Standard 5, paragraph 16 and the accompanying guidance.

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G38. In cases where land acquisition affects commercial structures, the affected business owner is entitled to compensation for the cost of reestablishing commercial activities elsewhere, for lost net income during the period of transition, and for the costs of the transfer and reinstallation of the plant, machinery or other equipment.

G39. In addition, land acquisition may restrict a community's access to commonly held resources such as rangeland and pasture, non-timber forest resources (e.g., medicinal plants, construction and handicraft materials), woodlots for timber and fuelwood, or riverine fishing grounds. The client will provide assistance that will offset the loss of such resources to a community. Such assistance could take the form of initiatives that enhance the productivity of the remaining resources to which the community has access (e.g., improved resource management practices or inputs to boost the productivity of the resource base), in-kind or cash compensation for loss of access or provide access to alternative sources of the lost resource.³

G40. In cases where project-related land acquisition results in loss of livelihoods or income of those without any legal title or legally recognized or recognizable claim to land, they are normally entitled to a range of assistance, including compensation for lost assets and any structures on land (see the first two bullets under paragraph 20 of Performance Standard 5), as well as targeted assistance and transitional support (see the last two bullets under paragraph 20 of Performance Standard 5). The nature and extent of such assistance will in part depend on whether the livelihood of those affected is land-based, wage-based, or enterprise-based (see guidance under paragraph G6 of this Guidance Note). Land-based compensation in these circumstances does not necessarily mean title to land, but may include continued access to land to enable the affected people to maintain their land-based livelihoods. It will be necessary to tailor compensation and entitlement options to the needs of the displaced. In cases where land acquisition does not result in the loss of livelihoods or loss of income, the client will pay fair compensation for the acquired land and lost assets on such land, as appropriate, at their replacement cost.

21. Where communities of Indigenous Peoples are economically displaced (but not relocated) as a result of project-related land acquisition, the client will meet the applicable requirements of this Performance Standard, as well as those of Performance Standard 7 (in particular paragraphs 12 and 13).

G41. In the event that the affected communities of Indigenous Peoples are economically displaced as a result of project-related land acquisition, and traditional or customary lands under their use are involved (as described in paragraph 12 of Performance Standard 7), the client will follow the requirements under Performance Standard 7, including paragraph 13, in addition to the requirements under Performance Standard 5 that pertain to the requirements on Resettlement Action Plans and implementation.

Private Sector Responsibilities under Government-Managed Resettlement

22. Where land acquisition and resettlement are the responsibility of the host government, the client will collaborate with the responsible government agency, to the extent permitted

³ In rare cases, a project may result in restricted access to legally designated protected areas (e.g., national parks or other types of natural or cultural conservation areas). Under such circumstances, the client will refer to the applicable guidance provided by the World Bank Operational Procedure 4.12 on Involuntary Resettlement.

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by the agency, to achieve outcomes that are consistent with the objectives of this Performance Standard. In addition, where government capacity is limited, the client will play an active role during resettlement planning, implementation and monitoring, as described below in paragraphs 23 through 25.

23. In the case of Type I transactions (acquisition of land rights through expropriation or other legal procedures) involving physical or economic displacement, and Type II transactions (negotiated settlements) involving physical displacement, the client will prepare a plan (or a framework) that, together with the documents prepared by the responsible government agency, will address the relevant requirements of this Performance Standard (the General Requirements, except for paragraph 13, and requirements for Physical Displacement and Economic Displacement above). The client may need to include in its plan: (i) a description of the entitlements of displaced persons provided under applicable laws and regulations; (ii) the measures proposed to bridge any gaps between such entitlements and the requirements of this Performance Standard; and (iii) the financial and implementation responsibilities of the government agency and/or the client.

24. In the case of Type II transactions (negotiated settlements) involving economic (but not physical) displacement, the client will identify and describe the procedures that the responsible government agency plans to use to compensate affected persons and communities. If these procedures do not meet the relevant requirements of this Performance Standard (the General Requirements, except for paragraph 12, and requirements for Economic Displacement above), the client will develop its own procedures to supplement government action.

25. If permitted by the responsible government agency, the client will, in collaboration with such agency: (i) implement its plan or procedures established in accordance with paragraph 23 or 24 above; and (ii) monitor resettlement activity that is undertaken by the government agency until such activity has been completed.

G42. Host governments may reserve the right to manage land acquisition, compensation payments, and resettlement associated with a project. Nevertheless, the outcome of this process should be consistent with the requirements of Performance Standard 5. In such cases, clients should offer to play an active role during the preparation, implementation and monitoring of the process and should coordinate with the relevant government authorities those aspects of the process that can be facilitated more efficiently by the client or other agents such as consultants or civil society organizations. Whether the client will be permitted to play an active role will depend in part on the applicable national law and the judicial and administrative processes and practices of the responsible government agency.

G43. Because there is a risk of impoverishment from loss to the income base or livelihood of the affected people or communities from a protracted expropriation process and depressed compensation, IFC will review such expropriation to ascertain consistency with Performance Standard 5. Where IFC ascertains that the outcome of the government-managed resettlement is not likely to meet the requirements of Performance Standard 5, IFC may not proceed with the proposed financing of the project, or proceed only if its Board of Directors agrees.

G44. Under certain circumstances, a client may be provided with an unoccupied project site, unencumbered of any current claims, by a government agency or other authority. If resettlement from the site has occurred in anticipation of the project, but not immediately

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preceding project implementation, the client should make a determination as to whether those resettled were compensated in a manner consistent with the requirements of Performance Standard 5 and, if not, any corrective action is feasible to address the situation. Under such circumstances, the following factors should be considered: 1) the length of the intervening period between land acquisition and project implementation; 2) the process, laws and actions by which the resettlement was carried out; 3) the number of people affected and the significance of the impact of land acquisition; 4) the relationship between the party that initiated the land acquisition and the client; and 5) the current status and location of the people affected.

G45. Where compensation procedures are not addressed under national law or policy, the client should establish methods for determining adequate compensation and for providing adequate compensation to the affected people in the Resettlement Action Plan or Framework. Where national law or policy does not provide for compensation at full replacement cost, or where other gaps exist between national law or policy and the requirements with respect to displaced people detailed in Performance Standard 5, the client should consider alternative measures to achieve outcomes consistent with the objectives of Performance Standard 5. Such measures could range from making or arranging for the payment of supplementary allowances in cash or in kind to arranging for the provision of dedicated support services.

G46. In most cases, the client should collaborate with local government authorities in the distribution of compensation payments. Those eligible for compensation should be given advance notice of the date, time and place of payments via public announcement. Receipts should be signed by all those receiving compensation payments and retained for auditing purposes. The payment of compensation and resettlement assistance should be monitored and verified by representatives of the client as well as representatives of the affected communities, which can often include community-based organizations. It may be appropriate for the client and the government authorities to engage the services of a registered auditing firm to monitor compensation payments.

G47. Where the responsible agency will enable the client to participate in the ongoing monitoring of affected persons, the client should design and carry out a program of monitoring with particular attention to those who are poor and vulnerable so as to track their standards of living and effectiveness of resettlement compensation, assistance and livelihood restoration. The client and the responsible agency should agree to an appropriate allocation of responsibilities with respect to completion audits and corrective actions.

References

The following guidance from UN Habitat provides useful information on security of tenure and adequate housing:

- *Handbook on Best Practices, Security of Tenure and Access to Land* (UN Habitat, 2003) identifies recent innovations at the global level in the field of land management and pinpoints land tenure trends.
<http://www.unhabitat.org/list.asp?typeid=15&catid=24>
- *Global Campaign for Secure Tenure, A Tool for Advocating the Provision of Adequate Shelter for the Urban Poor* (UN Habitat, 2004) provides a framework on how to improve the conditions of people living and working in slums and informal settlements around the world. <http://hq.unhabitat.org/register/item.asp?ID=1482>

In addition, the guidance and recommendations contained in the following World Bank/IFC publications provide useful additional guidance:

- *Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets* (IFC, 2007) explains new approaches and forms of engagement with affected local communities, including guidance on grievance mechanisms.
[http://ifchg14.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_StakeholderEngagement_Full/\\$FILE/IFC_StakeholderEngagement.pdf](http://ifchg14.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_StakeholderEngagement_Full/$FILE/IFC_StakeholderEngagement.pdf)
- *Handbook for Preparing a Resettlement Action Plan* (IFC, 2001) provides step-by-step guidance through the resettlement planning process and includes practical tools such as implementation checklists, sample surveys and monitoring frameworks.
[http://ifcln1.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_resettle/\\$FILE/ResettlementHandbook.PDF](http://ifcln1.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_resettle/$FILE/ResettlementHandbook.PDF)
- *Involuntary Resettlement Sourcebook* (World Bank, 2004) provides guidance on resettlement design, implementation, and monitoring, and, it discusses resettlement issues particular to development projects in different sectors, such as urban development, natural resource management, and the building of dams.
http://publications.worldbank.org/ecommerce/catalog/product?item_id=2444882

This Guidance Note 6 corresponds to Performance Standard 6. Please also refer to the Performance Standards 1-5 and 7-8 as well as the corresponding Guidance Notes for additional information. Bibliographical information on all reference materials appearing in the text of this Guidance Note can be found in the References Section at the end.

Introduction

1. Performance Standard 6 recognizes that protecting and conserving biodiversity—the variety of life in all its forms, including genetic, species and ecosystem diversity—and its ability to change and evolve, is fundamental to sustainable development. The components of biodiversity, as defined in the Convention on Biological Diversity, include ecosystems and habitats, species and communities, and genes and genomes, all of which have social, economic, cultural and scientific importance. This Performance Standard reflects the objectives of the Convention on Biological Diversity to conserve biological diversity and promote use of renewable natural resources in a sustainable manner. This Performance Standard addresses how clients can avoid or mitigate threats to biodiversity arising from their operations as well as sustainably manage renewable natural resources.

G1. Biological diversity or biodiversity is recognized as an integrating concept that includes the ecosystems within which the people of the world live, as well as the multitude of species that are used by humankind for food, fiber, medicines, clothing and shelter. Protecting this global biodiversity from damage and conserving it for future generations is recognized as being vitally important in the [Convention on Biological Diversity](#).

Objectives

- ***To protect and conserve biodiversity***
- ***To promote the sustainable management and use of natural resources through the adoption of practices that integrate conservation needs and development priorities***

G2. The objectives of Performance Standard 6 are derived from elements of the Convention on Biological Diversity and the recognition of the important role that the private sector can play in protecting and conserving biodiversity for future generations and promoting the sustainable management and use of renewable natural resources. The sustainable management and use of renewable natural resources by the private sector should be achieved by balancing conservation and development priorities, and recognizing that this may require trade-offs on each side.

Scope of Application

2. The applicability of this Performance Standard is established during the Social and Environmental Assessment process, while implementation of the actions necessary to meet the requirements of this Performance Standard is managed through the client's Social and Environmental Management System. The assessment and management system requirements are outlined in Performance Standard 1.

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3. *Based on the Assessment of risks and impacts and the vulnerability of the biodiversity and the natural resources present, the requirements of this Performance Standard are applied to projects in all habitats, whether or not those habitats have been previously disturbed and whether or not they are legally protected.*

Requirements

Protection and Conservation of Biodiversity

4. *In order to avoid or minimize adverse impacts to biodiversity in the project's area of influence (see Performance Standard 1, paragraph 5), the client will assess the significance of project impacts on all levels of biodiversity as an integral part of the Social and Environmental Assessment process. The Assessment will take into account the differing values attached to biodiversity by specific stakeholders, as well as identify impacts on ecosystem services. The Assessment will focus on the major threats to biodiversity, which include habitat destruction and invasive alien species. When requirements of paragraphs 9, 10, or 11 apply, the client will retain qualified and experienced external experts to assist in conducting the Assessment.*

G3. As specified in Performance Standard 1, all projects with social or environmental risks and potential impacts will be subject to the Social and Environmental Assessment process. Issues regarding biodiversity and natural resource management form an integral part of the Assessment. As part of this process, the client should assess the type and importance of biodiversity present, whether at the genetic, species, or ecosystem level, and consider the potential impacts of project-related activities on it. The assessment of genetic diversity looks at the frequency and diversity of different genes and/or genomes. Species diversity means the frequency and diversity of different species, i.e., a population of organisms which are able to interbreed freely under natural conditions. Ecosystems are defined in paragraph G4 below. The client should take into account: (i) the location and scale of project activities, including those of associated facilities, and material impacts on biodiversity arising through supply chains or other third party relationships; (ii) the project's proximity to areas that have important biodiversity; and (iii) the types of technology that will be used. If risks to biodiversity are not identified through this screening, no further action for the direct identification, protection and conservation of biodiversity under Performance Standard 6 will be required.

G4. Projects that are likely to have a significant impact on biodiversity should be subject to more detailed assessment and analysis. Such further assessment and analysis should include consideration of the short-term, long-term and cumulative context of such impacts, along with evaluation of impacts on ecosystem services and natural resources. Ecosystem services are the benefits that people obtain from ecosystems, and include provisioning services (such as food, fiber, fresh water, fuel wood, biochemicals, genetic resources); regulating services (such as climate regulation, disease regulation, water regulation, water purification, degradation of pollutants, carbon sequestration and storage, nutrient cycling); and cultural services (spiritual and religious aspects, recreation and ecotourism, aesthetics, inspiration, educational values, sense of place, cultural heritage). As part of the consideration of these impacts, the client may need to consult with key stakeholders that for the purpose of Performance Standard 6 include potentially affected communities, public authorities and independent experts. General requirements and guidance on community engagement can be found in paragraphs 19 through 23 of Performance Standard 1 and its accompanying Guidance Note.

G5. When specific potential significant biodiversity impacts are identified through assessment and analysis, they should be further analyzed through specific studies. These studies should be undertaken by qualified and experienced professionals using standard sampling programs and tools. In all such cases, the client should consult with relevant national and local authorities, affected communities and biodiversity experts. IFC can provide guidance on the form and scope of such studies and consultation activities, and assist in the identification of experts.

G6. In sectors that rely on natural resources as raw materials (such as furniture manufacturing and food processing), the impacts on biodiversity may also occur at several points in the supply chain. In such situations, the client should identify any impacts caused by their commercial partners or suppliers and address them in a manner commensurate to their degree of control and influence. Additional information regarding supply chain management is provided in paragraph 6 of Performance Standard 1 and its accompanying Guidance Note.

G7. Assessment of biodiversity impacts can inform decisions on project alternatives. Alternatives may include variations in the layout of the project site, alternative engineering processes and construction practices, the selection of different sites or routing of linear facilities, and screening of suppliers to select those with appropriate environmental/social risk management systems. The Assessment should consider economic, financial, environmental and social costs and benefits and describe to which parties these accrue. Depending on the circumstances, the costs and benefits may be expressed in qualitative or quantitative terms, and the professional judgment of the balance between costs and benefits should be explained.

G8. Given the importance of biodiversity in not only environmental but also economic, social, cultural and scientific terms, the various components of biodiversity can have different values to different stakeholders, and these different values should be clarified during consultation and taken into account in the biodiversity Assessment.

G9. In projects with significant biodiversity issues (e.g. sensitive habitats or endangered species), a Biodiversity Action Plan should be prepared to highlight these issues and illustrate how they will be addressed. The Biodiversity Action Plan should be incorporated into the client's Action Plan, including any specific measures and timelines for addressing biodiversity issues, and disclosed and implemented through the client's Social and Environmental Management system consistent with the requirements of Performance Standard 1. Details on the preparation of a Biodiversity Action Plan are presented in Annex A.

Habitat

5. Habitat destruction is recognized as the major threat to the maintenance of biodiversity. Habitats can be divided into natural habitats (which are land and water areas where the biological communities are formed largely by native plant and animal species, and where human activity has not essentially modified the area's primary ecological functions) and modified habitats (where there has been apparent alteration of the natural habitat, often with the introduction of alien species of plants and animals, such as agricultural areas). Both types of habitat can support important biodiversity at all levels, including endemic or threatened species.

G10. Performance Standard 6 recognizes the need to consider impacts on biodiversity in both natural and modified habitats as modified habitats can also have significant biodiversity value, often in managed agricultural landscapes. It is in modified habitats that much private sector development takes place.

G11. In practice, natural and modified habitats exist on a continuum that ranges from completely undisturbed, pristine natural habitats at one end of the scale, through habitats with some degree of human impact, to modified habitats that are intensively managed and have an artificial assemblage of plants and animals. The identification of an area as either a natural or a modified habitat can therefore be complex and often requires professional judgment. A project may involve a mosaic of habitats that will each need to be addressed consistent with the requirements of Performance Standard 6. In recognizing and delineating natural or modified habitats, clients may need to consult suitably qualified professionals for advice. Clients should retain qualified and experienced external experts when dealing with critical habitat and legally protected areas.

G12. Annex B provides a decision framework for project siting and illustrates what should be considered 'no-go' circumstances (i.e., circumstances which would be considered as not meeting the requirements of Performance Standard 6 and therefore unlikely to be eligible for financing by IFC or others) when working in various types of habitat and legally protected areas.

Modified Habitat

6. *In areas of modified habitat, the client will exercise care to minimize any conversion or degradation of such habitat, and will, depending on the nature and scale of the project, identify opportunities to enhance habitat and protect and conserve biodiversity as part of their operations.*

G13. Modified habitat can provide living space for many species of plants and animals, even where some of the ecological services it could provide have been decreased by the changes from the original natural habitat. Clients should recognize these remaining values and avoid further disturbance where technically and financially feasible, and cost-effective. For example, on many industrial plant sites there may be wildland/wetland areas on the periphery of the sites which could be left undisturbed as a buffer zone, or enhanced through planting of native species and removal of alien invasive species.

Natural Habitat

7. *In areas of natural habitat, the client will not significantly convert or degrade¹ such habitat, unless the following conditions are met:*

- ***There are no technically and financially feasible alternatives***
- ***The overall benefits of the project outweigh the costs, including those to the environment and biodiversity***
- ***Any conversion or degradation is appropriately mitigated***

8. *Mitigation measures will be designed to achieve no net loss of biodiversity where feasible, and may include a combination of actions, such as:*

- ***Post-operation restoration of habitats***

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- ***Offset of losses through the creation of ecologically comparable area(s) that is managed for biodiversity²***
- ***Compensation to direct users of biodiversity***

¹ Significant conversion or degradation is: (i) the elimination or severe diminution of the integrity of a habitat caused by a major, long-term change in land or water use; or (ii) modification of a habitat that substantially reduces the habitat's ability to maintain viable population of its native species.

² Clients will respect the ongoing usage of such biodiversity by Indigenous Peoples or traditional communities.

G14. Performance Standard 6 requires that any significant conversion or degradation of natural habitat that could occur should be avoided (e.g., through project relocation or re-routing). Where avoidance is not possible, such conversion or degradation should be restricted to cases where it can be demonstrated that there are no technically and financially feasible alternatives, where the benefits of the project outweigh the costs, and where the conversion or degradation is reduced (e.g., through minimizing land take) or mitigated, in a manner appropriate to the circumstances of the particular project.

G15. Mitigation measures should be developed to address the potential impacts on biodiversity identified in the Social and Environmental Assessment. Mitigation measures should be designed to achieve no net loss of biodiversity and favor impact avoidance and prevention over reduction and compensation. Mitigation measures may include a combination of actions, such as:

- Restoring impacted areas with appropriate native species and consistent with local ecological conditions
- Offsetting biodiversity losses through the creation of ecologically comparable area(s) elsewhere (comparable in size, quality and function) that is managed for biodiversity
- Financial or in-kind compensation to direct users of biodiversity

G16. In all cases, mitigation measures should be defined in the Action Plan and supported by adequate financial resources from the client and, if necessary, supplemented by other financial sources, such as donor funds. The client should identify roles and responsibilities for itself and any third party for mitigation monitoring arrangements.

G17. Of the key stages of a project, the construction phase can be particularly damaging to natural habitat. Therefore, the client should give specific attention to impacts likely to arise at this stage.

Critical Habitat

9. ***Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value³, including habitat required for the survival of critically endangered or endangered species;⁴ areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species or which are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic or cultural importance to local communities.***

10. *In areas of critical habitat, the client will not implement any project activities unless the following requirements are met:*

- *There are no measurable adverse impacts on the ability of the critical habitat to support the established population of species described in paragraph 9 or the functions of the critical habitat described in paragraph 9*
- *There is no reduction in the population of any recognized critically endangered or endangered species⁵*
- *Any lesser impacts are mitigated in accordance with paragraph 8*

³ Such as areas that meet the criteria of the World Conservation Union (IUCN) classification.

⁴ As defined by the IUCN Red List of Threatened Species or as defined in any national legislation.

⁵ As defined by the IUCN Red List of Threatened Species or as defined in any national legislation.

G18. Critical habitat is a subset of both natural and modified habitat and is determined by the presence of high biodiversity value based on one or more of the following criteria:

- i) large numbers of endemic or restricted-range species found only in a specific area
- ii) the presence of known critically endangered or endangered species
- iii) habitat that is required for the survival of particular migratory species or to support globally significant concentrations or numbers of individuals of congregatory species
- iv) unique assemblages of species that cannot be found anywhere else
- v) areas that have key scientific value due to the evolutionary or ecological attributes present
- vi) areas that include biodiversity that has significant social, cultural or economic importance to local communities
- vii) areas recognized as particularly important for the protection of ecosystem services (such as aquifer protection).

Since the determination of critical habitat requires professional expertise and judgment, clients should retain suitably qualified external experts to provide assistance.

G19. Project activities should only be conducted in critical habitat if it can be demonstrated that they will not have a measurable adverse impact on the ability of the critical habitat to maintain its high biodiversity value. The probability of measurable adverse impacts on critical habitat would be determined through a detailed biodiversity assessment. The assessment, using objective data, scientific methodology and analysis, would determine whether the project would result in a quantifiable reduction in endangered or critically endangered species either directly or indirectly through habitat destruction. Such quantification would describe a high probability adverse outcome in terms expected reductions in population numbers, habitat carrying capacity or other relevant parameters.

G20. Clients should not reduce the populations of any species recognized as critically endangered or endangered (in accordance with the [IUCN Red List](#), or any national list designated by the host government). Critically endangered or endangered species are species that are under threat of extinction. In addition to the IUCN Red List, The World Conservation Union (IUCN) provides useful information on protected areas, conservation and biodiversity expertise, and other biodiversity and natural resources issues and has developed guidelines on

protected areas including an outline of distinct categories of protected areas. These and other sources of information can be found in the References Section.

Legally protected Areas

11. In circumstances where a proposed project is located within a legally protected area,⁶ the client, in addition to the applicable requirements of paragraph 10 above, will meet the following requirements:

- ***Act in a manner consistent with defined protected area management plans***
- ***Consult protected area sponsors and managers, local communities, and other key stakeholders on the proposed project***
- ***Implement additional programs, as appropriate, to promote and enhance the conservation aims of the protected area***

⁶ An area may be designated as legally protected for different purposes. This Performance Standard refers to areas legally designated for the protection or conservation of biodiversity, including areas proposed by governments for such designation.

G21. Performance Standard 6 specifies additional measures for projects located in legally protected areas and areas officially proposed for protection. The client should ensure that project activities are consistent with any national land use, resource use, and management criteria (including Protected Area Management Plans, National Biodiversity Action Plans or similar documents). This will entail securing the necessary approvals from the responsible government agencies, and consulting with protected area sponsors and the local communities, including communities of Indigenous Peoples, and other key stakeholders. Additional requirements and guidance for appropriate consultation are outlined in paragraphs 19 through 23 of Performance Standard 1, Performance Standard 7 with respect to Indigenous Peoples, and Performance Standard 8 with respect to cultural heritage, and the accompanying Guidance Notes.

G22. In the event that a project is proposed inside a protected area, it should bring financial or other tangible benefits to the protected area such that the conservation role of the protected area is enhanced and there are clear conservation advantages gained by the presence of the project. This can be achieved through implementing programs that, for example, provide support for park management, address alternative livelihoods for local residents, or carry out research needed for the conservation aims of the protected area.

Invasive Alien Species

12. Intentional or accidental introduction of alien, or non-native, species of flora and fauna into areas where they are not normally found can be a significant threat to biodiversity, since some alien species can become invasive, spreading rapidly and out-competing native species.

13. The client will not intentionally introduce any new alien species (not currently established in the country or region of the project) unless this is carried out in accordance with the existing regulatory framework for such introduction, if such framework is present, or is subject to a risk assessment (as part of the client's Social and Environmental Assessment) to determine the potential for invasive behavior. The client will not deliberately introduce any alien species with a high risk of invasive behavior or any known

invasive species, and will exercise diligence to prevent accidental or unintended introductions.

G23. An alien plant or animal species is one that is introduced beyond its original range of distribution. Invasive alien species are alien species that may become invasive or spread rapidly by out-competing other native plants and animals when they are introduced into a new habitat that lacks their traditional controlling factors. Invasive alien species are now recognized to be a major threat to biodiversity globally.

G24. The introduction of any new alien species as part of the client's operations should be assessed for compliance with the existing host country regulatory framework for such introductions. If such a regulatory framework does not exist in the host country, the client should assess the potential impacts of the introduction as part of the client's Assessment, as explained, paying specific attention to the potential for invasive behavior, and identify any appropriate mitigation measures to be included as part of the Biodiversity Action Plan.

G25. If not regulated under applicable laws or international agreements, clients engaged in shipping and other transportation sectors should identify and implement specific procedures in the Action Plan and exercise diligence to prevent the accidental transportation and introduction of invasive alien plants and animals.

G26. Genetically-modified organisms, or GMOs (also known as Living Modified Organisms or LMOs), can also be considered to be alien species, with similar potential for invasive behavior as well as potential for gene flow to related species. Any new introduction of such organisms should be assessed in a manner consistent with the approach described in paragraph G24 above, with due regard to the [Cartagena Protocol on Biosafety](#) (see the Reference section of this Guidance Note).

Management and Use of Renewable Natural Resources

14. The client will manage renewable natural resources in a sustainable manner.⁷ Where possible, the client will demonstrate the sustainable management of the resources through an appropriate system of independent certification.⁸

15. In particular, forests and aquatic systems are principal providers of natural resources, and need to be managed as specified below.

⁷ Sustainable resource management is the management of the use, development and protection of resources in a way, or at a rate, which enables people and communities, including Indigenous Peoples, to provide for their present social, economic and cultural well-being while also sustaining the potential of those resources to meet the reasonably foreseeable needs of future generations and safeguarding the life-supporting capacity of air, water and soil ecosystems.

⁸ An appropriate certification system would be one which is independent, cost-effective, based on objective and measurable performance standards and developed through consultation with relevant stakeholders, such as local people and communities, indigenous peoples, civil society organizations representing consumer, producer, and conservation interests. Such a system has fair, transparent, independent decision-making procedures that avoid conflicts of interest.

G27. In situations where renewable natural resources are harvested directly by the client, the client should demonstrate that such resources are being managed in a sustainable fashion. For some resources, such as forests, this can be demonstrated by independent certification according to a certification scheme that meets the requirements under Performance Standard 6 and deemed acceptable by IFC, as outlined in Annex C. In the absence of a suitable certification system for other types of resources, sustainable natural resource management can be demonstrated through an independent evaluation of the client's management practices or an independent evaluation of the status of the resource populations in question. Additional detail on certification requirements is presented in Annex C.

G28. A number of international multistakeholder initiatives are underway in large commodity sectors, such as palm oil, soy and sugarcane, with the objective of making these sectors more sustainable throughout their supply chain. These initiatives aim to set performance targets for the sector, identifying and promoting better management practices. Being a member of the roundtables help companies improve their environmental and social performance, reduce production costs, improve supply security, and calculate and manage risk. The initiatives are intended to be voluntary in nature (not required by Performance Standard 6), and supplement any existing government regulations. IFC is a member of, and supports, the commodity roundtables of palm oil (RSPO - Roundtable on Sustainable Palm Oil), soy beans (RTRS - Round Table on Responsible Soy) and sugarcane (BSI - Better Sugarcane Initiative). See the "Reference Materials" section of this document for links to the initiative websites.

Natural and Plantation Forests

16. Clients involved in natural forest harvesting or plantation development will not cause any conversion or degradation of critical habitat. Where feasible, the client will locate plantation projects on unforested land or land already converted (excluding land that is converted in anticipation of the project). In addition, the client will ensure that all natural forests and plantations over which they have management control are independently certified as meeting performance standards compatible with internationally accepted principles and criteria for sustainable forest management.⁹ Where a pre-assessment determines that the operation does not yet meet the requirements of such an independent forest certification system, the client will develop and adhere to a time-bound, phased action plan for achieving such certification.

⁹ See footnote 7.

G29. In order to prevent the conversion or degradation of critical habitat, the client should (i) not harvest timber or non-timber forest products from, or otherwise disturb, any critical habitat (such as through road building or processing facilities); and (ii) obtain independent certification of forestry operations owned or managed over a long-term through a concession or similar arrangement by the client. Criteria on which to base an assessment of a certification system (including the defined standards of responsible forest management) are presented in Annex C.

G30. Clients who purchase timber or non-timber forest products from third parties, such as wholesalers, retailers or independent harvesting companies, should seek to ensure to the extent possible that such timber or non-timber forest products are independently certified as being sourced from sustainably managed forests. Recognizing that in many circumstances the client may have little or no leverage over the management of the forests from which these timber or

non-timber forest products are sourced, the client should, as a minimum, implement policies and procedures to ensure that such timber or non-timber forest products are at least legally produced and traded. Implementation of a policy for the preferential purchasing of certified timber or non-timber forest products will also help meet the requirements of this Performance Standard.

G31. If certified timber or non-timber forest products are available, the client should obtain chain-of-custody certification to demonstrate that the integrity of the certified timber is maintained throughout its processing.

G32. Wherever feasible, the client should site plantation projects on unforested land or land that has been already converted. The client should not establish plantation forests in critical habitat, and should not adversely impact any adjacent or downstream critical habitat. Therefore, prior to establishing a plantation, the client should assess the proposed plantation location in order to identify any critical habitat, and prepare and implement a plan to manage and conserve any such areas under the client's control. The client should only convert non-critical habitat if it is allowed by host country laws and regulations and is consistent with the requirements of Performance Standard 6 and the outcome and recommendations of the Assessment. Certification of sustainable forestry management on timber plantations is required under the same conditions as those described for natural forests.

Freshwater and Marine Systems

17. *Clients involved in the production and harvesting of fish populations or other aquatic species must demonstrate that their activities are being undertaken in a sustainable manner, through application of an internationally accepted system of independent certification, if available, or through appropriate studies carried out in conjunction with the Social and Environmental Assessment process.*

G33. In order to prevent the over-harvesting of wild fish, shellfish stocks, and other marine or freshwater resources (e.g., algae, other invertebrates, corals) and the conversion of or damage to aquatic habitats, the client should: (i) not harvest aquatic products from, or otherwise disturb, any critical habitat; and (ii) obtain independent certification, if available, that they meet acceptable standards of responsible management and harvesting for that resource. Criteria on which to base an assessment of a certification system are presented in Annex C.

Annex A
Biodiversity Action Plans

In situations where there are recognized to be significant biodiversity issues associated with an investment, the preparation of a Biodiversity Action Plan is a valuable process which focuses the client's attention on the details of identifying and handling biodiversity issues in a comprehensive fashion. The Plan is usually carried out as an integral part of the project's Social and Environmental Assessment, and integrated into the assessment documentation. The Plan will:

- Assess how proposed activities affect biodiversity and renewable natural resources
- Determine how biodiversity and renewable natural resources can be managed as part of the client's activities and how adverse impacts can be mitigated
- Identify responsibilities (internally and externally) and resources for management and mitigation

The scope and the content of the Plan will vary, depending on the size and scale of the business and the physical location in which it is operating. The scale, depth and complexity of the Plan will therefore be defined on a case-by-case basis, but the following components should be present in all Plans.

Baseline Review and Impact Assessment: Baseline review involves the collection of relevant information. This phase should customarily be integrated into the Assessment process, as per Performance Standard 1. The review should consider:

- What biological and other natural resources will be affected by the proposed activity (including short-term, long term and cumulative impacts)
- Who has legitimate interests in and responsibilities for these resources, and who represents those interests
- Whether there are there already biodiversity (or other natural resources) management plans that cover the area of operations
- What the key environmental and social issues are for the area (and whether these will affect biodiversity plans that the client is developing)

In situations where projects are being developed in locations where little is known about the range and importance of biodiversity, but where it is likely to be significant, a rapid assessment program may be appropriate. Rapid appraisals are increasingly used as the first stage of a comprehensive biodiversity assessment. They utilize a combination of international and local expertise to undertake an initial assessment of the biological value of poorly known areas (including assessment of the value of biodiversity to local communities, Indigenous Peoples, and other resource dependent peoples).

Defining Scope of the Plan: When sufficient information on biodiversity and natural resources has been gathered and agreement has been reached on the likely impacts of client operations, as well as an understanding of wider impacts on natural resources that may become apparent, the client must decide the scope and scale of the plan, and its timescale. This will be informed by a range of factors including:

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- Regulatory and compliance expectations
- Business drivers - for example the Plan might be influenced by the need to ensure raw material supply or services (including water and soil), address reputational risks or secure and maintain a local license to operate
- The need to engage and consult with other stakeholders (particularly local communities) who use or have interests in the biodiversity and natural resources that will be affected by client operations

Clients will need to demonstrate how they will avoid significant adverse impacts (demonstrating compliance with IFC's performance standards should ensure this). Impacts should be avoided where possible, reduced and mitigated where avoidance is not practical, and offset where impacts are unavoidable (offsetting might include purchase and management of other areas that have similar biodiversity). Opportunities for enhancing biodiversity (through active management of natural habitats) should also be considered, as appropriate to the specific circumstances.

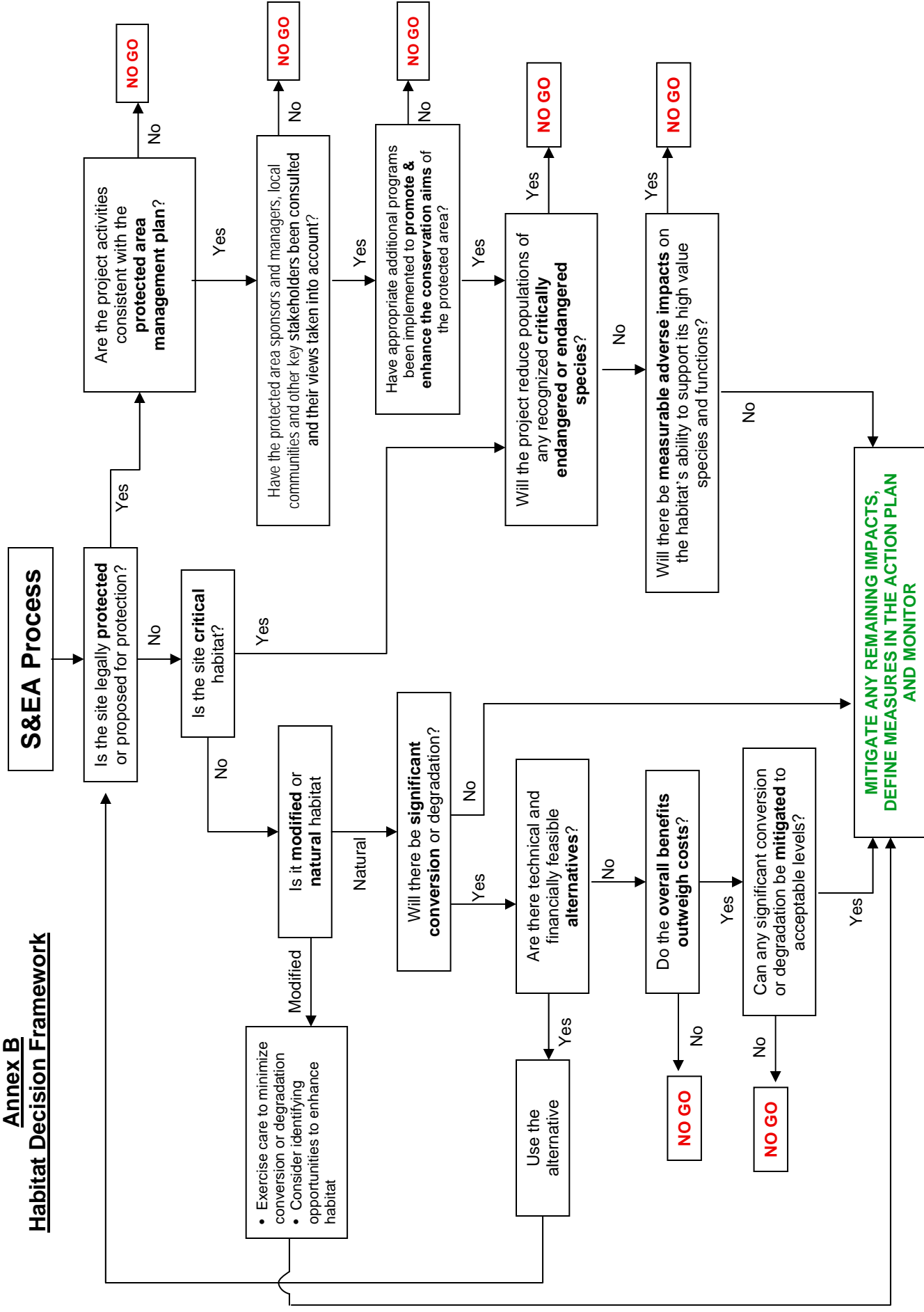
Establishment of Objectives, Targets, and Responsibilities: The Plan should identify detailed objectives and targets which specify the desired outcomes. Targets should be prioritized, discussed with relevant stakeholders, realistic and time-bound. Clients may choose to use indicators to monitor progress towards targets and objectives as well as to measure performance in their achievement. Indicators can be set at site and company levels depending on needs. Site-based indicators are used for measuring impacts in and around project sites and reporting on the impact of biodiversity management efforts at specific locations or as part of specific business activities (e.g., impacts of supply chains). Company-level indicators may reflect a more process-oriented set of targets—such as the delivery of strategic policy commitments (e.g., training programs for staff, number of sites with active biodiversity action plans).

Overall, the indicators should have the following attributes:

- Focus on factors that have the greatest impacts on biodiversity (these may be direct or indirect impacts)
- Reflect the key risk management needs of the site or the company's operations
- Reflect both positive and negative impacts
- Be quantitative where possible and be practical in terms of the collection of data/monitoring

Biodiversity objectives should, to the extent possible, be aligned with and integrated into wider business objectives and targets. The "mainstreaming" of biodiversity objectives increases the likelihood of their successful implementation and ensures that biodiversity impacts which will affect business prospects and the long term viability of client operations are seen as an integral part of core business decision-making. Responsibilities for specific outcomes and reporting lines need to be defined. Where there is an existing social and environmental management system, there will be opportunities to explore how biodiversity objectives and targets can be integrated into the existing social and environmental management system since this can increase cost efficiencies and effective delivery of biodiversity objectives and targets.

Annex B



Annex C
Certification of Natural Resource Management

Independent certification of sustainable resource management is a valuable tool for clients to demonstrate that they are meeting high standards for resource management. A variety of certification systems have been or are now in a state of active development.

General IFC Requirements: When IFC requires that a sponsor demonstrate compliance through certification, generally the certification system should:

- Be independent, cost-effective, and based on objective and measurable performance standards that are defined at the national level and are compatible with internationally accepted principles and criteria for responsible management and use
- Require independent, third-party assessment of management performance
- Have standards which are developed through a process of consultation and dialogue that included representatives from the private, public and civil society sectors
- Have decision-making procedures which are fair, transparent, independent, and designed to avoid conflicts of interest

In the absence of an acceptable certification system operational for the particular resource in the country concerned, the client should:

- Commit to operating in a fashion consistent with accepted international principles or practice, as shown through regular independent audits against a generic set of principles and criteria acceptable to IFC
- Actively engage in the development of a national standard, to the extent appropriate for the client
- Commit to achieving certification when an acceptable certification system is developed for the resource and country concerned

If an acceptable certification system exists, but the client does not meet the requirements for certification, the client will commit to improving its operations to meet the certification requirements, and will provide a time-bound, phased action plan acceptable to IFC so that it meets the requirements for certification within a set period of time.

Forests and Plantations: Certification processes are currently most advanced within the forest products sector. This sector is most likely to rely on certification to demonstrate that its operations meet the IFC requirements. To be acceptable to IFC, forest certification systems must meet the general requirements listed above. In addition, forest certification systems should include the following aspects:

- Compliance with relevant law
- Respect for any customary land tenure and use rights of Indigenous Peoples
- Respect for the rights of workers for the forest enterprise, including sub-contracted workers, and compliance with occupational health and safety measures (consistent with the requirements in Performance Standard 2)

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- Incorporation of measures to maintain or enhance sound and effective community engagement, including an appropriate level of engagement with relevant stakeholders
- The conservation of biodiversity, including protection of endangered species and ecological functions
- Inclusion of measures to maintain or enhance environmentally-sound multiple benefits accruing from the forest
- Prevention or minimization of adverse environmental and social impacts of forest use
- Effective forest management planning
- Active monitoring and assessment of relevant forest management areas
- Maintenance of critical habitat affected by the forestry operations

Marine and Freshwater Resource Harvesting: Certification systems for capture fisheries and aquaculture operations are under development or in the early stages of implementation. To be acceptable to IFC, certification systems for such natural resources should meet the general requirements listed above, along with requirements for the specific natural resource comparable to those for Forests and Plantations.

References

Several of the requirements set out in the Performance Standard relate to standards set by the following international agreements:

- *Convention on Biological Diversity* (1992) - provides information on the convention, lists of signatory nations and biodiversity experts and other useful information. <http://www.biodiv.org/default.aspx>
- *Ramsar Convention* - The Convention on Wetlands, Iran (1971), is an intergovernmental treaty which provides the framework for national action and international cooperation for the conservation and wise use of wetlands and their resources. There are presently 140 Contracting Parties to the Convention, with 1374 wetland sites, totaling 121.4 million hectares, designated for inclusion in the Ramsar List of Wetlands of International Importance. <http://www.ramsar.org/>
- *CITES* - The Convention on International Trade in Endangered Species of Wild Fauna and Flora is an international agreement aimed at ensuring that international trade in specimens of wild animals and plants does not threaten their survival. Around 25,000 plant species and 5,000 animal species are covered by the provisions of the Convention. The CITES website provides substantial resources on endangered species. <http://www.cites.org/index.html>
- *World Heritage Convention* - The Convention Concerning the Protection of World Cultural and Natural Heritage (UNESCO, 1972). It aims to identify and conserve the world's cultural and natural heritage. Its World Heritage List contains sites of outstanding cultural and natural value. www.unesco.org/whc
- *Convention on Migratory Species (Bonn Convention)* – The Convention on Migratory Species (CMS) is an intergovernmental treaty which aims to conserve terrestrial, marine and avian migratory species throughout their range. The CMS website includes information on species covered by the Convention and on other supporting international agreements. <http://www.cms.int/index.html>
- *Cartagena Protocol on Biosafety* – The Cartagena Protocol is an international agreement on biosafety, as a supplement to the Convention on Biological Diversity. <http://www.cbd.int/biosafety/default.shtml>

In addition, the guidance and recommendations issued by the following organizations provide useful information:

- *A Guide to the Convention on Biological Diversity (IUCN)* – provides analysis on the Convention for those involved in the implementation of the Convention
Glowka, L, et al., (1994), *A Guide to the Convention on Biological Diversity*, IUCN Gland and Cambridge. xii + 161pp., 2nd printing 1996
- *World Conservation Union (IUCN)* -- provides useful information on endangered species (<http://www.redlist.org/>), protected areas (<http://www.iucn.org/themes/wcpa/>),

conservation and biodiversity expertise and other biodiversity and natural resources issues.

- *World Conservation Union (IUCN)* -- The IUCN Guidelines for Protected Area Management Categories (1994) also provides useful information on protected areas and outlines a number of distinct categories of protected areas.
<http://app.iucn.org/dbtw-wpd/edocs/1994-007-En.pdf>
- *World Conservation Monitoring Centre (WCMC)* – provides information on biodiversity, habitats and species, as well as protected areas, conservation legislation and related issues. <http://www.unep-wcmc.org/>
- *Global Environment Facility (GEF)*, established in 1991, helps developing countries fund projects and programs that protect the global environment. GEF grants support projects related to biodiversity, climate change, international waters, land degradation, the ozone layer, and persistent organic pollutants. IFC works with GEF to assist IFC clients to protect and enhance global biodiversity benefits associated with their operations. <http://www.gefweb.org/>
- The *Global Invasive Species Programme (GISP)* was established in 1997 to address global threats caused by Invasive Alien Species (IAS), and to provide support to the implementation of Article 8(h) of the Convention on Biological Diversity. GISP maintains a website with links to databases and related information on invasive species. www.gisp.org
- The *World Bank-WWF Alliance for Forest Conservation and Sustainable Use* maintains a website which includes information on the identification and conservation of high conservation value forests and forest certification systems.
www.forest-alliance.org
- *Birdlife International* – Birdlife International is a global partnership of conservation organizations that focuses on conservation of birds, bird habitat and global biodiversity. Birdlife International makes available data on endangered bird species and important bird areas through its publications and on-line database. <http://www.birdlife.org/>
- *FAO – Food and Agriculture Organization of the United Nations* – FAO is the UN agency which specializes in agriculture, forestry and fisheries. Their website provides information on biodiversity aspects in food and agriculture, including aspects related to agro-ecosystems and biotechnology. <http://www.fao.org/biodiversity/>
- The International Association for Impact Assessment (IAIA) provides a variety of resources on the impact assessment process, including a special publication on Biodiversity in Impact Assessment. <http://www.iaia.org/>
- *IFC's Biodiversity Guide* - provides further information to guide IFC clients in the development of Biodiversity Action Plans and also provides further information on how businesses can address biodiversity in their business activities.
<http://www.ifc.org/ifcext/enviro.nsf/Content/BiodiversityGuide>

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- The *HCV High Conservation Value Resource Network* - developed by WWF, provides useful tools and information in assessing conservation value and critical habitats.
<http://www.hcvnetwork.org/>

- See the following websites for additional information on commodity roundtables:

Better Sugarcane Initiative (BSI)

<http://www.bettersugarcane.org/>

Round Table on Responsible Soy (RTRS)

<http://www.responsiblesoy.org/>

Roundtable on Sustainable Palm Oil (RSPO)

<http://www.rspo.org/>

This Guidance Note 7 corresponds to Performance Standard 7. Please also refer to the Performance Standards 1-6 and 8 as well as the corresponding Guidance Notes for additional information. Bibliographical information on all reference materials appearing in the text of this Guidance Note can be found in the References Section at the end.

Introduction

1. *Performance Standard 7 recognizes that Indigenous Peoples, as social groups with identities that are distinct from dominant groups in national societies, are often among the most marginalized and vulnerable segments of the population. Their economic, social and legal status often limits their capacity to defend their interests in, and rights to, lands and natural and cultural resources, and may restrict their ability to participate in and benefit from development. They are particularly vulnerable if their lands and resources are transformed, encroached upon by outsiders, or significantly degraded. Their languages, cultures, religions, spiritual beliefs, and institutions may also be under threat. These characteristics expose Indigenous Peoples to different types of risks and severity of impacts, including loss of identity, culture, and natural resource-based livelihoods, as well as exposure to impoverishment and disease.*

2. *Private sector projects may create opportunities for Indigenous Peoples to participate in, and benefit from, project-related activities that may help them fulfill their aspiration for economic and social development. In addition, this Performance Standard recognizes that Indigenous Peoples may play a role in sustainable development by promoting and managing activities and enterprises as partners in development.*

Objectives

- *To ensure that the development process fosters full respect for the dignity, human rights, aspirations, cultures and natural resource-based livelihoods of Indigenous Peoples*
- *To avoid adverse impacts of projects on communities of Indigenous Peoples, or when avoidance is not feasible, to minimize, mitigate, or compensate for such impacts, and to provide opportunities for development benefits, in a culturally appropriate manner*
- *To establish and maintain an ongoing relationship with the Indigenous Peoples affected by a project throughout the life of the project*
- *To foster good faith negotiation with and informed participation of Indigenous Peoples when projects are to be located on traditional or customary lands under use by the Indigenous Peoples*
- *To respect and preserve the culture, knowledge and practices of Indigenous Peoples*

G1. IFC recognizes that the rights of Indigenous Peoples are being addressed under both national and international law. Under international law, key UN human rights conventions (see the References section below) form the core of international instruments that provide the rights framework for the world's indigenous peoples. In addition, some countries have passed legislation or ratified other international or regional conventions for the protection of Indigenous Peoples, such as [ILO Convention 169](#), ratified by 17 countries (see [ILO 169 and the Private Sector](#), IFC's practical guide for IFC clients who operate in countries that have ratified ILO 169).

While such legal instruments establish responsibilities of states, it is increasingly expected that private sector companies conduct their affairs in a way that would uphold these rights and not interfere with states' obligations under these instruments. It is in recognition of this emerging business environment that IFC expects that private sector projects financed by IFC foster full respect for the dignity, human rights, aspirations, cultures and customary livelihoods of Indigenous Peoples.

G2. The objectives of Performance Standard 7 also underscore the need to avoid adverse project impacts on Indigenous Peoples' communities living in the project's area of influence, or where avoidance is not feasible, to minimize, mitigate or compensate for such impacts through mechanisms that are tailored to their specific cultural characteristics and expressed needs of the Indigenous Peoples, in a manner commensurate with the scale of project risks and impacts.

G3. The client and the affected communities of Indigenous Peoples should establish an ongoing relationship throughout the life of the project. To this end, Performance Standard 7 requires the client to engage in a process of free, prior and informed consultation and informed participation. In the high risks scenarios described in the paragraphs 11 through 15 of Performance Standard 7, the client's engagement process will include a good faith negotiation (see paragraph G24 below) and documentation of the successful outcome of such negotiation. Taking into account the Indigenous Peoples' understanding of the changes brought about by a project helps to identify both positive and negative project impacts. Similarly, the effectiveness of impact avoidance and mitigation and compensation measures is enhanced if the points of views of affected Indigenous Peoples are taken into consideration and form part of the decision-making process.

G4. Many Indigenous Peoples' cultures and identities are inextricably linked to the lands on which they live and the natural resources on which they depend. In many cases, their cultures, identities, traditional knowledge and oral histories are connected to, and maintained through the use of and relationships with, these lands and natural resources. These lands and resources may be sacred or have a spiritual significance. Use of sacred sites and other places of cultural significance may have important functions for the conservation and sustainable use of the natural resources upon which Indigenous Peoples rely for their livelihoods and well-being. Thus, project impacts on lands, forests, water, wildlife, and other natural resources may affect their institutions, livelihoods, economic development, and their ability to maintain and develop their identities and cultures. Performance Standard 7 sets out specific requirements when projects affect these relationships.

Scope of Application

3. The applicability of this Performance Standard is established during the Social and Environmental Assessment process, while implementation of the actions necessary to meet the requirements of this Performance Standard is managed through the client's Social and Environmental Management System. The assessment and management system requirements are outlined in Performance Standard 1.

4. There is no universally accepted definition of "Indigenous Peoples". Indigenous Peoples may be referred to in different countries by such terms as "Indigenous ethnic

minorities,” “aboriginals,” “hill tribes,” “minority nationalities,” “scheduled tribes,” “first nations,” or “tribal groups.”

5. *In this Performance Standard, the term “Indigenous Peoples” is used in a generic sense to refer to a distinct social and cultural group possessing the following characteristics in varying degrees:*

- *Self-identification as members of a distinct indigenous cultural group and recognition of this identity by others*
- *Collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories*
- *Customary cultural, economic, social, or political institutions that are separate from those of the dominant society or culture*
- *An indigenous language, often different from the official language of the country or region*

6. *Ascertaining whether a particular group is considered as Indigenous Peoples for the purpose of this Performance Standard may require technical judgment.*

G5. Over the past 20 years, “indigenous peoples” has emerged as a distinct category of human societies under international law and in the national legislation of many countries. However, there is no internationally accepted definition of “indigenous peoples.” For this reason, Performance Standard 7 does not define “Indigenous Peoples” but the applicability of Performance Standard 7 is determined on the basis of the four characteristics presented in paragraph 5 of Performance Standard 7. Each characteristic is evaluated independently, and no characteristic weighs more than the others. In addition, Performance Standard 7 applies to groups or communities, rather than individuals.

G6. Clients will need to exercise judgment in determining whether a group or communities should be considered Indigenous for the purpose of Performance Standard 7. In making this determination, the client may undertake a number of activities, including ethnographic and archival research, participatory approaches with the affected communities of Indigenous Peoples, assessment of the traditional institutions, and investigation of the applicable national laws and regulations, including customary laws, and laws reflecting host country obligations under international law. The client should retain qualified social scientists to carry out this work.

G7. As part of its social and environmental review process, IFC will form its own professional judgment on the applicability of Performance Standard 7 on the basis of evidence presented by the client and its own due diligence. IFC will consult with the World Bank from time to time on developments in national and international law and the consistent application of the definition of Indigenous Peoples to particular group or community of people.

G8. Clients should be aware that Performance Standard 7 may apply to communities of Indigenous Peoples who have lost collective attachment to lands and territories in the project area of influence as a result of forced severance that occurred within the Indigenous Peoples’ lifetime, because of conflict, involuntary resettlement programs by governments, dispossession from their lands, or natural calamities, if they are expected to be adversely affected by the project.

G9. Performance Standard 7 applies to communities of Indigenous Peoples who no longer live on the lands affected by the project, but who still retain ties to those lands through customary usage, including seasonal or cyclical use.

G10. Performance Standard 7 addresses vulnerabilities pertinent to Indigenous Peoples. Other vulnerable groups affected economically, socially or environmentally by project impacts are addressed through the process of Social and Environmental Assessment and management of social and environmental impacts set out in Performance Standard 1 and Guidance Note 1.

Requirements

General Requirements

Avoidance of Adverse Impacts

7. The client will identify through a process of Social and Environmental Assessment all communities of Indigenous Peoples who may be affected by the project within the project's area of influence, as well as the nature and degree of the expected social, cultural (including cultural heritage¹), and environmental impacts on them, and avoid adverse impacts whenever feasible.

8. When avoidance is not feasible, the client will minimize, mitigate or compensate for these impacts in a culturally appropriate manner. The client's proposed action will be developed with the informed participation of affected Indigenous Peoples and contained in a time-bound plan, such as an Indigenous Peoples Development Plan, or a broader community development plan with separate components for Indigenous Peoples consistent with the requirements of paragraph 9.²

¹ Additional client requirements on protection of cultural heritage are set out in Performance Standard 8.

² The determination of the appropriate plan will require technical judgment. A community development plan may be appropriate when Indigenous Peoples are integrated into larger affected communities.

G11. The screening phase of the Assessment should identify the existence of communities of Indigenous Peoples in the project's area of influence (as defined in paragraph 5 of Performance Standard 1) that may be potentially affected by the client's project. If the screening indicates potentially adverse impacts on Indigenous Peoples, further analysis should be undertaken to collect baseline data on those communities, covering key socio-economic and environmental aspects that may be impacted by the project. The analysis should also identify positive impacts and potential benefits of the project to Indigenous Peoples and consider ways to enhance them. The breadth, depth and type of analysis should be proportional to the nature and scale of the proposed project's potential impacts on these communities. Qualified social scientists should be retained to carry out such analysis as part of the project's Assessment. Such analysis should use participatory approaches and reflect the views of the affected communities of Indigenous Peoples on expected project risks, impacts and benefits. Further guidance on possible social impacts and mitigation approaches is provided in IFC [Good Practice Note: Addressing the Social Dimensions of Private Sector Projects](#) and guidance on the conduct of cultural, environmental and social impact assessments is available in the [Akwé: Kon Guidelines](#).

G12. Because projects can adversely impact Indigenous Peoples' identity, natural resource-based livelihoods, food security and cultural survival, the priority should be to avoid such

impacts. Clients should explore viable alternative project designs, consult the affected communities of Indigenous Peoples, and seek advice of social scientists, in an effort to avoid such impacts.

G13. If adverse impacts are unavoidable, the client should prepare an Indigenous Peoples Development Plan outlining the actions to minimize, mitigate or compensate for adverse impacts in a culturally appropriate manner. Depending on local circumstances, a free-standing Indigenous Peoples Development Plan may be prepared, or it may be a component of a broader community development plan where communities of Indigenous Peoples exist in the same area with other similarly affected communities or where the Indigenous Peoples are integrated within a larger affected population. These plans should detail actions to minimize, and mitigate, and compensate for adverse social and economic impacts, and to identify opportunities and actions to enhance positive impacts of the project on the Indigenous Peoples. Where appropriate, the plan may also include measures to conserve and manage the natural resources on which they depend on a sustainable basis, consistent with Performance Standard 6. These plans become part of the Action Plan (as outlined in Performance Standard 1 and its accompanying Guidance Note) to be implemented by the client, and should include a clear statement of roles and responsibilities, funding and resource inputs, a time-bound schedule of activities and a budget. Recommended contents of an Indigenous Peoples Development Plan can be found in Annex 1. Further guidance on community development programs is provided in [IFC's Community Development Resource Guide: Investing in People: Sustaining Communities through Improved Business Practice](#).

Information Disclosure, Consultation and Informed Participation

9. The client will establish an ongoing relationship with the affected communities of Indigenous Peoples from as early as possible in the project planning and throughout the life of the project. In projects with adverse impacts on affected communities of Indigenous Peoples, the consultation process will ensure their free, prior, and informed consultation and facilitate their informed participation on matters that affect them directly, such as proposed mitigation measures, the sharing of development benefits and opportunities, and implementation issues. The process of community engagement will be culturally appropriate and commensurate with the risks and potential impacts to the Indigenous Peoples. In particular, the process will include the following steps:

- ***Involve Indigenous Peoples' representative bodies (for example, councils of elders or village councils, among others)***
- ***Be inclusive of both women and men and of various age groups in a culturally appropriate manner***
- ***Provide sufficient time for Indigenous Peoples' collective decision-making processes***
- ***Facilitate the Indigenous Peoples' expression of their views, concerns, and proposals in the language of their choice, without external manipulation, interference, or coercion, and without intimidation***
- ***Ensure that the grievance mechanism established for the project, as described in Performance Standard 1, paragraph 23, is culturally appropriate and accessible for Indigenous Peoples***

G14. The client should engage with the affected communities of Indigenous Peoples within the project's area of influence through a process of information disclosure, consultation and

informed participation. The general characteristics of engagement with affected communities are described in Performance Standard 1 and the accompanying Guidance Note, and are further described below as they apply to Indigenous Peoples. Further guidance on engagement processes is provided in [Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets](#).

G15. During the process of information disclosure, consultation and informed participation, the client should engage with the affected communities of Indigenous Peoples in a process of “free, prior, and informed consultation,” which entails consultation that occurs freely and voluntarily, without any external manipulation, interference or coercion, and without intimidation. In addition, the affected communities of Indigenous Peoples should have access to relevant project information prior to any decision making that will affect them, including information on potential adverse impact on them at each stage of project planning, implementation and operation and decommissioning.

G16. Clients should adopt free, prior, and informed consultation approaches that rely on existing customary institutions and collective decision making processes utilized by Indigenous Peoples. In many cases, community elders or leaders, who are not necessarily the elected officials of these communities, play a key role. However, clients should also keep in mind that the communities of Indigenous Peoples are not necessarily homogeneous and that some segments of the community, such as women, youth and the elderly, may be more vulnerable than others. The consultation should take into account the interests of these segments in the community while being cognizant of traditional cultural approaches that may exclude segments of the community from the decision-making process. In some cases, the affected communities of Indigenous Peoples may require communication or consultation within their communities consistent with their traditional or customary practices.

G17. Free, prior, and informed consultation with and within affected communities of Indigenous Peoples may span over a period of time. Adequately informing the members of the indigenous community about the project’s potential adverse impacts and proposed mitigation measures may involve an iterative process over time with various segments of the community. Thus, (i) consultation should start as early as possible in the assessment stage; (ii) project information should be made available in understandable format, using the indigenous languages where appropriate; (iii) the communities should have sufficient time for consensus building and developing responses to project issues and options that benefit their community; and (iv) clients should allocate time to fully consider and address concerns and suggestions about the project into the project design and implementation.

G18. The client may consider effective communication and capacity building programs to enhance the effectiveness of the process of free, prior and informed consultation with Indigenous Peoples and their informed participation in key aspects of the project. For example, the client should seek active participation of the affected communities of Indigenous Peoples throughout the key stages of the process of Assessment on matters that pertain to them. Enabling Indigenous Peoples’ access to legal advice about their rights and entitlements to compensation, due process, and benefits under national law is an effective way of building knowledge and capacity within the affected communities. In cases where no established decision making process or leadership exists within the affected communities, the client may need to facilitate a culturally appropriate decision-making process for such communities, with

the participation of the communities. Further capacity building and involvement in areas such as participatory monitoring and community development may prove useful to enable Indigenous Peoples to fully participate in, and benefit from, private sector developments.

G19. When financing projects with adverse impacts to affected communities of Indigenous Peoples, IFC will review the client's documentation of its community engagement process. Before presenting the project for approval to its Board of Directors, IFC will ascertain that:

- the client's community engagement has involved free, prior and informed consultation with affected communities of Indigenous Peoples
- this process has enabled the informed participation of affected communities of Indigenous Peoples; and
- this process has led to broad community support for the project among the affected communities of Indigenous Peoples

Broad community support is a collection of expression by the affected communities, through individuals and/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. Additional guidance on broad community support can be found in Guidance Note 1 and IFC's Environmental and Social Review Procedure.

G20. The client's general grievance mechanism for the project in accordance with the requirements of Performance Standard 1 or a grievance mechanism dedicated to Indigenous Peoples matters that meets the requirements of Performance Standard 1 should enable the affected communities of Indigenous Peoples to raise and receive response to grievances and complaints. Such grievance mechanism should be culturally appropriate and should not interfere with any existing processes or institutions within the affected communities of Indigenous Peoples to settle differences among them. As part of the engagement process, affected communities of Indigenous Peoples should be informed of the client's grievance mechanism. The grievance mechanism should provide for fair, transparent, and timely redress of grievances at no cost, and if necessary provide special provisions for women, youth and the elderly.

Development Benefits

10. The client will seek to identify, through the process of free, prior, and informed consultation with and the informed participation of the affected communities of Indigenous Peoples, opportunities for culturally appropriate development benefits. Such opportunities should be commensurate with the degree of project impacts, with the aim of improving their standard of living and livelihoods in a culturally appropriate manner, and to fostering the long-term sustainability of the natural resource on which they depend. The client will document identified development benefits consistent with the requirements of paragraphs 8 and 9 above, and provide them in a timely and equitable manner.

G21. Private sector operations may provide unique opportunities for Indigenous Peoples' own development. In general, these development opportunities are offered as part of an overall approach to mitigate and compensate for adverse impacts of a project, and in proportion to the potential adverse impacts on Indigenous Peoples. In large scale projects, the client should be able to offer a more comprehensive set of development benefits, as part of its regional or

community development effort or effort to stimulate local enterprises and economy. The client may also look for opportunities to support existing programs tailored to deliver development benefits to Indigenous Peoples, such as bilingual educational programs, maternal and child health and nutrition programs, employment generation activities, and the arrangement for micro-credit schemes.

G22. The scale and nature of appropriate development opportunities will vary. It is important to identify, plan and implement development programs in close consultation with affected communities of Indigenous Peoples. Activities to realize development opportunities for Indigenous Peoples can be effectively delivered as an integrated program either through an Indigenous Peoples Development Plan or a Community Development Plan. The latter may be more appropriate where Indigenous Peoples live alongside other affected groups who are not indigenous, but share similar vulnerabilities and related livelihoods.

Special Requirements

11. Because Indigenous Peoples may be particularly vulnerable to the project circumstances described below, the following requirements will also apply, in the circumstances indicated, in addition to the General Requirements above. When any of these Special Requirements apply, the client will retain qualified and experienced external experts to assist in conducting the Assessment.

Impacts on Traditional or Customary Lands under Use

12. Indigenous Peoples are often closely tied to their traditional or customary lands and natural resources on these lands. While these lands may not be under legal ownership pursuant to national law, use of these lands, including seasonal or cyclical use, by communities of Indigenous Peoples for their livelihoods, or cultural, ceremonial, or spiritual purposes that define their identity and community, can often be substantiated and documented. Paragraphs 13 and 14 below specify the requirements that the client will follow when traditional or customary lands are under use in a manner described in this paragraph.

13. If the client proposes to locate the project on, or commercially develop natural resources located within, traditional or customary lands under use, and adverse impacts³ can be expected on the livelihoods, or cultural, ceremonial, or spiritual use that define the identity and community of the Indigenous Peoples, the client will respect their use by taking the following steps:

- ***The client will document its efforts to avoid or at least minimize the size of land proposed for the project***
- ***The Indigenous Peoples' land use will be documented by experts in collaboration with the affected communities of Indigenous Peoples without prejudicing any Indigenous Peoples' land claim⁴***
- ***The affected communities of Indigenous Peoples will be informed of their rights with respect to these lands under national laws, including any national law recognizing customary rights or use***
- ***The client will offer affected communities of Indigenous Peoples at least compensation and due process available to those with full legal title to land in the case of commercial development of their land under national laws, together with culturally appropriate development opportunities; land-based***

compensation or compensation-in-kind will be offered in lieu of cash compensation where feasible

- *The client will enter into good faith negotiation with the affected communities of Indigenous Peoples, and document their informed participation and the successful outcome of the negotiation*

³ Such adverse impacts may include impacts from loss of access to assets or resources, or restrictions on land use, resulting from project activities.

⁴ While this Performance Standard requires substantiation and documentation of the use of such land, clients should also be aware that the land may already be under alternative use, as designated by the host government.

G23. If issues related to land use as described in paragraph 13 of Performance Standard 7 are identified in the screening phase, the client will engage qualified and experienced external experts to carry out the Assessment with active participation of the affected communities of Indigenous Peoples. The Assessment should describe the Indigenous Peoples' customary land and resource tenure system within the project's area of influence. The Assessment should identify and record all customary use of land and resources, including cultural, ceremonial or spiritual use, and any ad hoc, seasonal or cyclical use of land and natural resources (for example, for hunting, fishing, grazing, or extraction of forest and woodland products), and any potential adverse impacts on such use. Customary use of land and resources refers to patterns of long-standing community land and resource use in accordance with Indigenous Peoples' customary laws, values, customs, and traditions, including seasonal or cyclical use, rather than formal legal title to land and resources issued by the state. Cultural, ceremonial and spiritual uses are an integral part of Indigenous Peoples' relationships to their lands and resources, are embedded within their unique knowledge and belief systems, and are key to their cultural integrity. Such uses may be intermittent, may take place in areas distant from population centers, and may not be site specific. Any potential adverse impacts on such use must be documented and addressed within the context of these belief systems. Any information from the client's Assessment that identifies the existence of critical habitats and critical cultural resources consistent with Performance Standards 6 and 8 within the project area of influence will be relevant in the analysis and should be taken into account. Indigenous Peoples' claims to land and resources not legally owned under national law should also be documented as part of the Assessment process. No documentation of land claims (or absence of land claim) should prejudice existing or future legal proceedings of Indigenous Peoples to establish legal title.

G24. The priority objective of the Assessment process is to identify measures to avoid adverse impacts on these lands and resources. Where avoidance is not feasible, mitigation or compensation measures should be developed to ensure the availability of land and natural resources necessary for the livelihood and cultural survival of the affected communities of Indigenous Peoples. The client should offer at least the same level of compensation and due process that it will offer to those with full legal title in the jurisdiction. Land-based compensation should be preferred, provided that suitable land is available. In addition, the client should observe due process, such as appropriate notification and responses to inquiries, for the affected communities of Indigenous Peoples. In some cases, land under Indigenous Peoples' claim may already be designated by the host government for alternate uses, which may include nature reserves, mining concession areas, or as individual land users who have obtained title to the land. In this case, the client should seek to involve the relevant government agency in any consultation and negotiation with the affected communities of Indigenous Peoples.

G25. Whether the project should proceed with the potential adverse impacts on these lands should be subject to good faith negotiation with the affected communities of Indigenous Peoples. Good faith negotiation generally involves: (i) willingness to engage in a process and availability to meet at reasonable times and frequency; (ii) provision of information necessary for informed negotiation; (iii) exploration of key issues of importance; (iv) mutual acceptable procedures for the negotiation; (v) willingness to change initial position and modify offers where possible; and (vi) provision for sufficient time for decision making. The client should document the process of negotiation with the Indigenous Peoples, including their informed participation in the negotiation process, and the successful outcomes of such negotiation. Impacts on vulnerable groups within the affected communities of Indigenous Peoples should be adequately addressed in the negotiation and documentation. Examples of such documentation include a memorandum of understanding, a letter of intent, a joint statement of principles, and written agreements. It may be appropriate to recite or reflect the contents of a Community Development Plan or an Indigenous Peoples Development Plan in such documents or agreements to confirm and clarify the responsibilities of involved parties with respect to the relevant plan.

G26. In cases involving good faith negotiation, IFC will both review the client's documentation for the negotiation process and its outcomes and verify that the affected communities of Indigenous Peoples are broadly in support of the project.

G27. In some cases, it may be possible for the client to work with a national governmental agency to facilitate the legal recognition of lands claimed or used by affected communities of Indigenous Peoples in connection with land titling programs of the government. The client can base this work on the customary land tenure information gathered during the Assessment process and help the affected communities or members of the affected communities to pursue land titles, if the Indigenous Peoples so request and participate in such programs. Examples of such best practice in IFC financed projects are available from IFC.

Relocation of Indigenous Peoples from Traditional or Customary Lands

14. The client will consider feasible alternative project designs to avoid the relocation of Indigenous Peoples from their communally held⁵ traditional or customary lands under use. If such relocation is unavoidable, the client will not proceed with the project unless it enters into a good faith negotiation with the affected communities of Indigenous Peoples, and documents their informed participation and the successful outcome of the negotiation. Any relocation of Indigenous Peoples will be consistent with the Resettlement Planning and Implementation requirements of Performance Standard 5. Where feasible, the relocated Indigenous Peoples should be able to return to their traditional or customary lands, should the reason for their relocation cease to exist.

⁵ Where members of the affected communities of Indigenous Peoples individually hold legal title, or where the relevant national law recognizes customary rights for individuals, the requirements of Performance Standard 5 will apply, rather than the requirements under this heading.

G28. Because physical relocation of Indigenous Peoples is particularly complex and may have significant and irreversible adverse impacts on their cultural survival, the client is expected to make every effort to explore feasible alternative project designs to avoid any physical relocation of Indigenous Peoples from their communally held traditional or customary lands under use. The potential relocation may result from the project's acquisition of land, or through restrictions

or alterations on land use or resources (for example, where the communally held traditional or customary lands under use by Indigenous Peoples are designated by the relevant government agency for another use in conjunction with the proposed project, such as establishment of protected areas for resource conservation purposes). Any physical relocation should only be considered after the client has established that there is no feasible alternative to avoid relocation and the client has entered into and successfully concluded good faith negotiation with the affected communities of Indigenous Peoples building on the process of their informed participation. In addition, IFC will evaluate the client's documentation of its engagement process to establish that broad community support for the project exists among the affected communities.

G29. In case the host government has made the decision to relocate Indigenous Peoples, consultation with relevant government officials would be important to understand the rationale for such relocation, and whether a good faith negotiation based on informed participation of the Indigenous Peoples has been implemented and successfully concluded regarding the aspects of the project and the relocation affecting communities of Indigenous Peoples, prior to the decision to finance the project.

G30. Upon the successful conclusion of the process of good faith negotiation that provides for the relocation of Indigenous Peoples and consistent with the conclusion of the negotiation, the client will prepare a Resettlement Action Plan in accordance with the paragraphs 11 through 13 of Performance Standard 5. The client should be guided by paragraph 13 of Performance Standard 7 on the level of compensation for land. Such Plan should include a provision to allow the affected communities, where possible and feasible, to return to their lands when the reasons for their relocation cease to exist.

G31. The requirements under Performance Standard 7, paragraph 14, are intended for situations where traditional or customary land is held and used by Indigenous Peoples communally. Where individual members of the affected communities of Indigenous Peoples hold legal title, or where relevant national law recognizes customary rights for individuals, the requirements of Performance Standard 5 will apply. However, even where individuals within the affected communities of Indigenous Peoples hold legal title to land individually, the client should be aware that the decision of relevant individuals to cede title and to relocate may still be subject to a community-based decision making process, as these lands may be not be considered private property but ancestral lands.

Cultural Resources

15. Where a project proposes to use the cultural resources, knowledge, innovations, or practices of Indigenous Peoples for commercial purposes, the client will inform the Indigenous Peoples of: (i) their rights under national law; (ii) the scope and nature of the proposed commercial development; and (iii) the potential consequences of such development. The client will not proceed with such commercialization unless it: (i) enters into a good faith negotiation with the affected communities of Indigenous People; (ii) documents their informed participation and the successful outcome of the negotiation; and (iii) provides for fair and equitable sharing of benefits from commercialization of such knowledge, innovation, or practice, consistent with their customs and traditions

G32. Knowledge, innovations and practices of Indigenous Peoples are often referred to as intangible cultural heritage in international conventions. Knowledge, innovations and practices

of Indigenous Peoples often remain in use for sacred or ritual purposes, and can be held secret by the community or designated members. Commercial development of intangible cultural heritage is the subject of current international discussions, with international standards emerging slowly. The one exception is in the commercial use of genetic resources and associated traditional knowledge of indigenous or traditional communities as reflected in the [Convention on Biological Diversity](#). Useful guidance in this area is provided by the [Bonn Guidelines](#) and the [Akwé Kon Guidelines](#) issued under the Convention on Biological Diversity (see the References section). Examples of commercial development include commercialization of traditional medicinal knowledge or other sacred or traditional techniques for processing plants, fibers or metals. Expressions of folklore, such as sale of art or music, should be treated in accordance with national law.

G33. Where such resources are proposed for commercial development, the client should document the process and the successful outcome of a good faith negotiation with the affected Indigenous Peoples' communities on the proposed commercial development, in addition to any requirements pursuant to national law. Some national laws require the consent of Indigenous Peoples' communities in this regard.

G34. If the client wishes to exploit and develop any knowledge, innovation or practices of Indigenous Peoples for commercial purposes and to protect any intellectual property created from such development, the client may be legally required to disclose or publicly release the source of the materials. Examples include genetic materials proposed for medical application. Because such materials may be used for sacred or ritual purposes by communities of Indigenous Peoples, and may be held secret by such communities or designated members, the client should take care before proceeding, and in any event, enable the relevant communities to continue to use the genetic materials for customary or ceremonial purposes.

G35. Where a project proposes to exploit, develop, and commercialize intangible cultural heritage, Performance Standard 7 requires that the client share the benefits accruing from such use with the affected community of Indigenous Peoples. Benefits should be determined as part of the process of good faith negotiation. Benefits may include development benefits in the form of employment, vocational training, and benefits pursuant to community development and similar programs.

G36. Clients should be aware that use of indigenous names can be sensitive and should consult with the relevant communities before using them even for such purposes as naming project sites, pieces of equipment.

G37. Clients should refer to similar requirements and guidance available in Performance Standard 8 and Guidance Note 8 with respect to the cultural heritage of communities other than those of Indigenous Peoples.

Annex A
Indigenous Peoples Development Plan (IPDP)

The IPDP is prepared in a flexible and pragmatic manner, and its level of detail varies depending on the specific project and the nature of the effects to be addressed. In general and where appropriate, an IPDP should include the following elements:

(a) Baseline information (from Social and Environmental Assessment)

Summary of relevant baseline information that clearly profiles the affected communities, their circumstances and livelihoods, description and quantification of the natural resources upon which the Indigenous Peoples depend.

(b) Key Findings: Analysis of Impacts, Risks & Opportunities (from Social and Environmental Assessment)

Summary of key findings, analysis of impacts, risks and opportunities and recommended possible measures to mitigate adverse impacts, enhance positive impacts, conserve and manage their natural resource base on a sustainable basis, and achieve sustainable community development.

(c) Result of Consultations (during Social and Environmental Assessment process) and Future Engagement

Description of the process of information disclosure, consultation and informed participation with the affected communities of Indigenous Peoples, and how issues raised have been addressed. The consultation framework for future engagement should clearly describe the process for on-going consultations with, and participation by Indigenous Peoples, in the process of implementing and operating the project.

(d) Avoid, Minimize, and Mitigate Negative Impacts and Enhance Positive Impacts

Clearly describe the measures agreed to in the process of information disclosure, consultation and informed participation to avoid, minimize and mitigate potential adverse effects on Indigenous Peoples, and to enhance positive impacts. Include appropriate action times that detail the measures to be taken, responsibilities and agreed schedule and for implementation (who, how, where and when) (refer to Performance Standard 1 and Guidance Note 1 for more details of the contents of an Action Plan). Whenever feasible, avoidance or preventative measures should be given primacy over mitigatory or compensatory measures.

(e) Community Based Natural Resource Management Component

Where applicable, this component should focus on the means to ensure continuation of livelihood activities key to the survival of these communities and their traditional and cultural practices. Such livelihood activities may include grazing, hunting, gathering, or artisanal fishing. This component clearly sets out how the natural resources upon which the affected communities depend, and the geographically distinct areas and habitats in which they are located, will be conserved, managed and utilized on a sustainable basis.

(f) Measures to Enhance Opportunities

Clearly describe measures to enable Indigenous Peoples to take advantage of opportunities brought about by the project, and to conserve and manage on a sustainable basis the utilization of the unique natural resource base upon which they are dependent. Such opportunities should be culturally appropriate.

(g) Grievance Mechanism

Describe appropriate procedures to address grievances by affected Indigenous Peoples arising from project implementation and operation. When designing the grievance procedures, the client will take into account the availability of judicial recourse and customary dispute settlement mechanisms among the Indigenous Peoples. Affected communities must be informed of their rights and the possibilities of administrative and legal recourse or remedies, and any legal aid available to assist them as part of the process of consultation and informed participation. The grievance mechanism should provide for fair, transparent and timely redress of grievances without costs, and if necessary provide for special accommodations for women, youth and the elderly, and other vulnerable groups within the community to make complaints.

(h) Costs, budget, timetable, organizational responsibilities

Include an appropriate summary of costs of implementation, budget and responsibility for funding, timing of expenditure and organizational responsibilities in managing and administering project funds and expenditures.

(i) Monitoring, Evaluation & Reporting

Describe monitoring, evaluation and reporting mechanisms (including responsibilities, frequencies, feedback and corrective action processes). Monitoring and evaluation mechanisms should include arrangements for on-going information disclosure, consultation and informed participation with the affected Indigenous Peoples.

References

The requirements set out in the Performance Standard relate to the following international convention and guidelines:

The six UN Conventions of relevance to indigenous peoples are as follows:

- International Covenant on Civil and Political Rights
- International Covenant on Economic, Social and Cultural Rights
- International Convention on the Elimination of All Forms of Racial Discrimination
- Convention on the Rights of the Child
- Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment
- Convention on the Elimination of All Forms of Discrimination Against Women

A list of the six UN Conventions and the countries that have ratified each of them is available at: <http://www.ohchr.org/english/law/index.htm>. The ratification status of each convention by country is available at: <http://www.unhchr.ch/pdf/report.pdf>

The following conventions and guidelines are also of relevance:

- *ILO Convention on Indigenous and Tribal Peoples (No. 169)* (ILO, 1989)
<http://www.ilo.org/ilolex/cgi-lex/convde.pl?C169>
- *ILO Convention on Indigenous and Tribal Peoples (No. 169): A Manual* (ILO, 1989) provides definitions and useful guidance on ILO Convention 169 on Indigenous and Tribal Peoples.
<http://www.ilo.org/public/english/standards/norm/egalite/itpp/convention/manual.pdf>
- *Convention on Biological Diversity* (1992) - provides information on the convention, lists of signatory nations and biodiversity experts and other useful information.
<http://www.biodiv.org/default.aspx>
- *Bonn Guidelines on Access to Genetic Resources and Fair and Equitable Sharing of the Benefits Arising Out of their Utilization* (Secretariat of the Convention on Biological Diversity, 2002) guidelines on establishing legislative, administrative or policy measures on access and benefit-sharing and/or when negotiating contractual arrangements for access and benefit-sharing.
<http://www.biodiv.org/doc/publications/cbd-bonn-gdls-en.pdf>
- *Akwé: Kon Guidelines* (Secretariat of the Convention on Biological Diversity, 2004) voluntary guidelines for the conduct of cultural environmental and social impact assessments regarding developments proposed to take place on, or which are likely to impact on, sacred sites and on lands and waters traditionally occupied or used by indigenous or local communities.
<http://www.biodiv.org/doc/publications/akwe-brochure-en.pdf>

In addition, the guidance and recommendations issued by IFC and the World Bank provide useful additional guidance:

- Operational Policy OP 4.10 - Indigenous Peoples (World Bank, 2005) - underscores the need for Borrowers and Bank staff to identify indigenous peoples, consult with them, ensure that they participate in, and benefit from Bank-funded operations in a culturally appropriate way - and that adverse impacts on them are avoided, or where not feasible, minimized or mitigated.
<http://wbln0018.worldbank.org/Institutional/Manuals/OpManual.nsf/B52929624EB2A3538525672E00775F66/0F7D6F3F04DD70398525672C007D08ED?OpenDocument>
- *Good Practice Note: Addressing the Social Dimensions of Private Sector Projects* (IFC, 2003) – A practitioner’s guide to undertaking social impact assessment at the project level for IFC-financed projects
<http://ifcln1.ifc.org/ifcext/enviro.nsf/Content/Publications>
- *Investing in People: Sustaining Communities through Improved Business Practice* (IFC, 2001) a resource guide in establishing effective community development programs.
[http://ifcln1.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_comdev/\\$FILE/CommunityGuide.pdf](http://ifcln1.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_comdev/$FILE/CommunityGuide.pdf)
- *Handbook for Preparing a Resettlement Action Plan* (IFC, 2001) provides step-by-step guidance through the resettlement planning process and includes practical tools such as implementation checklists, sample surveys and monitoring frameworks.
[http://ifcln1.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_resettle/\\$FILE/ResettlementHandbook.PDF](http://ifcln1.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_resettle/$FILE/ResettlementHandbook.PDF)
- *Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets* (IFC, 2007) explains new approaches and forms of engagement with affected local communities.
[http://ifchq14.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_StakeholderEngagementFull/\\$FILE/IFC_StakeholderEngagement.pdf](http://ifchq14.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_StakeholderEngagementFull/$FILE/IFC_StakeholderEngagement.pdf)
- The IFC publication *ILO Convention 169 and the Private Sector*“(March 2007) is intended as a practical guide for IFC clients who operate in countries that have ratified Convention 169 on Indigenous and Tribal Peoples.
[http://ifchq14.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_ILO169/\\$FILE/ILO_169.pdf](http://ifchq14.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_ILO169/$FILE/ILO_169.pdf)

A useful treatment of the development of Free Prior and Informed Consent definitions can be found in:

- *Preliminary working paper on the principle of free, prior and informed consent of indigenous peoples in relation to development affecting their lands and natural resources* E/CN.4/Sub.2/AC.4/2004/4 (Antoanella-Iulia Motoc and Tebtebba Foundation, 2004) provides useful information on the principle of Free, Prior and informed consent.
<http://www.ohchr.org/english/issues/indigenous/docs/wqip22/4.pdf>

This Guidance Note 8 corresponds to Performance Standard 8. Please also refer to the Performance Standards 1-7 as well as the corresponding Guidance Notes for additional information. Bibliographical information on all reference materials appearing in the text of this Guidance Note can be found in the References Section at the end.

Introduction

1. Performance Standard 8 recognizes the importance of cultural heritage for current and future generations. Consistent with the Convention Concerning the Protection of the World Cultural and Natural Heritage, this Performance Standard aims to protect irreplaceable cultural heritage and to guide clients on protecting cultural heritage in the course of their business operations. In addition, the requirements of this Performance Standard on a project's use of cultural heritage are based in part on standards set by the Convention on Biological Diversity.

Objectives

- *To protect cultural heritage from the adverse impacts of project activities and support its preservation*
- *To promote the equitable sharing of benefits from the use of cultural heritage in business activities*

G1. The objectives of Performance Standard 8 aim to preserve and protect cultural heritage by avoiding, minimizing or mitigating the adverse impacts that projects might cause to cultural heritage. In addition, private sector projects can play a role in promoting awareness of and appreciation for cultural heritage. Where the project proposes to use cultural heritage of a community, Performance Standard 8 seeks to ensure that the development benefits accruing from the commercial use of cultural heritage flow equitably to the affected communities.

Scope of Application

2. The applicability of this Performance Standard is established during the Social and Environmental Assessment process, while implementation of the actions necessary to meet the requirements of this Performance Standard is managed through the client's Social and Environmental Management System. The assessment and management system requirements are outlined in Performance Standard 1.

3. For the purposes of this Performance Standard, cultural heritage refers to tangible forms of cultural heritage, such as tangible property and sites having archaeological (prehistoric), paleontological, historical, cultural, artistic, and religious values, as well as unique natural environmental features that embody cultural values, such as sacred groves. However, for the purpose of paragraph 11 below, intangible forms of culture, such as cultural knowledge, innovations and practices of communities embodying traditional lifestyles, are also included. The requirements of this Performance Standard apply to cultural heritage regardless of whether or not it has been legally protected or previously disturbed.

G2. Tangible cultural heritage is considered a unique and non-renewable resource that possesses cultural, scientific, spiritual or religious value and includes moveable or immovable objects, sites, structures, groups of structures, natural features, or landscapes that have archaeological, paleontological, historical, architectural, religious, aesthetic or other cultural value. Further descriptions of different tangible cultural heritage examples are included in Annex A.

G3. Integration of preservation and protection of cultural heritage into the assessment process and management systems of projects is essential because damage to cultural heritage can result from activities other than direct excavation or refurbishing buildings. Some project aspects may also impact cultural heritage in less direct ways, for example by increasing erosion to a coastal site, or building a road into a previously inaccessible area. The client should consider these possible impacts and address them through appropriate measures.

G4. When in doubt about whether something is cultural heritage, the client should seek the knowledge and advice of local and international experts, government authorities, and members of local communities and Indigenous Peoples. The knowledge of local communities is particularly important for identifying cultural heritage that may be tied to the natural environment and not evident to outsiders.

G5. Determining whether knowledge, innovations or practices of commercial value are the intangible cultural heritage of a community requires tracing that knowledge back to its community of origin. International practice now expects people developing products with origins in the natural environment to know where the intellectual property originates (see paragraph 11 of Performance Standard 8).

G6. Performance Standard 8 applies to cultural heritage that have been undisturbed as well as disturbed. The client may undertake measures for the protection of cultural heritage that has already been disturbed that are different from measures for the protection of untouched cultural heritage. Many types of cultural heritage cannot be put back once they have been disturbed, but they may still be valued.

Requirements

Protection of Cultural Heritage in Project Design and Execution

Internationally Recognized Practices

4. *In addition to complying with relevant national law on the protection of cultural heritage, including national law implementing the host country's obligations under the Convention Concerning the Protection of the World Cultural and Natural Heritage and other relevant international law, the client will protect and support cultural heritage by undertaking internationally recognized practices for the protection, field-based study, and documentation of cultural heritage. If the requirements of paragraphs 7, 8, 9, 10 or 11 apply, the client will retain qualified and experienced experts to assist in the Assessment.*

G7. While clients may be in compliance with applicable national law, they should measure the risks associated with a project that might go contrary to a host country's obligations under an international convention that the host country has signed, but not yet ratified. A company

may, for instance, have a concession associated with a particular cultural heritage site, which may be revoked by the government to meet the terms of a convention once it has been ratified.

G8. The client should apply internationally recognized practices to site surveys, excavation, preservation and publication, in addition to compliance with national law. An internationally recognized practice is defined as the exercise of professional skill, knowledge, diligence, prudence and foresight that would reasonably be expected from experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally. Where the client is in doubt on what constitutes internationally recognized practice, international peer reviewers are able to provide guidance.

G9. Potential impacts on cultural heritage should be considered as an integral part of the Social and Environmental Assessment. The screening phase of the Assessment should identify the extent and complexity of potential cultural heritage impacts in the project's area of influence (see paragraph 5 of Performance Standard 1). If the screening indicates potential adverse impacts, further analysis will be necessary to ascertain the nature and scale of these impacts and proposed mitigation measures. The breadth, depth and type of analysis should be proportionate to the nature and scale of the proposed project's potential adverse impacts on cultural heritage resources. Qualified personnel should be retained to carry out such analysis as part of the Assessment.

G10. The Assessment should generally address potential adverse impacts to cultural heritage and, where possible, opportunities for enhancement of cultural heritage. In cases where cultural heritage is deemed a significant issue, a focused assessment may be necessary even if a full-scale social and environmental impact assessment is not required. The project's Action Plan and Social & Environmental Management System as outlined in Performance Standard 1 should reflect identified issues. For ground disturbing projects, depending on the project location, it may be appropriate to develop a chance find procedure that addresses and protects cultural heritage finds made during a project's construction and/or operation phases (see paragraph 5 of Performance Standard 8). Further process guidance on the heritage aspects of the Assessment can be found in Annex B.

G11. Data collection and other Assessment studies should be undertaken to avoid, minimize, and mitigate potential project impacts to cultural heritage resources. Sites containing cultural heritage should not be excavated or otherwise disturbed unnecessarily. Best international practice recommends that cultural heritage be left undisturbed if at all possible. If excavation in the course of the project cannot be avoided, cultural heritage professionals, both local and international, should carry out excavations or other activities in accordance with internationally recognized practices.

G12. The findings of the cultural heritage component of the Assessment should generally be disclosed as part of, and in the same manner as, the relevant Assessment documentation. Exceptions to such disclosure, however, should be considered where the client, in consultation with IFC and persons with relevant expertise, determines that disclosure would compromise or would jeopardize the safety or integrity of the cultural heritage involved and/or would endanger the source of information about the cultural heritage. In such cases, such sensitive information relating to these particular aspects may be omitted from the Assessment documentation.

Chance Find Procedures

5. The client is responsible for siting and designing a project to avoid significant damage to cultural heritage. When the proposed location of a project is in areas where cultural heritage is expected to be found, either during construction or operations, the client will implement chance find procedures established through the Social and Environmental Assessment. The client will not disturb any chance finds further until an Assessment by a competent specialist is made and actions consistent with the requirements of this Performance Standard are identified.

G13. The chance find procedure is a project-specific procedure that outlines what will happen if previously unknown heritage resources, particularly archaeological resources, are encountered during project construction or operation. The procedure includes record keeping and expert verification procedures, chain of custody instructions for movable finds, and clear criteria for potential temporary work stoppages that could be required for rapid disposition of issues related to the finds. It is important that this procedure outline the roles and responsibilities and the response times required on the part of both project staff and any relevant heritage authority, as well as any agreed consultation procedures. This procedure should be incorporated in the Action Plan and implemented through the client's Social and Environmental Management System. As with cultural heritage identified during the Social and Environmental Assessment, consideration should be given, where feasible, to alternative siting or design of the project to avoid significant damage.

Consultation

6. Where a project may affect cultural heritage, the client will consult with affected communities within the host country who use, or have used within living memory, the cultural heritage for long-standing cultural purposes to identify cultural heritage of importance, and to incorporate into the client's decision-making process the views of the affected communities on such cultural heritage. Consultation will also involve the relevant national or local regulatory agencies that are entrusted with the protection of cultural heritage.

G14. Since cultural heritage is not always documented, or protected by law, consultation is an important means of identifying it, documenting its presence and significance, assessing potential impacts, and exploring mitigation options.

G15. For cultural heritage issues, the following groups may be relevant for consultation:

- Historical or traditional users and owners of cultural heritage
- Indigenous Peoples
- Traditional communities embodying traditional lifestyles
- Ministries of archeology, culture or similar national or heritage institutions
- National and local museums, cultural institutes, and universities
- Civil society concerned with the cultural heritage or historical preservation, areas of environmental or scientific interest, affected indigenous peoples, and religious groups for whom the cultural heritage is traditionally sacred

G16. The client should make special efforts to consult with the historical or traditional users or owners of tangible cultural heritage, especially inhabitants of the area impacted by a project

within the host country, since the interests of these users or owners may be different than the desires expressed by experts or government officials. The client should provide early notification and engage with such groups regarding possible public use, relocation of or other adverse impacts on significant cultural heritage resources. The consultation process should actively seek to identify concerns of these users or owners of tangible cultural heritage, and, where possible, clients should take these concerns into account in the way their project deals with the cultural heritage. Requirements on the community engagement of affected communities can be found in paragraphs 19 through 22 of Performance Standard 1.

Removal of Cultural Heritage

7. Most cultural heritage is best protected by preservation in its place, since removal is likely to result in irreparable damage or destruction of the cultural heritage. The client will not remove any cultural heritage, unless the following conditions are met:

- ***There are no technically or financially feasible alternatives to removal***
- ***The overall benefits of the project outweigh the anticipated cultural heritage loss from removal***
- ***Any removal of cultural heritage is conducted by the best available technique***

G17. Non-replicable cultural heritage is best protected by preservation in place, since removal of the cultural heritage will result in irreparable damage or destruction of the heritage. Examples of non-replicable cultural heritage may include an ancient city or temple, or a site unique in the period that it represents. Accordingly, projects should be designed to avoid any damage to cultural heritage through removal or project related activities, such as construction. Where avoidance is not feasible, no alternatives to removal exist, and the project benefits outweigh the loss of cultural heritage, the client should remove and preserve the cultural heritage according to the best available technique. The best available technique proposed by the client or its expert will benefit from a peer review by other experts. In addition, prior to removal of the cultural heritage, the client should consult the historical or traditional owners and users of the cultural heritage, as provided in paragraph 6 of Performance Standard 8, and take their views into account.

G18. Loss of non-replicable tangible cultural heritage is a loss of a public good, not just for the present generation, but for future generations as well. Thus, consideration of project benefits, for the purpose of Performance Standard 8, should focus on the public benefits of the project, particularly for those who may have immediate ties to the heritage. The analysis should also look at whether those benefits are sustainable beyond the life of the project. Any lost benefits that would otherwise arise from commercial or other use of the site based on its existing cultural heritage should also be taken into account. IFC will decide whether the overall benefits outweigh the anticipated cultural heritage loss before proceeding with consideration of financing for the project and may ask for additional benefits and/or protection measures.

Critical Cultural Heritage

8. Critical cultural heritage consists of (i) the internationally recognized heritage of communities who use, or have used within living memory the cultural heritage for long-standing cultural purposes; and (ii) legally protected cultural heritage areas, including those proposed by host governments for such designation.

9. *The client will not significantly alter, damage, or remove any critical cultural heritage. In exceptional circumstances, where a project may significantly damage critical cultural heritage, and its damage or loss may endanger the cultural or economic survival of communities within the host country who use the cultural heritage for long-standing cultural purposes, the client will: (i) meet the requirements of Paragraph 6 above; and (ii) conduct a good faith negotiation with and document the informed participation of the affected communities and the successful outcome of the negotiation. In addition, any other impacts on critical cultural heritage must be appropriately mitigated with the informed participation of the affected communities.*

10. *Legally protected cultural heritage areas are important for the protection and conservation of cultural heritage, and additional measures are needed for any projects that would be permitted under the applicable national laws in these areas. In circumstances where a proposed project is located within a legally protected area or a legally defined buffer zone, the client, in addition to the requirements for critical cultural heritage cited above in Paragraph 9, will meet the following requirements:*

- *Comply with defined national or local cultural heritage regulations or the protected area management plans*
- *Consult the protected area sponsors and managers, local communities and other key stakeholders on the proposed project*
- *Implement additional programs, as appropriate, to promote and enhance the conservation aims of the protected area*

G19. Cultural heritage is considered critical when it is part of a legally-protected cultural heritage area. In addition, when cultural heritage is critical to a people who continue to use it for long-standing cultural purposes, such heritage may be considered critical, even if it is not legally protected. In the latter instance, the requirements under paragraph 10 of Performance Standard 8 apply where the loss or damage of such heritage could endanger the livelihoods, or cultural, ceremonial, or spiritual purposes that define the identity and community of the people using it. Performance Standard 8 is intended to allow such users to participate in decisions about the future of that heritage and to negotiate equitable outcomes that outweigh any loss.

G20. The client is strongly advised to avoid any significant damage of critical cultural heritage. If it appears that a project may significantly damage critical cultural heritage, the client may proceed with such activities only after a good faith negotiation with and a documented process of informed participation of the affected communities. Good faith negotiation generally involves for each party: (i) willingness to engage in a process and availability to meet at reasonable times and frequency in ways acceptable to all parties; (ii) provision of information necessary for informed negotiation; (iii) exploration of key issues of importance; and (iv) willingness to change initial position and modify offers where possible.

G21. Projects in legally-protected areas (such as World Heritage Sites and nationally protected areas) may range from tourism projects that actually support the objectives of cultural heritage protection, to mining projects that will need to be carried out with considerable sensitivity. Such projects are expected to provide additional assurances beyond meeting applicable national laws. All regulations and plans applicable to the protected area should be respected in project design and execution. The Assessment should identify and address these requirements. A process of information disclosure, consultation, and informed participation with

relevant stakeholders should be carried out, including the protected area's managers and sponsors. Further, the project should contribute to the conservation of cultural heritage. Where the project has no intrinsic contribution, additional programs should be undertaken to promote and enhance the conservation aims of the protected area. These may range from support for the protection and conservation of the area as a whole, to specific projects to restore or enhance specific, important features. [The United Nations Education, Scientific and Cultural Organization's \(UNESCO\) World Heritage List](#) provides additional information on World Heritage Sites.

Project's Use of Cultural Heritage

11. ***Where a project proposes to use the cultural resources, knowledge, innovations, or practices of local communities embodying traditional lifestyles for commercial purposes, the client will inform these communities of: (i) their rights under national law; (ii) the scope and nature of the proposed commercial development; and (iii) the potential consequences of such development. The client will not proceed with such commercialization unless it: (i) enters into a good faith negotiation with the affected local communities embodying traditional lifestyles; (ii) documents their informed participation and the successful outcome of the negotiation; and (iii) provides for fair and equitable sharing of benefits from commercialization of such knowledge, innovation, or practice, consistent with their customs and traditions.***

G22. For the purposes of Performance Standard 8, Intangible cultural heritage refers to cultural resources, knowledge, innovations and/or practices of indigenous or local communities embodying traditional lifestyles. The term applies similarly to cultural resources, knowledge, innovations and/or practices of Indigenous Peoples under Performance Standard 7. The area of intangible cultural heritage and its commercial development is the subject of current international discussions, with international standards emerging slowly. The one exception is in the commercial use of genetic resources derived from the traditional knowledge of indigenous or traditional communities, as reflected in the Convention on Biological Diversity. The Bonn Guidelines and the Akwé Kon Guidelines issued under the Convention on Biological Diversity provide useful guidance in this area.

G23. Examples of commercial development include commercialization of traditional medicinal knowledge or other sacred or traditional techniques for processing plants, fibers or metals. With respect to expressions of folklore, such as sale of art or music, the requirements of paragraph 11 of Performance Standard 8 does not apply. Such expressions should be treated in accordance with national law.

G24. Where such resources are proposed for commercial development, the client should document the process and the successful outcome of a good faith negotiation with the affected communities on the proposed commercial development, in addition to any requirements pursuant to national law. Some national laws require the consent of affected communities in this regard.

G25. If the client wishes to exploit and develop any knowledge, innovation or practices of affected communities for commercial purposes and to protect any intellectual property created from such development, the client may be legally required to disclose or publicly release the source of the materials. Examples include genetic materials proposed for medical application.

Because such materials may be used for sacred or ritual purposes by affected communities, and may be held secret by such communities or designated members, the client should take care before proceeding, and in any event, enable the affected communities to continue to use the genetic materials for customary or ceremonial purposes.

G26. Where a project proposes to exploit, develop, and commercialize intangible cultural heritage, Performance Standard 8 requires that the client share the benefits accruing from such use with the affected communities. Benefits may include development benefits in the form of employment, vocational training, and benefits pursuant to community development and similar programs.

G27. Clients should be aware that use of indigenous or local names can be sensitive and should consult with the relevant communities before using them even for such purposes as naming project sites, pieces of equipment.

Annex A
Tangible Cultural Heritage Resource Types

- A. *Archaeological Site*: Concentrated and patterned physical remains of past human activity, especially human settlement. A site may include artifacts, plant and animal remains, structural remains, and soil features. It may be a large ancient city completely or partially buried by surface soils or other sediment or the ephemeral and superficial remains of a temporary nomad camp or other short-term activity. Sites may be underwater, including shipwrecks and flooded habitation sites. Although all sites, as well as isolated (off site) finds, are a record of human activity, the importance of an archaeological site may vary widely according to site type and condition. In general, while sites may be identified by surface remains or suggestive topography, the characteristics of a site and its cultural or scientific importance cannot be identified based on surface examination alone.
- B. *Historic Structure*: Also referred to as historic monuments, this category includes above-ground architectural features (e.g., house, temple, market place, church) that have reached a designated age or have other characteristics, such as association with an important event or person, that make them 'historic' and therefore worthy of consideration as a heritage resource. As with archaeological sites, the importance of an historic structure will vary widely according to the age, type and condition of the structure. Some historic structures may have associated archaeological deposits thereby making them both historic structures and archaeological resources. An historic structure may be abandoned or occupied.
- C. *Historic District*: This is a contiguous assemblage of historic structures and associated landscape features that constitute a heritage resource extending over a larger area than any single structure. Integrity and thematic interest are the key considerations for defining and determining the importance of an historic district. Temple precincts, graveyards, urban neighborhoods, and sometimes entire villages or towns can be classified as historic districts. Historic districts may contain thematically un-related or 'non-contributing' structures that may or may not merit protection in their own right. Historic structures and districts may require protection from direct physical impacts but should also be considered in their visual dimension. Possibly discordant construction in or near an historic district or structure might require special design considerations to mitigate 'visual' impacts to heritage resources.
- D. *Historic or Cultural Landscape*: An area where traditional land-use patterns have created and maintained landscape features that reflect a particular culture, life-way, or historical time period which merits consideration as a heritage resource. An historic landscape may include historic monuments and archaeological sites as well. Integrity and uniqueness are most relevant for judging the importance of this type of resource. While an historic landscape may share aspects of an historic district, the term typically refers to a non-urban area with heritage value. This resource type may also include culturally important natural features such as sacred lakes, forests and waterfalls. Sacred trees, for instance, are common in Africa.

- E. *Artifact*: A portable object that is created by past human activity and becomes part of an archaeological site or isolated archaeological find. Most archaeological artifacts lose substantial cultural and scientific value when removed from their 'context' in the ground. Archaeological artifacts, in context or not, are most often the property of the national government. Their scientific collection and use is controlled through a permitting process administered by national heritage authorities. National law and international treaty forbid the sale and export of archaeological artifacts. An object removed from an historic structure will have the same legal status as an archeological artifact.

Annex B
Process Guidance

Cultural Heritage Feasibility Studies:

- A. It is good practice to identify possible heritage issues and costs even prior to the start of the Social and Environmental Assessment process through project screening or feasibility studies. This is especially true for large infrastructure or resource extraction projects such as pipelines, mines, hydroelectric dams, regional irrigation systems, highways, or any project that involves substantial grading, excavation, or large-scale changes in hydrological patterns. These studies should involve comparison of general project features against known or anticipated heritage baseline conditions in the proposed project area. Heritage experts and project planning and/or engineering staff should be included on the study work team(s). The purpose of these types of studies is to identify any 'fatal flaw' issues, such as major cost or design constraints. Findings of these types of studies typically remain confidential until the public consultation phase of the Assessment.

Cultural Heritage Aspects of Social and Environmental Assessment:

- B. For projects with known or potential heritage issues, the Assessment often includes the following elements: 1) a detailed description of the proposed project including its alternatives; 2) heritage baseline conditions in the project's area of influence; 3) an analysis of project alternatives in relation to the baseline conditions to determine potential impacts; and 4) proposed impact mitigation measures, which may include avoidance or reduction of impacts by project design changes and/or the introduction of special construction and operational procedures, and compensatory mitigations such as data recovery and/or detailed study.
- C. *Expertise Needed for Assessment Studies* -- Where heritage issues are identified, a heritage expert(s) will normally be needed on the Assessment study team. It will be most useful to recruit those with general expertise in the heritage field and experience with the environmental planning or heritage management process. While a particular type of heritage specialist (e.g. a Middle Bronze Age Pottery expert) may be needed to address certain finds or issues, an expert with the broad perspective (e.g., a cultural geographer) will normally be most suitable.
- D. *Permitting and Approval of Assessment Studies* -- In most cases, Assessment heritage studies will need to be formally permitted by the appropriate national heritage authority. Further, because national heritage law often lacks detailed implementing regulations, required heritage protection measures may need to be formulated as a project-specific agreement that is negotiated and signed by a project representative and the heritage authority. Although the client has the prerogative to employ heritage specialists it finds most appropriate, it should be noted that both the investigations and the individuals performing such studies might require permitting by national heritage authorities.
- E. *Disclosure and Consultation* -- Early and detailed public disclosure of project heritage data, including the methodology, findings and analyses of the Assessment heritage team, is integral to the planning and consultation model of the Assessment. Findings of the cultural

heritage component of the Assessment should be disclosed as part of, and in the same manner as, the Assessment report, except where such disclosure would jeopardize the safety or integrity of the physical cultural resources involved. In such cases, sensitive information relating to these particular aspects may be omitted from the Assessment's public documentation. The client may need to undertake discussions with a host country's heritage agency to establish an acceptable compromise between the need for public consultation on heritage issues and the traditional prerogatives of the national heritage authority.

- F. *Purpose and Scope of Assessment Studies* -- It is important that the client and the national heritage authority have a mutually shared understanding of the purpose and appropriate scope of Assessment heritage studies. Data collection and other Assessment studies are undertaken in order to avoid, minimize, and mitigate potential project impacts to cultural heritage resources. A general 'capacity building' effort, which might be of benefit to the project and a country's heritage program, may be the building of the regulatory capacity of the heritage authority in ways that relate specifically to the client's project.
- G. *Project Design and Execution* – Necessary avoidance and mitigation measures identified through the Assessment process should be incorporated into the project's Action Plan and executed in coordination with other required project action items. Unlike most other environmental resources, direct impact to heritage is typically localized to the area of project construction activity, making a project's area of influence more spatially restricted than for other resources such as critical habitat, a natural water supply, or endangered species. Thus, it is often possible to avoid impacts to heritage by minor project design changes. Because cultural heritage is non-renewable, its protection is best accomplished by 'preservation-in-place.' This method is generally preferred over removal, which is an expensive and partially destructive process. As with pre-implementation phase measures, the client may need to engage heritage consultant(s) to implement the part of the Action Plan related to heritage matters.

References

Several of the requirements set out in Performance Standard 8 relate to the following international agreements and the related guidance and recommendations:

- *Convention on Biological Diversity* (1992) - provides information on the convention, lists of signatory nations and biodiversity experts and other useful information.
<http://www.biodiv.org/default.aspx>
- *Bonn Guidelines on Access to Genetic Resources and Fair and Equitable Sharing of the Benefits Arising Out of their Utilization* (Secretariat of the Convention on Biological Diversity, 2002) guidelines on establishing legislative, administrative or policy measures on access and benefit-sharing and/or when negotiating contractual arrangements for access and benefit-sharing.
<http://www.biodiv.org/doc/publications/cbd-bonn-gdls-en.pdf>
- *Akwé: Kon Guidelines* (Secretariat of the Convention on Biological Diversity, 2004) voluntary guidelines for the conduct of cultural environmental and social impact assessments regarding developments proposed to take place on, or which are likely to impact on, sacred sites and on lands and waters traditionally occupied or used by indigenous or local communities.
<http://www.biodiv.org/doc/publications/akwe-brochure-en.pdf>
- *Convention on the Safeguarding of Intangible Cultural Heritage* (UNESCO, 2003) ensures the safeguarding of international cultural heritage and to strengthen solidarity and cooperation at regional and international levels in this field.
<http://unesdoc.unesco.org/images/0013/001325/132540e.pdf>
- *Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property* (UNESCO, 1970) status the necessary means in order to prohibit and prevent illicit import, export and transfer of ownership of cultural property http://www.unesco.org/culture/laws/1970/html_eng/page1.shtml
- *Convention Concerning the Protection of the World Cultural and Natural Heritage* (UNESCO, 1972) establishes a system of collective identification, protection, and preservation of cultural and natural heritage and to provide both emergency and long-term protection for cultural and natural heritage.
http://whc.unesco.org/world_he.htm
- *World Heritage List (from the Convention Concerning the Protection of the World Cultural and Natural Heritage)* - list forming part of the cultural and natural heritage which the World Heritage Committee considers as having outstanding universal value.
<http://whc.unesco.org/pg.cfm?cid=31>
- *Convention on the Protection of Underwater Cultural Heritage* (UNESCO, 2001) - protects underwater cultural heritage.
http://www.unesco.org/culture/laws/underwater/html_eng/convention.shtml

In addition, the following guidance from the World Bank provides useful information:

- *World Bank - Cultural Heritage Country Files* – These are data files now in place with the World Bank. They contain valuable information for clients who are in the initial phases of project development and are concerned with possible heritage issues and constraints in the host country. The files contain existing, readily available technical and contact information, and a checklist of additional information that should be obtained.
- *World Bank - Physical Cultural Resources Safeguard Policy- Safeguard Policy Handbook*. This contains instructions for implementing The World Bank's Operational Policy 4.11 – *Physical Cultural Resources*. It also has broader utility as a general guide for treating physical cultural resources as a component of Environmental Impact Assessment (EIA). – The Handbook provides a definition of physical cultural resources, describes how they are integrated into the EIA, and includes specific guidance for project financing agencies, borrowers, EIA teams and EIA reviewers. It also discusses common impacts on physical cultural resources of projects in several sectors, including: hydroelectric power, roads, urban development, cultural heritage and coastal zone management. Written for the non-specialist, the Handbook is designed to assist professionals who participate in all phases of development projects, including: identification, preparation, implementation, operation and evaluation.
- *World Bank - Physical Cultural Resources Country Profiles (work in progress since 2003.)*. – A Physical Cultural Resources Country Profile for each client country of the World Bank contains information on important aspects of the tangible cultural heritage as well as on environmental laws and regulations. The profiles are intended primarily as reference tools to ensure that physical cultural resources are taken into account during all phases of development projects, including in Environmental Impact Assessments (EIAs). As of 2006, a draft profile exists for each client country of The World Bank, and completed profiles, commissioned from local experts, are available for 20 countries. All profiles are displayed on a website located on the World Bank's Intranet. Completion of profiles continues, and a maintenance manual provides instructions for updating information. The profiles follow a standard format that includes: a map of the country and notes on geography and history; characteristic types of physical cultural resources and their locations; internationally-recognized sites; institutions, laws and regulations governing cultural heritage and the environment; inventories of physical cultural resources; geospatial data and maps; and sources of information and professional expertise for the various sub-fields of cultural heritage.