



## **Safeguard Policy Review Revisited:**

**Has IFC addressed the recommendations of the CAO Safeguard Policy Review?**

### **1. Introduction and Frame of Reference**

IFC presents its Progress Report on IFC's Policy and Performance Standards on Social and Environmental Sustainability and Disclosure Policy for discussion at CODE on September 7, 2005. The revised policy framework is intended to replace IFC's existing Safeguard Policies. The Policy/Performance Standards reinforce a shift in emphasis within IFC from compliance and avoiding harm to value-added activities that lead to enhanced beneficial outcomes. This transition presents significant opportunities as well as risks to IFC, its clients, and affected communities. IFC's success in managing the balance of benefits and risks will depend heavily on its processes and procedures to demonstrate – credibly and transparently – that its activities ultimately result in significant development benefits. This paper presents CAO's perspectives on IFC's current proposals through the lens of the Safeguard Policy Review<sup>1</sup>. It revisits the findings and recommendations of the Safeguard Policy Review and includes a number of constructive suggestions to help IFC achieve an appropriate balance between risks and benefits.

#### **1.1 Background**

1. The Compliance Advisor/Ombudsman's (CAO's) Safeguard Policy Review<sup>2</sup> (SPR) has been catalytic in prompting an extensive revision of the International Finance Corporation's (IFC's) policies, practices, and systems for ensuring that social and environmental factors are given due consideration in IFC projects. As IFC's initial response to the Safeguard Policy Review is presented to CODE, this paper analyzes the extent to which the current IFC proposals are consistent with or contrary to the recommendations proposed by the CAO in its review of IFC's Safeguard Policies.

2. The purpose of the CAO's SPR was twofold:

- To assess the effectiveness and impact of the SPs after three years of experience; and
- To draw conclusions and make recommendations on the SPs and their system of application, which includes the environmental and social review procedures for project preparation and supervision but also encompasses much broader issues, such as the locus of responsibility for environmental and social issues within IFC.

In January 2004, IFC's senior management committed to adopting and implementing all the recommendations of the SPR.

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<sup>1</sup> A Review of IFC's Safeguard Policies: Core Business: Achieving Consistent and Excellent Environmental and Social Outcomes. January 2003.

<sup>2</sup> A Review of IFC's Safeguard Policies: Core Business: Achieving Consistent and Excellent Environmental and Social Outcomes. January 2003.

3. This submission to CODE is based on —

- Reviewing progress against the SPR recommendations;
- Considering the extent to which policy-specific findings in the SPR have been integrated into IFC's revised approach;
- Considering whether revised policies afford an "equivalent level" of environmental and social protection (based on the policies' auditable criteria developed by CAO in October 2003); and
- Considering the extent to which IFC's revised approach is supportive of enhanced accountability to affected communities.

The latter point reflects CAO's unique role as an independent recourse mechanism for environmental and social matters for IFC.

4. This assessment relates specifically to the specific strengths or weaknesses of the Draft Policy on Social and Environmental Sustainability (S&ES) and associated Performance Standards. This assessment does not include an analysis of the revision of sector-specific guidelines (currently captured in the Pollution Prevention and Abatement Handbook and related IFC Guidelines) or the revised *Social and Environmental Review Procedure*, which are not yet available for review. As a consequence, some of the findings of this analysis have caveats to reflect this situation. Guidance Notes are referred to, but only to the extent that they provide supplementary information on issues raised in the SPR but not directly addressed within the Policy on S&ES or Performance Standards.

5. CAO has signaled its intention to CODE<sup>3</sup> and to the IFC<sup>4</sup> to publicly disclose our views, after the September 7, 2005 discussion with CODE and during the final phase of public comment.

## 1.2 Frame of Reference for the Comparative Analysis

6. This comparative analysis has as its starting point, the findings and recommendations of the SPR, which were broadly accepted by IFC's Management in January 2004. These will be compared, as applicable, against —

- Institutional commitments, in particular those made in the January 2004 Management Response to the SPR and any subsequent elaboration or extension of these commitments;
- IFC internal change processes initiated either immediately prior or subsequent to the publication of the SPR in April 2003; and
- Documents and draft documents in the public domain. These include the IFC Management Response to the SPR, draft IFC Policy on Social and Environmental Sustainability, set of eight Performance Standards and related Guidance Notes, draft Policy on Disclosure of Information, and provisions of the current *Environmental and Social Review Procedure*.

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<sup>3</sup> During a meeting on July 13, 2005 CAO provided a briefing to CODE on the past year's activities.

<sup>4</sup> In a memo dated June 10, 2005, from Meg Taylor, CAO to the acting Vice President of Operations Assaad Jabre.

7. This analysis revisits the policy-specific findings on individual Safeguard Policies presented in the SPR, as well as gaps and deficiencies flagged within the SPR, and considers the extent to which these findings have been addressed within the revised IFC approach. The CAO is solely concerned with the implications of IFC's revised approach for IFC and its clients, as opposed to the broader implications for Equator Banks or other users of the existing Safeguard Policies.

8. In conducting the comparative analysis, CAO was also mindful of IFC's expressed commitment to reinforcing rather than diluting the existing set of Safeguard Policies. At issue is whether the revised policy and standards afford an equivalent measure of environmental and social protection compared with the original safeguard policies. To analyze equivalence, CAO has compared the revised policy and standards against the "policy intents" elaborated by CAO in October 2003 for auditing purposes and related criteria to indicate effectiveness of implementation<sup>5</sup>.

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<sup>5</sup> *The Intent Behind IFC's Safeguard Policies. October 2003.*

## 2. Progress Against SPR Recommendations

### 2.1 Introduction

9. The recommendations of the SPR (Chapter X of the SPR) relate to (i) the impact and effectiveness of the Safeguard Policies and (ii) the system of application of the policies. The latter encompasses the system of implementing policies at the project level and the system within IFC to ensure that environmental and social goals are an integral part of the way that IFC does business. Accordingly, the recommendations of the SPR often relate to IFC's procedures as well as policy.

10. Consistent with the broad scope of the original review, the recommendations encompassed the following aspects:

- **Partner selection** — being more selective in the choice of project sponsors as partners;
- **Everybody's business** — mainstreaming environmental and social responsibility more widely throughout the institution;
- **Stakeholder engagement** — ensuring that the right people are involved at the right time;
- **Revamping the policies** — ensuring a closer integration of social and environmental aspects;
- **Social policy** — adopting a comprehensive approach to social issues;
- **The supervision system** — improving the rigor of supervision and monitoring; and
- **Financial Intermediaries** — providing greater support to Financial Intermediaries to ensure that IFC's social and environmental requirements are followed.

11. Each of these aspects is briefly discussed in the following sections. The headline recommendations of the SPR and the more specific recommendations and findings are summarized in Annex 1, which also indicates the current status of IFC's response to the recommendations.

### 2.2 Summary of CAO's Analysis of IFC's Response to SPR Recommendations

12. Many of the recommendations of the SPR relate to procedure as much as to policy. CAO recognizes that recommendations relating to policy are reasonably well reflected in the new policy framework. For recommendations relating to procedure, which will be addressed in the revised *Social and Environmental Review Procedure*, there is little information available at this time. As a consequence, CAO urges IFC to make the *Social and Environmental Review Procedure* available to the Board and publicly, prior to Board approval of the Policy on S&ES and Performance Standards.

13. CAO sees the following Issues as important for IFC to address:

- Developing the procedure for assessing clients' commitment (and screening out uncommitted sponsors as appropriate), and assessing and supporting client capacity;

- Committing to clients and investment staff that late projects will not be rushed through the Social and Environmental Review process;
- Indicating how the timing of IFC's involvement (where significant social and environmental risks exist) will influence whether IFC invests in a project;
- Reconsidering allowing clients to use in-house staff for the conduct of S&EAs in all situations;
- Requiring that IFC staff consistently and rigorously document the rationale for key decisions to enhance transparency and accountability. Public disclosure of these documented decisions would further enhance transparency and accountability;
- Providing for communities to be involved in monitoring, where circumstances permit, and especially where required to enhance public trust in the results of monitoring;
- Incorporating CAO's specific recommendations on supervision into the revised procedure, and provision of assurances that adequate resources will be applied to supervision; and
- Implementing a system that better manages the FI portfolio social and environmental risks and integration of the lessons of OEG's recent FI study into its revised approach.

14. The more detailed analysis that supports this summary is provided in section 2.3 and Annex 1.

### 2.3 Specific Aspects Addressed in SPR Recommendations

The Safeguard Policy Review made a number of recommendations under the headings outlined in paragraph 10 above. Each recommendation is summarized below (in bold italicized text), IFC's response is briefly discussed, and any outstanding issues of concern to CAO are highlighted.

#### Partner selection

15. ***The SPR recommended that IFC ensure that the commitment of project and FI partners be proven (to environmental and social responsibility and corporate governance) and a specific assessment of capacity be undertaken prior to approval.*** The Policy on Social and Environmental Sustainability states that *"IFC seeks business partners who share its vision and commitment to sustainable development, who wish to raise their capacity to manage their social and environmental risks, and who seek to improve their performance in this area."* In addition, IFC's Management Response to the Safeguard Policy Review included a commitment to produce a new Corporate Procedure (referred to in the Policy on S&ES as a *Social and Environmental Review Procedure*) that *"will incorporate evaluation of sponsor commitment and capacity, and introduce differentiation of processing of projects based on their risk/opportunity profile."* To date, no draft of the procedure has been made available.

16. CAO views this as a critical aspect to be addressed, and urges IFC to make its approach available to the Board and publicly, prior to Board approval of the revised Policy and Performance Standards. In addressing the issues of capacity and

commitment, CAO also suggests that IFC refer to the approach developed and adopted by CAO for its July 2004 Report: *Review of the Capacity of COMSUR to Manage Environmental and Social Responsibility Issues* ([www.cao-ombudsman.org](http://www.cao-ombudsman.org)).

### **Everybody's business — Mainstreaming environmental and social (E&S) responsibility throughout the institution**

17. ***The SPR recommended that the system for E&S preparation of projects be significantly strengthened by overcoming the business side and the E&S side of IFC. Senior Management and Management should be accountable for specific E&S performance goals at the portfolio and project level.*** Through the process of mainstreaming, IFC has demonstrated a commitment to integrating environmental and social responsibilities into the business line. Mainstreaming is also fundamentally about ensuring that line management assumes responsibility and accountability for environmental and social decision-making and performance. The approach to the policy revisions has been inclusive of Senior Management and line managers and a broad range of staff outside of the Social and Environmental Department (CES).

18. Almost all of several specific issues raised under these headline recommendations have been addressed, with the exception of “late projects” – where projects are rushed through IFC’s Environmental and Social Review process – which is not discussed. The Policy on S&ES acknowledges that the “effectiveness and efficiency of this review partly depends on the timing of IFC’s involvement.” CAO recommends that IFC explicitly signal that the timing of IFC’s involvement (where significant social and environmental risks exist) will also influence whether IFC invests in a project.

19. ***The SPR recommended that CES needed to address its lack of transparent and accountable procedures for implementation of policies.*** The draft Policy on S&ES and Performance Standards makes a clear distinction between what IFC will be responsible/accountable for and what IFC’s clients will be responsible/accountable for, but the link between these two is not sufficiently robust to ensure overall enhanced accountability within CES. The locus for such commitments would likely be the revised *Social and Environmental Review Procedure*, which is not yet available for comment. In practice, this could be addressed by IFC’s committing to consistently and rigorously documenting the rationale for key decisions, including the basis for categorization and applicability of specific policies, the adequacy of the clients’ Social and Environmental Assessment or management tools (e.g. Environmental Management System or Action Plan), the adequacy of processes of public consultation and involvement, the adequacy of clients’ grievance mechanisms, and the extent to which project supervision has systematically assessed compliance with prior commitments.

### **Stakeholder engagement**

20. ***The SPR recommended that IFC should strengthen the SP system by involving other stakeholders, especially with regard to stakeholder engagement.*** Some of the specific issues concerning stakeholder engagement have been addressed as part of the process of policy revision. For example, the expectations regarding community engagement are greatly improved and far clearer. These include the definition of a project’s area of influence; concepts of free, prior, and Informed consultation (a client responsibility), and broad community support (an IFC responsibility). However, CAO believes that policy could be strengthened as follows: (i) By making clear the precise purpose of engagement and consultation at different stages of project

development. Greater guidance will be helpful to assist external parties in understanding why they are being consulted and what influence they can have on the project development process. (ii) By clarifying the minimum requirements for "adequate" consultation. (iii) By defining the criteria IFC will use to determine broad community support.

### **Revamping the Safeguard Policies — ensuring a closer integration of social and environmental aspects**

21. ***The SPR recommended a number of SP overhauls to keep pace on changing practice; that the process of updating SPs should be more frequent or continuous, draw on learning and best practice, and be adapted to specific sectors; and that enhancing the quality of EA should be a priority.*** Most of the specific suggestions have either been incorporated within the current review or provided for. For example, the Guidance Notes are and industry sector guidelines could be subject to a process of more frequent revision, to take account of advances in technical knowledge or best practice. The revised Policy on S&ES and Performance Standards explicitly and implicitly embodies various commitments to enhancing the quality of EA. However, CAO is concerned that the current draft still enables clients to use in-house staff for the conduct of S&EAs and recommends that IFC reconsider this provision.

### **Social Policy — adopting a comprehensive approach to social issues**

22. ***The SPR recommended that IFC adopt a comprehensive approach to social issues, including social assessment as an integral part of EA.*** The revised Policy on S&ES and Performance Standards explicitly deals with this aspect and promotes a much closer integration between social and environmental issues. This is one of the most significant areas of improvement arising from the policy revision process and should establish the basis for a more inclusive and integrated approach to S&EA. The SPR also cautioned that IFC should ensure adequate staffing arrangements to support clients on complex social development issues. Given the likelihood that demands for such support will increase, CAO would welcome clear assurances from IFC that adequate capacity is in place.

### **The Supervision System — improving the rigor of supervision and monitoring**

23. ***The SPR recommended that IFC should reconsider the basis for its supervision regime.*** CAO views strengthening IFC's supervision regime as critical for the successful management of project and portfolio risks. A few of the specific recommendations are addressed within the Policy on S&ES and Performance Standards, but others are less clear. For example, there is no clear commitment to involving communities in monitoring (or supervision) in any of the Performance Standards and only a passing reference in Guidance Note 1 – CAO considers this to be an oversight. Most of the specific recommendations are likely to be dealt with within the forthcoming *Social and Environmental Review Procedure*. Given the critical role of supervision in portfolio and project risk management, CAO urges IFC to incorporate the specific recommendations of the SPR into the revised procedure. CAO would also welcome clear assurances from IFC that adequate resources will be applied to supervision.

**Financial Intermediaries — Providing greater support to Financial Intermediaries to ensure IFC's social and environmental requirements are followed**

24. ***The SPR recommended that IFC should revisit its capacity to support FIs to implement the environmental and social demands that IFC makes of them.*** Most of the detail for how FIs will be dealt with will be provided in the forthcoming Social and Environmental Review Procedure. Given the critical need to implement a system that better manages the FI portfolio social and environmental risks, CAO urges IFC to integrate the lessons of OEG's recent FI study into its revised approach.



### **3. SPR Findings on Individual SPs and Gaps and Deficiencies**

#### **3.1 Introduction**

25. The SPR highlighted key issues for each SP (chapter V and overall gaps and deficiencies (chapter XI) inherent in the SPs. A summary of the policy-specific findings and gaps and deficiencies is included in Annex 2, which also presents the current status of IFC's response. This considers the extent to which policy-specific findings have been reflected in the Policy on S&ES, Performance Standards, or Guidance Notes.

#### **3.2 Summary of CAO's Analysis of IFC's Response**

26. IFC has satisfactorily addressed almost all of the policy-specific findings identified in the SPR. CAO recommends that IFC address the following issues during the current process of revision:

- How IFC will deal with situations where clients have demonstrated best practice in terms of FPIC but where broad community support remains elusive, as well as the criteria IFC will use to determine broad community support;
- Difficulties associated with projects that come to IFC in an advanced state where resettlement has already been carried out by the client; and
- The specific issue of resistance to addressing child labor in some sectors, either within the related Guidance Note or sector-specific guidelines.

27. In addition to the policy-specific findings and observations, the SPR highlighted several gaps and deficiencies within the SP framework:

- The incomplete coverage of social issues;
- Absence of IFC institutional commitment to more than two of the ILO core labor standards;
- Lack of explicit references to international agreements, norms, or standards;
- Limited guidance on health issues;
- Weaknesses in the system for updating policies;
- Lack of accessibility of policies, guidelines and guidance; and
- Limited results orientation in policy provisions (e.g. unclear about who is responsible for what).

28. In almost all instances, the gaps and deficiencies flagged in the SPR have been explicitly addressed in the revised Policy and Performance Standards. In particular, considerable efforts have been made to address inequities in the treatment of social versus environmental issues, which are reflected in several of the Performance Standards and Guidance Notes. The Policy and Performance Standards make some references to international agreements, norms, and standards, but for the most part these are included within the Guidance Notes to enable more regular updating in response to evolving practice.

29. The more detailed analysis that supports this summary is provided in section 3.3 and Annex 2.

### 3.3 Policy-Specific Findings, Gaps and Deficiencies and IFC Responses

#### **OP 4.01 Environmental Assessment** (replaced by Performance Standard 1)

30. The specific findings on EA stemmed from the overall observation that the effectiveness and impact of EA could either be reinforced by a robust EA or undermined by a weak EA, as OP 4.01 was in effect an umbrella policy. In particular, the review highlighted that—

- Variability in EA resulted from a lack of clarity concerning the inclusion of social issues, beyond the social safeguards;
- Differentially applied policies (by IFC specialists) created confusion for sponsors;
- Criteria for screening and categorization are unclear;
- The extent of consultation and disclosure requirements is unclear;
- The role of advisory panels is unclear; and
- OP 4.01 does not enshrine best practice and gives little guidance to clients.

31. For the most part, the Policy on S&ES and Performance Standard 1 has addressed these specific criticisms satisfactorily (see Annex 2). One exception is the criteria for screening and categorization, which will be dealt with within IFC's forthcoming *Social and Environmental Review Procedure*.

32. Although CAO welcomes the generally strengthened approach to community engagement, we are unclear about how the provisions for "*Free, Prior, and Informed, Consultation*" or FPIC (which is the responsibility of the client) and "*broad community support*" (which IFC must determine) will interface for large projects with potential significant adverse impacts. In particular, how will IFC deal with situations where clients have demonstrated best practice in terms of FPIC, but where broad community support has proved elusive? CAO would welcome any clarification that IFC can give on this aspect. CAO also considers it essential that more detail be provided on the criteria that IFC will use to determine whether broad community support has been attained.

#### **OP 4.04 Natural Habitats** (replaced by Performance Standard 6)

33. The specific findings reflected that the natural habitats policy was outdated (in terms of more holistic approaches to dealing with ecosystem or biodiversity issues) and suffered from a lack of clarity concerning key concepts such as "natural habitats" and "significant conversion." These shortcomings (outlined in Annex 2) have been addressed satisfactorily.

#### **OP 4.36 Forestry** (no equivalent Performance Standard)

34. The forestry policy was not replaced, but elements of the original are reflected in Performance Standards 6 (Conservation of Biodiversity and Sustainable Natural Resource Management) and to a lesser extent Performance Standard 1 (Social and Environmental Assessment and Management). The specific findings of the SPR (e.g. concerning narrow focus on logging and inadequate provisions for incorporating biodiversity concerns into plantation projects) are addressed satisfactorily.

**OP 4.37 Dam Safety** (no equivalent Performance Standard)

35. The dam safety policy was not replaced, and the SPR criticized its universal treatment of all dams, which undermined its application. However, the key policy provisions (and specific issues raised in the SPR) are either protected within sectoral guidelines or addressed satisfactorily within the provisions of Performance Standard 4 Community Health and Safety (or its related Guidance Note).

**OP 7.50 International Waterways** (no equivalent Performance Standard)

36. The policy was seen to be inflexible, in that it confuses the respective roles of IFC and its clients, and was also seen to be unduly burdensome. It was not replaced. However, the key policy provisions (and specific issues raised in the SPR) are satisfactorily included in the Policy on S&ES and Guidance Note 6.

**Harmful Child Labor/Forced Labor** (replaced by Performance Standard 2)

37. This more narrowly prescribed policy was expanded as part of the policy revision process to take account of and reference the eight International Labor Organization (ILO) core labor standards and the UN Convention on the Rights of the Child. Performance Standard 2 (Labor and Working Conditions) satisfactorily addresses the specific SPR observations, with the exception of resistance to addressing child labor in some sectors. This might best be addressed within either the related Guidance Note or sector-specific guidelines during the current revision process.

**OP 4.20 Indigenous Peoples** (replaced by Performance Standard 7)

38. The specific findings reflected the lack of clarity regarding who should be treated as indigenous, and how to deal with their specific vulnerabilities. Performance Standard 7 addresses these shortcomings satisfactorily and is clearer in terms of when the policy should be invoked and what its core provisions are.

**OP 4.30 Involuntary Resettlement** (replaced by Performance Standard 5)

39. This policy was confusing for private-sector clients as it had been written for public-sector sponsored resettlement. This gave rise to numerous concerns, including confusion between the role of the public and private sectors, lack of clarity over the central concept of “involuntary” resettlement, issues concerning projects that come to IFC after resettlement has taken place, and lack of clarity on requirements concerning economic replacement. For the most part, Performance Standard 5 has addressed these specific criticisms satisfactorily (see Annex 2).

40. One exception is addressing the difficulties associated with projects that come to IFC in an advanced state where resettlement has already been carried out by the client. CAO is aware that in at least some situations, IFC has appraised the project and determined what additional measures the client needs to undertake prior to the project's being cleared. CAO recommends that IFC explicitly address this aspect in Performance Standard 5. The issue of prior resettlement by another party is already addressed in Guidance Note 5.

**OPN 11.03 Cultural Property** (replaced by Performance Standard 8)

41. Lack of clarity concerning the applicability of this policy was thought to contribute to patchiness of implementation. This has been addressed satisfactorily within the updated Performance Standard.

## **4. Equivalence of Environmental and Social Protection between the Safeguards and the proposed Policy framework**

### **4.1 Introduction**

42. At various stages during the revision process, IFC has expressed a commitment to reinforcing rather than diluting the existing set of SPs, which is one of the major concerns of the CAO (and of many civil society stakeholders). This raises the question of whether the revised policies afford an equivalent measure of environmental and social protection compared with the originals. To obtain an indication of equivalence, CAO compared the revised Policy on S&ES and Performance Standards against the "policy intents" elaborated by CAO in October 2003 for auditing purposes and related criteria to indicate effectiveness of implementation<sup>6</sup>. This comparative analysis is presented in Annex 3, and informs the discussion below.

43. Equivalent measures of environmental and social protection are generally provided for in the proposed policy framework. Furthermore, the Policy on S&ES and Performance Standards includes a number of significant areas of improvements relative to the original Safeguard Policies, as alluded to above. For example, the Policy/Performance Standards—

- Clearly articulate the distinct responsibilities and accountabilities between IFC and its client in delivering enhanced environmental and social risk management and performance;
- Provide greater flexibility in how objectives or intents of the performance standards may be achieved;
- Explicitly mention the role of the CAO as an independent recourse mechanism (see also section 5 below);
- Have a far stronger commitment to integrating social and environmental aspects into the assessment and management of impacts and risks (with clear commitment to EMSs and Action Plans);
- Contain clearer and enhanced commitments on community engagement, including provision for Free, Prior and Informed Consultation (FPIC) and informed participation, in addition to broad community support (recognizing that definitional problems remain with the latter); and
- Enhance commitments in areas such as pollution prevention and abatement (PS3) and community health and safety (PS4).

44. For those SPs with an equivalent performance standard, the policy intents and related criteria are mostly retained in the current draft of the performance standard. For those SPs without an equivalent performance standard, most of the policy intents and auditable criteria have been included within other performance standards. For example, most of the provisions of the forestry policy (OP 4.36) are included within PS6 (Conservation of Biodiversity and Sustainable Natural Resources Management). Similarly,

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<sup>6</sup> CAO has always emphasized that the criteria are not exhaustive, and therefore should not be used as a substitute for the original SPs.

the pollution aspects of the pest management policy (OP 4.09) are now addressed by PS3 (Pollution Prevention and Abatement), whereas the public health dimensions are covered by PS4 (Community Health and Safety).

45. The comments below identify residual areas of concern, in terms of specific policy provisions and the system for their application.

#### **4.2 Summary of Issues Concerning Equivalence of Environmental and Social Protection**

46. Equivalent measures of environmental and social protection are generally provided for, and the Policy on S&ES and Performance Standards includes a number of significant areas of improvement relative to the original Safeguard Policies. CAO recommends that IFC address the following issues during the final stages of the policy revisions:

- Weakening of the existing policies as outlined in paragraphs 49–50;
- Committing to strike an appropriate balance between ensuring compliance as a starting point, to promoting value-added activities;
- Factoring the recommendations of the SPR regarding supervision into the revised Social and Environmental Review Procedure and providing clear assurances that adequate resources will be applied to supervision; and
- Clarifying which aspects of the guidance notes ought to be supportive of and subject to compliance audits.

47. The more detailed analysis that supports this summary is provided in section 4.3 and Annex 3.

#### **4.3 Issues Relating to Equivalence of Environmental and Social Protection**

48. The Policy and Performance Standards and their system of application raise a number of concerns regarding their equivalence of environmental and social protection, relative to the original Safeguard Policies. These include—

- Instances where the revised approach may result in a weakening of specific provisions of the Safeguard Policies or a lack of clarity concerning provisions, which could undermine the integrity of the policy revision process;
- A risk that shifts in emphasis (i) from compliance and avoiding harm to value-added activities could undermine IFC's focus on compliance and (ii) from protecting the rights of affected communities to managing the risks to private-sector clients could undermine the external acceptance of the revised policies;
- A risk that weak supervision could undermine the achievements of the objectives and specific requirements of the Policy and Performance Standards; and
- Remaining uncertainties regarding the extent to which the provisions of guidance notes will be binding on IFC and its clients.

Each of these aspects is briefly addressed below.

## Weakening of Policy Provisions and Lack of Clarity

49. The analysis in Annex 3 and CAO's review of the CODE drafts more generally has identified a number of areas where policy provisions might be weaker than the original SPs (or the revised drafts presented to CODE in August 2004) or lacking in clarity<sup>7</sup>. CAO is concerned that any perceived weakening of the existing policies has the potential to undermine the integrity of the conversion process (and the basic principle of making the policies more robust). It could also have implications for the CAO's role as the independent recourse mechanism for IFC (see section 5 below). More specifically—

- The Policy on S&ES has lost a critical reference that the realization of IFC's commitment depends on efforts of both IFC and its client. CAO believes that this ought to be explicit, rather than implicit, i.e. that client adherence to the Policy and Performance Standards is essential for IFC to deliver on its commitment and that IFC therefore has a critical oversight role;
- Neither the Policy and Performance Standards nor the Policy on Information Disclosure is specific about the timing of disclosure of key documents (such as the S&EA or Action Plan). No requirement for consultation during the scoping of S&EA has been included, and it is unclear that the S&EA or Action Plan will be made available to affected communities sufficiently far in advance of the Board considering a project. CAO considers that these aspects should be addressed;
- The requirements for S&EA documentation (Guidance Note 1, paragraphs 27–31) indicate that formal Social and Environmental Impact Assessment (SEIA) should only be required for projects with "*potentially significant social and environmental impacts and risks.*" CAO is concerned that this might be interpreted as suggesting that only Category A projects require an SEIA, as in many instances a Category B project might well warrant a full SEIA report, and recommends that further clarification is provided.
- The independence of S&EA consultants is no longer a requirement, and CAO recommends that IFC reconsider this provision in Performance Standard 1 (see also paragraph 21). One alternative could be that where clients conduct S&EA in-house, IFC commission an independent review of the objectivity and adequacy of the S&EA;
- Guidance Note 1 (paragraphs 31–35) positions the Action Plan as the publicly disclosed version of a client's Performance Management Program (PMP). This should include key elements of the PMP, especially those that relate to affected communities, but may exclude "*proprietary information, cost data, information that would compromise project site security and safety, etc.*" CAO is concerned that the Action Plan be sufficiently detailed and specific for meaningful consultation and would prefer that departures from the PMP be limited to commercially confidential information or information that could compromise site security and safety;
- Regarding biodiversity, the principle that projects should be sited on land that was already converted is not included, nor is the requirement to minimize (as opposed to

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<sup>7</sup> During IFC's consultation process, numerous instances of alleged weakening of existing policies or lack of clarity were flagged to IFC. Many have been addressed in the latest drafts, but not all. CODE members should note that CAO has only drawn attention to those that (i) relate to issues raised in the SPR; (ii) are relevant to the auditable policy intents listed in Annex 3; or (iii) with regard to the latest drafts of the Policy on S&ES or Performance Standards, are weaker than earlier versions.

just mitigating) unavoidable impacts or degradation of critical natural habitat. CAO considers that these aspects should be included; and

- The threshold for application of PS7 Indigenous Peoples to projects located on traditional or customary land is increased to where “*significant impacts can be expected.*” CAO does not understand the rationale for this change, and recommends that IFC reconsider this provision.

50. In addition, CAO welcomes the new provisions in Performance Standard 3 (Pollution Prevention and Abatement). However, the section on *Emergency Preparedness and Response* should include specific provisions on engagement with communities (and be cross-referenced to equivalent provisions within Performance Standard 4 (Community Health and Safety)). In addition, the section on *Ambient Considerations* introduces the concept of limiting adverse impacts where avoidance and minimization are not feasible. CAO notes that the concept of “limiting” is not included elsewhere within the Policy on S&ES and Performance Standards and suggests that it be dropped.

### **Shifts in emphasis**

51. The Policy and Performance standards reinforce a shift in emphasis within IFC from compliance and avoiding harm to promoting value-added activities. For example, the funding for environmental and social initiatives (Policy on S&ES, page 8) makes a distinction between supporting costs of compliance (which is not provided for), as opposed to supporting enhanced sustainability performance. CAO’s concern is that IFC must be rigorous in meeting its basic obligations and commitments as well as promoting value-added activities (which also extend the range of IFC’s service offerings) in parallel. CAO’s role – particularly from the perspective of Compliance – is to provide assurance to the President, the Board, IFC Management, and the public that obligations have been met.

52. There is also a widely perceived shift in emphasis from the Safeguards, which are seen to protect the rights of affected communities, to identifying and managing the risks of private-sector clients. This distinction highlights a perceived difference between the IBRD/IDA policy framework and IFC’s more private-sector focus and presents a risk to the external acceptance of IFC’s revised policies.

### **Supervision weaknesses**

53. CAO views the strengthening of IFC’s supervision regime as critical for the successful management of project and portfolio risks, as outlined in paragraph 19. In addition, the risks of weak supervision are likely to increase as the volume of IFC’s work increases and projects in higher-risk sectors are pursued as a matter of strategy. Most of the specific SPR recommendations are likely to be dealt with in the forthcoming *Social and Environmental Review Procedure*. Given the critical role of supervision in portfolio and project risk management, CAO again urges IFC to incorporate the specific recommendations of the SPR into the revised procedure, and requests clear assurances from IFC that adequate resources will be applied to supervision.

### **Status of provisions of guidance notes**

54. The status of the guidance notes is particularly important in relation to the CAO’s compliance role, and the related auditability of IFC’s requirements. IFC have publicly stated that provisions of the Policy on S&ES and the Performance Standards will be mandatory and that the guidance notes will not be mandatory. These currently articulate (i)

IFC's interpretation of the Performance Standards, and (ii) a mix of good practice and reference materials. In the opinion of CAO, IFC's guidance on interpretation (as outlined in the guidance notes) ought to be supportive of and subject to compliance audits, whereas the good practice and reference materials should not. The guidance notes are not sufficiently clear on these distinctions at present. CAO recommends that this be addressed in the final process of revision of the guidance notes.



## **5. Implications for Accountability to Affected Communities**

### **5.1 Introduction**

55. In light of the CAO's role as the independent recourse mechanism for people adversely affected by environmental or social impacts of IFC projects, CAO has a particular interest in considering the extent to which the IFC's institutional response to the SPR is supportive of, or contrary to, enhanced accountability to affected communities. As a matter of principle, CAO considers that affected communities should have an informed awareness of their rights to access the CAO and how to do so. IFC's inclusion of the CAO within Section 4 of the Policy on S&ES and within the draft Policy on Disclosure of Information is a significant step in support of this principle.

### **5.2 Implications for CAO and Suggested Ways Forward**

56. CAO has identified the following areas of potential concern that may have implications for the work of the CAO, some of which could be mitigated in the final stages of IFC's revision process:

- Any perceived weakening of the existing policies (see paragraphs 49–50) could result in complaints alleging that affected communities are afforded a lower standard of protection under IFC's revised approach (i.e. a disparity between "old" and "new" policy commitments could be a possible source of complaint);
- The shift to a more flexible outcome-oriented approach involves an increased reliance on discretionary approaches. Discretionary approaches must be supported by consistent and meaningful justifications, as well as a greater emphasis on monitoring and reporting on the achievement of development outcomes, in order to promote clarity and accountability in the event of a complaint or dispute; and
- As the audit role relies on clear distinctions on "compliance," any lack of clarity or increase in ambiguity could make it harder to audit effectively.

57. The specific concerns regarding weakening of existing policies have already been addressed in Section 4 above. As regards the impacts on CAO's compliance role of increased reliance on discretionary approaches and lack of clarity, CAO believes there is an important distinction to be made between reviewing IFC's compliance with its commitments (regarding social and environmental review as part of its due diligence), and the client's compliance with the requirements of the Performance Standards. At present, IFC's review processes contain several important decision points. These include the basis for categorization and applicability of specific policies, the adequacy of the clients' Environmental Assessment or management tools (e.g. Environmental Management System or Action Plan), the adequacy of processes of public consultation and involvement, and the extent to which project supervision systematically assesses compliance with prior commitments.

58. The Performance Standards provide few details on how IFC will be accountable at these decision points, and the revised Social and Environmental Review Procedure is not yet available. In support of enhanced accountability and the compliance role of CAO, the revised procedure should commit IFC staff to consistently and rigorously document

the rationale for key decisions to enhance transparency and accountability. Public disclosure of these documented decisions would further enhance transparency and accountability.

59. CAO raises a number of concerns regarding disclosure in paragraph 49 and, in addition, notes the centrality of an improved Policy on Disclosure to the broader shift within IFC toward a more “outcome-oriented” approach. In particular, the emphasis on outcomes increases the onus on IFC to demonstrate – through unambiguous monitoring, evaluation, and reporting – that development outcomes are being achieved. CAO believes that the current draft Policy on Disclosure does not adequately establish IFC’s commitments in this regard, particularly at the project level. CAO believes that this issue, as well as concerns raised in paragraph 49, should be addressed to instill greater confidence that IFC’s commitment to disclosure has not been weakened.

60. Finally, the increased commitment to having clients implement project-level grievance mechanisms is also welcome, but this needs to be balanced by clearer guidance from IFC on how such mechanisms can be made robust. If a complaint is received on a project where a grievance mechanism has been established, CAO’s approach will be to test the efficacy of the mechanism. Rather than CAO determining the criteria to assess efficacy on a case-by-case basis, our preference is that IFC clearly specify its expectations of clients’ grievance mechanisms within Performance Standard 1 (in terms of independence, fairness, impartiality, and right of appeal),

## **Annex 1: Summary of IFC Responses to SPR Recommendations**

## Schedule 1. Safeguard Policies Review Recommendations and IFC Institutional Responses

Headline Recommendations	Specific Recommendation/Finding	IFC Response	Response Ref.
<b>Partner Selection</b>			
<p>IFC should ensure that in its selection of partners, as project sponsors or FIs, the commitment to environmental, social and corporate governance is proven and that specific assessment of their capacity is included at pre-approval.</p>	<p>Sponsor intentions should be more closely looked at as well as their likelihood of success in the delivery of preapproval E&amp;S commitments during implementation.</p>	<p>The new Policy on S&amp;ES states that <i>“IFC seeks business partners who share its vision and commitment to sustainable development, who wish to raise their capacity to manage their social and environmental risks, and who seek to improve their performance in this area.”</i> There are no details in the Policy or Performance Standards on how capacity and commitment will be evaluated.</p>	<p>Policy on S&amp;ES, page 3, section 2, para. 4</p>
	<p>A more systematic process of assessing the E&amp;S commitment and capacity of sponsors should be developed and form part of the performance criteria of investment staff and managers.</p>	<p>IFC has committed to producing a new Corporate Procedure that <i>“will incorporate evaluation of sponsor commitment and capacity and introduce differentiation of processing of projects based on their risk/opportunity profile.”</i> To date, no draft has been made available for review or comment, although the Policy on S&amp;ES does refer to a <i>Social and Environmental Review Procedure</i>. No details are available to indicate whether this will be tied into the performance criteria of investment staff and managers.</p>	<p>IFC Management Response to the SPR, January 2004, Annex A</p>
	<p>Commitment and capacity should be a major issue in making investment decisions as part of an integrated risk management decision, whereby the costs of increased risks are borne by sponsors and projects rather than IFC or other parties.</p>	<p>This aspect may be addressed within the forthcoming <i>Social and Environmental Review Procedure</i>, which will replace the existing <i>Environmental and Social Review Procedure</i>. To date, no draft has been made available for review or comment.</p>	
<b>Everybody’s Business – A Corporate Approach</b>			
<p>In order to achieve optimal performance of the SPs and positive environmental and social outcomes, the system for E&amp;S preparation of projects should be significantly strengthened.</p>	<p>To achieve this, IFC must overcome the still apparent separatism that exists between the business side and environmental side of this corporation. SPs should be integrated in the early stages of a project design and should be a tool used to increase the capacity of a committed sponsor.</p>	<p>Through the ongoing process of mainstreaming, IFC management has indicated that it is fully committed to integrating environmental and social responsibilities into the business line and believes this approach is fundamental to IFC’s retaining its leadership role.</p> <p>The Policy and Performance Standards make various references to early engagement; however, the policy cautions that <i>“the effectiveness and efficiency of IFC’s review depends partly on the timing of IFC’s involvement.”</i> If early in project design, IFC can more effectively help clients to address risks, impacts, and opportunities and build capacity.</p>	<p>IFC Management Response to the SPR, January 2004 (paras. 19 and 22). Policy on S&amp;ES, page 3, section 4, para. 2.</p>

Headline Recommendations	Specific Recommendation/Finding	IFC Response	Response Ref.
<p>Senior Management and Management should be held accountable for specific environmental and social goals derived from performance at the project and portfolio level.</p>	<p>The SP framework should be explicitly developed and affirmed by management as a whole and its centrality to IFC's mission.</p>	<p>The approach to the policy revisions has been inclusive of senior management and line managers, and included participation from IFC staff outside of the Environmental and Social Development Department.</p> <p>As regards accountability, the Policy on S&amp;ES states that while clients will be responsible for managing social and environmental risks and impacts, IFC will "<i>monitor the client's social and environmental performance throughout the life of IFC's investment.</i>" The revised IFC Policy on Disclosure of Information makes additional commitments to reporting on development impact at the portfolio level.</p>	<p>Update of IFC SPs TOR, Nov. 2003.</p> <p>Policy on S&amp;ES, page 3, section 3, para. 2; Draft Policy on Disclosure of Information, para. 24</p>
	<p>Accountability should also be extended to investment staff through department scorecards and performance objectives of directors.</p>	<p>IFC's Management Response states that mainstreaming is fundamentally about ensuring that line management assumes accountability and responsibility for environmental and social enquiry, decision-making and performance. As a result, management, staff, and department performance will incorporate evaluation of environmental and social sustainability in addition to traditional measures. In addition, investment departments are in the process of establishing industry-sector strategies and targets that should provide the context for considering departmental objectives and performance measurement.</p>	<p>IFC Management Response to the SPR, January 2004 (paras. 22 and 39)</p>
	<p>Management needs to send a clear signal to sponsors and investment staff that late projects will not be rushed through the E&amp;S review process, and E&amp;S staff should have open access to sponsors from the earliest stages of engagement with sponsors.</p>	<p>As mentioned above, the Policy and Performance Standards make various references to the value of early engagement, and the policy cautions that "<i>the effectiveness and efficiency of IFC's review depends partly on the timing of IFC's involvement.</i>" There is no specific mention of "late projects" in the available documentation. This aspect may be addressed within the forthcoming <i>Social and Environmental Review Procedure</i>.</p>	<p>Policy on S&amp;ES, page 3, section 4, para. 2.</p>
<p>CES needs to address its lack of transparent and accountable procedures for the implementation of policies. <i>Throughout the SPs, key concepts are not sufficiently defined, and there is sometimes variance between E&amp;S specialists on definitions (page 24, para. 3).</i></p>	<p>Creativity needs to be preserved, and E&amp;S staff must be enabled to apply professional judgment but with greater transparency and openness in decision-making. CES needs to institute systems whereby specialist decisions are transparent and peer-reviewed consistently.</p>	<p>This aspect may be addressed within the forthcoming <i>Social and Environmental Review Procedure</i> (and is discussed in the main body of this report as an area of remaining concern).</p> <p>IFC's Management Response indicated that a peer review system would be instituted for all category A and B projects; this will include participation by investment staff.</p>	<p>IFC Management Response to the SPR, January 2004 (Annex A)</p>
	<p>Department practice in interpreting SP issues should be made more available within IFC and to sponsors and affected communities.</p>	<p>IFC's Management Response to the SPR indicated that mainstreaming will more closely integrate IFC's environmental and social expertise into the day-to-day activities of the investment departments. Sector strategies and targets will provide clearer interpretation for staff.</p>	<p>IFC Management Response to the SPR, January 2004 (Annex A)</p>

Headline Recommendations	Specific Recommendation/Finding	IFC Response	Response Ref.
	E&S specialists should have clearly established performance measures of the performance of their portfolio of projects.	The IFC Management Response to the SPR indicates that industry-sector strategies will provide the context to set objectives/goals and measure the performance of investment department portfolios.	IFC Management Response to the SPR, January 2004 (Annex A)
<b>Stakeholder Engagement</b>			
IFC can strengthen the SP system by involving other stakeholders, particularly with regard to public consultation and participation.	IFC needs to be much more proactive with sponsors to engage them in effective and timely public consultation by ensuring that stakeholders are involved as early as possible and that sponsors are aware of what is expected of them.	The Policy on S&ES strongly emphasizes the importance of client's effective engagement with communities. The Policy on Social and Environmental Sustainability (PSES) identifies assistance with stakeholder engagement as one of a number of possible areas of client support. PS1 outlines the expectations of clients in detail and reiterates the importance of effective and timely engagement.	Policy on S&ES, section 3, page 3, para. 1; page 5, para. 2; Performance Standard 1, page 4, paras. 1–4.
	IFC should engage government regulatory authorities to strengthen their capacity and reduce sponsor confusion about differences between IFC and government requirements and collaborate with the World Bank on enhancing government capacity.	<p>The introduction to the Performance Standards clearly distinguishes between IFC and host country legal requirements: <i>"In addition to meeting the requirements under the Performance Standards, clients must comply with all applicable national laws, including those laws implementing host country obligations under international law."</i></p> <p>The Policy on S&amp;ES identifies IFC as having a liaison role with public- and private-sector stakeholders on aspects such as coordination with the World Bank on country systems, national policy, enforcement, or monitoring.</p>	<p>Introduction to Performance Standards, page i</p> <p>Policy on S&amp;ES, section 5, page 8, para. 2</p>
	In addition to allowing sufficient time for effective public consultation, key SP documentation should be translated into local languages using simple and easily understood terminology. The information in handbooks on consultation and participation should be integrated into IFC's work and training provided for sponsors.	<p>The revised Policy and Performance Standards will be available in the seven official languages of the World Bank. CAO is not aware of any explicit commitment to make such documents available in other languages. The handbooks are now explicitly referenced in some of the guidance notes for the Performance Standards.</p> <p>The Policy on S&amp;ES explicitly refers to client support, but no training is routinely offered to clients in such matters.</p>	Guidance Notes 5 and 6

Headline Recommendations	Specific Recommendation/Finding	IFC Response	Response Ref.
	<p>Disclosure affects SPs impact and effectiveness as it limits transparency and inclusiveness of decision-making, which are important means of creating accountability among sponsors and IFC for upholding their commitments and supporting better SP outcomes.</p>	<p>IFC Management undertook to address these aspects in its review of IFC's Disclosure Policy. In practice however, the Disclosure Policy is principally concerned with IFC's institutional disclosures.</p> <p>Performance Standard 1 outlines enhanced disclosure provisions including <i>"the results of the social and environmental assessment and, if applicable, related and relevant measures and actions described in the Action Plan. Ongoing disclosure will address progress in implementing the Action Plan, issues raised by affected communities, information addressing risks to their health and the environment, and incidents that directly affect them."</i></p>	<p>IFC Management Response to the SPR, January 2004 (para. 25)</p> <p>Performance Standard 1, page 4, para. 2</p>
<b>Revamping the Policies</b>			
<p>A gap has emerged between the SPs as originally intended and their current application. A number of SP overhauls are now overdue to keep pace with changing practice. <i>Furthermore, the review found inequities in the flexibility afforded to larger companies (and potential repeat clients) as opposed to smaller companies (page 26, para. 4)</i></p>	<p>IFC needs a regular (or perhaps continuous) monitoring and update system for SPs that takes account of advances in technical, scientific, and professional standards.</p>	<p>IFC has indicated that the move toward Performance Standards supported by more inclusive guidance notes (that reference best practice, for example) is designed to provide greater flexibility for updating IFC's expectations of its clients. This will be supported by the ongoing revision of the Pollution Prevention and Abatement Handbook and IFC's Environmental, Health, and Safety Guidelines, to take account of advances in technical, scientific, and professional standards.</p>	<p>Policy on S&amp;ES, section 5, page 9, bullet 2</p>
	<p>SPs need clear guidance on expected outcomes, with examples and supporting documentation, to help the sponsor place SP compliance within its overall E&amp;S management system.</p>	<p>The Policy on S&amp;ES and Performance Standards strongly emphasizes the links to clients' Social and Environmental Management Systems. The policy objectives are also clearly stated.</p>	<p>Policy on S&amp;ES, section 3, page 5, para. 3; all Performance Standards</p>
	<p>Individual SPs should be rewritten to include support for implementation based on learning and best practices with specific guidance on interpretation, definition, case studies, and examples. The policies should be clarified and made specific, both to the private sector as a whole and with guidance on specific sectors.</p>	<p>These considerations have been largely factored into the revision process through the provision of guidance notes. Some case studies and examples are provided through existing guidance documents and should be supplemented by proposed forthcoming guidance (e.g. on biodiversity and cultural property issues).</p>	<p>All Performance Standards and Guidance Notes</p>

Headline Recommendations	Specific Recommendation/Finding	IFC Response	Response Ref.
	Reworked SPs and more targeted advices should now be available electronically and on the Web. This will help all involved, including the sponsor and the private sector, understand clearly what is expected. Help desks and free phone lines might be created to help guide sponsors and others on complying with SPs.	The Policy, Performance Standards, guidance notes, and Guidelines will be available on the Web.  There has been no indication to date that help desks or free phone lines might be instituted.	n/a
	Duplication or deviance within and between different policy and guidance instruments should be clarified and resolved.	The revision process to date has attempted to clarify and resolve such problems, and this principle is being carried through to the revision of the Pollution Prevention and Abatement Handbook and IFC's Environmental, Health, and Safety Guidelines.	n/a
	Given the importance of EA, IFC should make enhancing the quality of EA a priority. Consultants who carry out EA work for the IFC should meet an agreed standard and have guidelines and a framework for completing their work.	Performance Standard 1 (PS1) proposes an integrated approach to dealing with social and environmental issues comprehensively. It also emphasizes that the assessment should be an <i>"objective evaluation and presentation of the issues"</i> yet leaves open the prospect for clients (as well as consultants or external experts) to undertake the assessment. There is no specific mention of a standard for EA consultants, and PS1 provides for clients to undertake an "objective" assessment.	PS1, page 2, para. 2
<b>Social Policy</b>			
IFC must ensure that a comprehensive approach to social issues, including social assessment, is an integral part of the EA process.	Environmental and social issues should be integrated, not be separated into parallel processes, as a matter of urgency.	PS1 promotes much closer integration in assessing the social and environmental dimensions of projects. The related guidance note is more inclusive in terms of the issues to be addressed.	PS1 and Guidance Note 1.
	IFC should also ensure that it has adequate staffing arrangements to ensure that it can maintain standards and support sponsors on complex social development issues.		
<b>The Supervision System</b>			
The construct that implies that supervision of all projects is the desired state sets CES up to fail. IFC should reconsider the basis for its supervision regime.	Supervision plans should be built on existing capacity and systems that the sponsor already has in place. The supervision system should also be built on the sponsor's reporting requirements to the national governmental regulatory regime.	The Policy on S&ES and Performance Standard 1 strongly emphasize the importance of the client's Social and Environmental Management System (SEMS). This should ensure that supervision is built around adherence to the Action Plan which will be an essential component of the SEMS.	Policy on S&ES, section 3, page 3, para. 3; Performance Standard 1, page 1, para. 1



Headline Recommendations	Specific Recommendation/Finding	IFC Response	Response Ref.
	Supervision should be enhanced by giving communities a greater role in monitoring and supervising.	There are no such provisions in the Policy on S&ES or Performance Standards. Guidance Note 1 suggests that <i>“Participatory monitoring (i.e. involvement of affected communities and other interested stakeholders) should be considered for large, high-risk projects.”</i>	GN1, page 17, para. 50
	Supervision plans for Category A and B projects should include specific supervision protocols, a system for investment, and specialist staff to be able to track compliance with recommendations and a strengthened risk-rating scheme.	This aspect may be addressed within the forthcoming <i>Social and Environmental Review Procedure</i> which will replace the existing <i>Environmental and Social Review Procedure</i> . To date, no draft has been made available for review or comment.	n/a
	Environmental and social supervision should be better coordinated with financial supervision	IFC’s Management Response to the SPR stated that <i>“Supervision activities should be further strengthened through mainstreaming, as environmental and social issues become integrated into the investment departments’ portfolio management decisions, and supervision work is integrated into the investment departments’ supervision work programs.”</i>	IFC Management Response to the SPR, January 2004 (para. 35)
	IFC needs to seek to increase and exercise its leverage. Environmental and social issues should be included in legal covenants/documents. IFC should consider suspending loans or withdrawing from projects if environmental and social performance present unacceptable risks to IFC.	This aspect may be addressed within the forthcoming <i>Social and Environmental Review Procedure</i> which will replace the existing <i>Environmental and Social Review Procedure</i> . To date, no draft has been made available for review or comment.	n/a
<b>Financial Intermediaries</b>			
IFC should revisit the capacity it needs to support FIs to implement the E&S demands that IFC makes of them. This will require substantial investment in training and support to FIs and regionally	IFC should consider outsourcing training and support for FI’s.	IFC’s Management Response to the SPR indicated that the Environmental and Social Development Department was working with IFC’s Global Financial Markets (GFM) Department and Private Equity and Investment Funds Department to create a new environmental and social sustainability approach for FIs. As part of this work, IFC commissioned a baseline study of FI portfolio projects to review the state of environmental and social	IFC Management Response to the SPR, January 2004 (para. 37, and Annex A); Policy on S&ES, section 3, page 7, para. 1
	IFC should develop monitoring and supervision systems designed for FIs and accountabilities within FI investment staff and management for the environmental and social performance of FIs.		

Headline Recommendations	Specific Recommendation/Finding	IFC Response	Response Ref.
based FI specific expertise	As a baseline, IFC should examine the FI portfolio in greater detail to see that there are no subprojects causing material harm as a result of lack of familiarity with, or capacity to implement, the SPs. This should include a review of a sample of FI subprojects.	<p>management practices by FIs, which is due in early 2005. IFC anticipated substantial additional resources being required for capacity building of FI's. It committed to briefing the Board on a comprehensive social and environmental approach for FIs in early FY05.</p> <p>The Policy on S&amp;ES indicates that IFC will review FI client activities to identify potential social and environmental risk exposures through the forthcoming Social and Environmental Review Procedure (not yet available).</p>	
<b>Overarching consideration: clarity of outcomes</b>			
IFC should be clearer at the outset of a project about what specific sustainable development impacts it intends to achieve and then measure itself against these goals and report on it.	Note: This "headline recommendation" is included in the SPR preface and alluded to elsewhere	IFC's draft Disclosure Policy indicates that the Summary of Project Information will include " <i>the anticipated development impact of the project, and IFC's expected development contribution.</i> " IFC will then publicly report on " <i>the performance of IFC as a whole and provide results for IFC's various areas of activity.</i> " Performance Standard 1 also requires that clients' Social and Environmental Management Programs " <i>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.</i> "	Draft IFC Disclosure Policy, page 10, para. 24; Performance Standard 1, page 3, para. 1

**Annex 2: Summary of IFC Responses to SPR Findings on Individual Policies,  
Gaps, and Deficiencies**

## Schedule 2. Individual Safeguard Policy Findings and Gaps and Deficiencies noted in SPR and IFC Responses

Overarching Comments	Specific findings/Observations	IFC Response	Response Ref.
<b>OP 4.01 Environmental Assessment</b> (Replaced by Performance Standard 1 Social & Environmental Assessment and Management System)			
<p>The current approach to implementing the SPs, and to environmental and social impact more broadly, places great emphasis on EA as the principal diagnostic and planning tool for IFC and the project sponsor. This means that a weak EA (not broad enough in scope or carried out by a sponsor lacking sufficient capacity) can undermine the effectiveness and impact of the SPs and other efforts by IFC to achieve a high level of environmental and social performance.</p>	<p>OP4.01 is, in effect, an umbrella policy that sets the context for implementing other applicable policies. Therefore, strengths and weaknesses in implementation have cumulative impacts on other policies.</p>	<p>Performance Standard 1 (PS1) explicitly acknowledges this "umbrella role." It makes clearer and more explicit references to the other performance standards and guidance notes. The PS1 promotes an integrated approach to the assessment and management of social and environmental risks and impacts on an ongoing basis.</p>	PS1
	<p>A wide range was found in the quality of EA processes and EIA and ERSs. The range results from a lack of clarity in interpreting OP4.01 to include social issues beyond those specifically mentioned in the policy covered by individual SPs.</p>	<p>The need for a more inclusive approach to social issues is strongly emphasized throughout PS1 and reinforced within other performance standards. As regards quality of EA, this aspect may be addressed within the forthcoming <i>Social and Environmental Review Procedure</i> which will replace the existing <i>Environmental and Social Review Procedure</i>. To date, no draft has been made available for review or comment.</p>	PS1
	<p>The policy is not clear on the extent to which it covers social impacts and may be interpreted as limited to the social safeguards; consequently, broader social impacts are not always adequately addressed.</p>	<p>This shortcoming has been addressed within PS1, which promotes much closer integration in assessing and managing the social and environmental risks and impacts of projects. The related Guidance Note (GN) is also more inclusive in terms of the social issues to be addressed.</p>	PS1 and GN1
	<p>Differentially applied policies provide a confusing situation for sponsors who become concerned that they are being asked to go further than the policy requires by an investment team that applies the EA to social issues. Some sponsors think that this will affect their competitiveness.</p>	<p>Greater clarity of expectations (as laid out in PS1 and supporting Guidance Note) should help to reduce this confusion, as requirements pertaining to social issues are more explicit than within OP 4.01.</p>	PS1 and GN1
	<p>The criteria for environmental screening and categorization are not clear, especially with respect to whether projects that invoke other SPs should be categorized as A projects.</p>	<p>Screening and categorization should be addressed within the forthcoming <i>Social and Environmental Review Procedure</i> which will replace the existing <i>Environmental and Social Review Procedure</i>. To date, no draft has been made available for review or comment.</p>	Revised ESRP (not yet available)
	<p>There is no clarity in the extent of required public consultation and information disclosure.</p>	<p>The expectations of clients regarding all forms of community engagement and disclosure in PS1 are far more explicit than within OP 4.01, although there is a need to clarify when Free, Prior and Informed Consultation (FPIC) should apply, as PS1 is not sufficiently clear on what is meant by "large projects with significant adverse impacts." The Policy on S&amp;ES indicates that FPIC should lead to "broad community support," but that this will be for IFC to determine as part of its review of projects.</p>	PS1, page 4 ; Policy on S&ES, section 3, page 7. para. 3

Overarching Comments	Specific findings/Observations	IFC Response	Response Ref.
	The role of advisory panels is unclear and implies that it is conditional on the stage of preparation of a project. The extent to which such panels have obligations to interact with communities and NGOs is also unclear.	Advisory panels are not addressed within the Policy on S&ES or the Performance Standards. Although the specific concerns raised in the SPR are not elaborated in the current draft, these may be addressed in the revised industry-sector guidelines.	n/a
	The EA policy does not enshrine best practice and gives little guidance to sponsors (e.g. does not reference IFC guidance on community participation or public consultation.	PS1 enshrines best practice to a greater extent than OP 4.01. PS1 does not reference existing IFC guidance on community participation or public consultation, although these are referenced by other guidance notes.	n/a
<b>OP 4.04 Natural Habitats</b> (Replaced by Performance Standard 6 Conservation of Biodiversity and Sustainable Natural Resources Management)			
In the absence of specific guidance on more holistic approaches to dealing with ecosystem impacts, the Natural Habitats Policy (and EA Policy) have become proxies for comprehensive ecosystem and biodiversity impact assessment. However, the policy suffers the twin burdens of lack of clarity as well as expectations beyond its scope.	There is significant disagreement between sponsors and the IFC on what constitutes a natural habitat or significant conversion.	PS6 and the related Guidance Note attempt to clarify the definitions of natural habitats, significant conversion, etc.	PS6, page 22, paras 1 and 5
	Interpretation by IFC environmental specialists is based largely on experience and case law, but this is disconcerting to sponsors who may have a differing interpretation of the applicability of the policy (and exacerbates the sense that CES functions as a “black box” <sup>8</sup> ).	PS6 and the related Guidance Note are clearer in terms of the core policy provisions and how these apply, and this may help to overcome these historical perceptions.	PS6, pages 22–24
	Policy has led IFC not to finance certain projects that would have had a deleterious effect on natural habitats, but the convergence of natural habitat and forestry policies in some tropical countries has meant that IFC was virtually excluded from operating in those regions.	PS6 leaves the door open for IFC to do forestry projects, provided that no critical natural habitat is affected, and subject to a process of independent certification to internationally accepted principles and criteria for sustainable forest management.	PS6 page 24, para. 5
<b>OP 4.36 Forestry</b> (No equivalent Performance Standard, but partially addressed by PS1 and PS6)			
The policy has had the intended outcome of blocking IFC from financing commercial-scale projects in moist tropical primary forests but has prevented IFC from supporting sustainable and certified forestry projects and from encouraging best practice.	The focus on logging means that the policy gives insufficient guidance on monitoring or establishing certification, chain of control, and third-party verification.	PS6 and the related Guidance Note provide direction and guidance on independent certification requirements and chain-of-custody certification.	PS6 page 24, para 5 ; GN6, page 6 and page 11 (Annex B)
	The policy provides very little specificity on how biodiversity considerations should be incorporated in plantation and social forestry projects.	PS6 and the related Guidance Note provide some guidance on how biodiversity considerations should be incorporated in natural forests and plantation investments, but there is no explicit discussion of social forestry projects.	PS6 page 24, para 5 ; GN6, page 6 and page 11 (Annex B)
	More generally, the lack of specificity is a problem in that IFC has declined projects because it is not clear how non-tropical forests fit. This has prevented IFC from undertaking projects that may have had a positive impact.	PS6 and the related Guidance Note provide greater specificity on these aspects.	PS6 page 24, para 5 ; GN6, page 6 and page 11 (Annex B)

<sup>8</sup> Even within IFC there is often a misperception that the Natural Habitats policy does not apply unless significant conversion will occur.

Overarching Comments	Specific findings/Observations	IFC Response	Response Ref.
<b>OP 4.09 Pest Management</b> (No equivalent Performance Standard, but addressed within PS3 and PS4)			
The policy states that "IFC supports a strategy that promotes the use of biological or environmental control methods and reduces reliance on synthetic chemical pesticides." The policy is not supported by any other guidance on what strategy IFC is or is not following.		Guidance Note 3 explicitly references the Food and Agriculture Organization's (FAO) International Code of Conduct on the Distribution and Use of Pesticides of 2003.	GN3, page 11, para. 2
<b>OP 4.37 Safety of Dams</b> (No equivalent Performance Standard, but partially addressed in PS4 Community Health and Safety)			
The policy is weakened by its universal treatment of all dams. For private-sector projects, a comprehensive EA should incorporate the issues covered by this policy.	Requirement for an independent expert panel for water dams is appropriate, but the applicability of this requirement to tailings dams is questionable. In many instances, independent technical experts (as required by sector guidelines) should be able to play that role.	PS4 stipulates that when " <i>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 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.</i> " The related Guidance Note includes additional requirements.	PS4, page 15, para. 1; GN4, page 5, para. 16 and page 13, Annex A
<b>OP 7.50 International Waterways</b> (No equivalent Performance Standard, but addressed in Policy on S&ES and Guidance Note 1)			
The policy is inflexible, insofar as it applies equally to large-scale and small-scale projects, run-of-river and large storage dams, and upstream and downstream riparian countries.	The policy deals inadequately with the needs of closed water and open water riparian areas	No additional information was provided that addresses this concern.	n/a
	The policy is too general, and sponsors are unclear of the intent of this policy.	The Policy on S&ES clarifies that the burden of responsibility for formal notification falls on IFC.	Policy on S&ES, section 5, page 9
	There is widespread perception that the policy is unduly burdensome (although only notification is required) and that many of the issues can be dealt with through the EA policy.	The Policy on S&ES clarifies that responsibility for formal notification falls on IFC, while PS1 emphasizes that the Social & Environmental Assessment (S&EA) should consider use and potential pollution of international waterways.	Policy on S&ES, section 5, page 9; PS1, page 2, para. 1
	Guidance for implementation and the policy itself could be focused on the specific needs of each project.	No additional guidance, other than that, if the S&EA determines that impacts are sufficiently adverse, IFC will " <i>assist the client with notifying competent authorities of the affected countries of the potential impacts of the project for the purposes of ensuring consultation with such authorities.</i> "	GN1, page 7, para 21
<b>Harmful Child Labor/Forced Labor</b> (Replaced by Performance Standard 2 Labor and Working Conditions)			
Since 1998, when all projects are required to be screened for child labor practices, only three	It is clear that there is resistance to this policy in some sectors, especially where some component of child labor is perceived as consistent with social norms.	No specific additional guidance is provided in PS2 or IN PS2	n/a

Overarching Comments	Specific findings/Observations	IFC Response	Response Ref.
<p>projects invoked the child labor policy. In the three projects, no other SP issue was identified, so no case study for the review examined implementation of the policy.</p>	<p>This is the only policy that relates specifically to agreed international norms and standards because it derives from the International Labor Organization's core standards. This provides the basis for greater clarity on what constitutes a harmful practice and how IFC defines this and should allay the fears of some sponsors and stakeholders.</p>	<p>PS2 provides greater clarity by explicitly referencing the eight ILO conventions considered to be "core labor standards" and the UN Convention on the Rights of the Child. PS2 emphasizes that economic growth through employment creation should be balanced with protection of basic worker rights, as failure to establish a sound worker-management relationship can jeopardize a project.</p>	<p>PS2, page 6, para. 2</p>
<p><b>OP 4.20 Indigenous Peoples</b> (Replaced by Performance Standard 7 Indigenous Peoples)</p>			
<p>There is a tremendous lack of clarity and specificity regarding who should be treated as indigenous, what impacts should trigger the policy, and, other than the preparation of an Indigenous Peoples Development Plan (IPDP), what should be done for indigenous peoples.</p>	<p>Lack of clarity leads to this policy's not being invoked and vulnerable groups being dealt with through specific provisions of community development plans. This helps to avoid any complications and controversies associated with the indigenous peoples' policy. The review noted that this pragmatic approach seemed to be working well, although it is a departure from the policy.</p>	<p>PS7 is clearer in terms of when the policy should be invoked and the core policy provisions. PS7 also explicitly provides for indigenous concerns to be addressed as part of a broader community development plan (where appropriate). PS7 and the related Guidance Note underscore the special considerations that apply where traditional or customary lands under use are affected or where relocation is unavoidable.</p>	<p>PS7, page 25; PS7, page 26, para 3; PS7, page 27, paras. 2-4</p>
	<p>There have been many suggestions that OP 4.30 should be replaced with a policy that would address affected peoples or vulnerable groups, but this still requires a more explicit articulation of preferred approach.</p>	<p>PS7 is designed to address the specific vulnerabilities that are associated with Indigenous Peoples. Earlier efforts to include other natural resource dependent communities were abandoned. PS1 addresses broader issues of vulnerability more systematically: <i>"As part of the assessment, the client will identify vulnerable or disadvantaged groups that may be disproportionately impacted by the project by virtue of their gender, ethnicity, religion, culture, dependence on a unique natural resource for their livelihoods, or other characteristics. Where these groups are differentially affected by the project, the client will ensure that differentiated measures are proposed and implemented so that adverse impacts do not fall disproportionately on these groups and that they are not disadvantaged when sharing in project benefits."</i></p>	<p>PS7; PS1, page 2, para. 4</p>
<p><b>OP 4.30 Involuntary Resettlement</b> (Replaced by Performance Standard 5 Land Acquisition and Involuntary Resettlement)</p>			

Overarching Comments	Specific findings/Observations	IFC Response	Response Ref.
<p>Of all the policies, Involuntary Resettlement (IR) highlights the operational constraints of translating Bank policies to the private-sector activities of the IFC. In most countries where IFC operates, the responsibilities for involuntary resettlement lie with governments, with the exception of concessions where the government has delegated responsibility to the private sector. There needs to be more specificity on implementation and guidance for the private sector, perhaps on a sector-specific basis (e.g. in infrastructure projects when dealing with concessions).</p>	<p>Sponsors and government officials commented that implementing the policy confuses the role of the private and public sectors as stipulated under national regulations. This can create confused accountability for potential noncompliance.</p>	<p>PS5 more clearly explains the interface between IFC clients and government agencies where resettlement is the primary responsibility of government.</p>	<p>PS5, page 21</p>
	<p>Sponsors are alarmed when the policy implies that they may be responsible for involuntary resettlement that may result from a public-sector activity related to their project.</p>	<p>PS5 gives clearer guidance on client responsibilities where project-related resettlement is the primary responsibility of government. IN PS5 deals with situations where resettlement is linked to associated facilities that are not part of the IFC financed project.</p>	<p>PS5, page 21</p>
	<p>The definition of “involuntary” is not clear, and some sponsors have not applied this policy to their situation. For example, some view “squatters” as a fact of life, without specific rights.</p>	<p>PS5 and gives clearer guidance on the definition of involuntary resettlement. PS5 also makes a clear distinction between persons with formal legal rights and informal settlers (occupants without legally recognizable claims), and outlines specific requirements relating to both.</p>	<p>PS5, page 17, para. 1 ; PS5, page 20, para. 3–4</p>
	<p>The policy is fraught with difficulties in cases where a project comes to IFC once resettlement has been carried out or the project is well advanced, as preparatory work to comply with IFC requirements takes time. The policy does not indicate the time and effort required to comply and gives little guidance on how to proceed.</p>	<p>PS5 and related Guidance Note do not explicitly tackle the difficulties associated with projects that are well advanced, although they clearly convey IFC’s expectation with respect to resettlement (which implies a significant commitment of time and effort). The specific challenges of prior resettlement are mentioned in the Guidance Note, which indicates that it may be appropriate to determine if prior resettlement was consistent with PS5, based on a number of specified factors.</p>	<p>GN5, page 12, para. 34</p>
	<p>Early identification of resettlement issues is critical but requires expertise. The IR policy (and other social policies) would benefit from a more inclusive framework for addressing social impacts.</p>	<p>The Policy on S&amp;ES and PS1 now provides this more inclusive framework for addressing social impacts.</p>	<p>Policy on S&amp;ES and PS1</p>
	<p>Despite the policy provision regarding former living standards and income restoration, many sponsors, staff, and stakeholders are unclear about what the policy demands. The focus is often on “improved living standards” rather than the IFC and sponsor commitment to assist in this process.</p>	<p>PS5 is clearer on IFC client responsibilities where economic displacement occurs. It clearly stipulates that clients must provide support in all cases of loss of income or livelihoods. For economically displaced persons, it requires clients to provide targeted assistance and opportunities to improve, or at least restore, income-earning capacity, production levels, and standards of living. It also outlines measures for transitional support for restoration of incomes, production levels, and standards of living.</p>	<p>PS5, pages 21–22</p>
<p><b>OPN 11.03 Cultural Property</b> (Replaced by Performance Standard 8 Cultural Heritage)</p>			



Overarching Comments	Specific findings/Observations	IFC Response	Response Ref.
Despite being defined by the United Nations and a clear understanding of what cultural property constitutes among specialists with expertise in this area, there is still confusion among sponsors and FIs as to what is meant by this policy.	Lack of clarity is most likely leading to the policy's not being implemented by sponsors in some instances.	PS8 and the related Guidance Note are clearer in terms of the expectations of clients with respect to cultural heritage. Furthermore, the Guidance Note references a forthcoming draft <i>Handbook for the World Bank's Physical Cultural Resources Safeguard Policy</i> , which it notes will be applicable to IFC.	PS8 overall; GN8, References
<b>Gaps and deficiencies</b>			
Social policies	The incomplete coverage of social issues in the EA policy (which acts as an umbrella policy) leads to variance in the treatment and approach to social issues.	The Policy on S&ES, PS1, and related Guidance Note promote much closer integration in assessing the social and environmental dimensions of projects and are more inclusive with respect to the social issues addressed.	Policy on S&ES; PS1 and GN1
	Given the relatively modest social specialist capacity within IFC, addressing social issues more broadly at the SP level was identified as the most critical gap (e.g. for example, the sporadic treatment of gender issues).	The revised set of Performance Standards (and in particular PS1) includes strengthened provisions for addressing social issues. Guidance Note 1 sets out details of potential issues to be addressed.	GN1, pages 3–7, para.s 7–28
	Other social issues requiring special treatment within a broad social approach include vulnerability (including ethnicity and race), social structure, and community health.	PS1 requires that particular attention be paid to vulnerable or at-risk groups, and the other aspects are captured by the more inclusive language in PS1. PS4 deals with community health and safety in considerable detail.	PS1, page 2, para. 4; PS4
Labor standards	IFC policy only addresses two of the four core labor standards. (The rights to collective bargaining and freedom of association are not addressed.) IFC's commitment to the remaining labor standards should be examined.	PS2 provides explicitly references the eight ILO conventions considered to be "core labor standards," and the UN Convention on the Rights of the Child.	PS2, page 1, para. 2
Policies vis-à-vis international standards	With the exception of child labor, no other policy makes explicit reference to international agreements, norms, or standards (e.g. OP 4.04 does not mention the Convention on Biological Diversity). Where sponsors are unclear of the relationship between IFC policies and national regulations, referencing international standards may provide helpful context.	Some of the performance standards reference international conventions (e.g. Convention Concerning the Protection of the World Cultural and Natural Heritage, Convention on Biological Diversity), and some reference international industry practice. Many of the Guidance Notes make specific reference to applicable international agreements, norms, and standards.	Various PSs and GNs

Overarching Comments	Specific findings/Observations	IFC Response	Response Ref.
Health issues (and macro-consideration with respect to the process of policy revision)	Although health issues are of increasing concern to sponsors and communities, IFC policies provide little guidance. The speed with which health issues are changing emphasizes the need for IFC to maintain a process for incrementally strengthening or continuously revising policies.	These gaps have been addressed in PS2 and PS4. PS2 now elevates occupational health and safety issues to the equivalent level of a safeguard policy. PS4 is wholly concerned with community health and safety. In addition, IFC has indicated that health aspects will be addressed in the ongoing revision of the Pollution Prevention and Abatement Handbook and IFC's Environmental, Health, and Safety Guidelines, to take account of advances in technical, scientific, and professional standards.	PS2 and PS4
Environmental policies	The review found a number of important issues to be inadequately addressed, including treatment of cyanide in mining and mine closure, contaminated site cleanup, and climate change.	Climate change is now explicitly addressed at the equivalent of safeguard policy level in PS3 Pollution Prevention and Abatement. The other aspects are best dealt with in the revision of the Pollution Prevention and Abatement Handbook and IFC's Environmental, Health, and Safety Guidelines.	PS3, page 12;
Keeping up to date	The system for updating standards over time, tracking best practice, and communicating changes (internally and externally) is weak.	The move towards slimmed-down Performance Standards and more inclusive Guidance Notes (which reference best practice for example) are designed to provide greater flexibility for updating standards.	All PSs and GNs
Policies, guidelines, and guidance	Sponsors expressed frustration at the panoply of policies, guidelines, and guidance that is not readily accessible in one place or in a digestible format (e.g. some is in the <i>Environmental and Social Review Procedure</i> , which is intended for IFC use only).	IFC intends that the process of policy revision will better tailor the policies, guidelines etc. for a private-sector audience. The new approach introduces further "layers" (with the establishment of an umbrella Policy on S&ES above the Performance Standards and guidance notes in support of Performance Standards). However, there will be greater clarity in terms of IFC and client roles and responsibilities.	Policy on S&ES; various PSs
	The array of policies, guidelines and guidance contributes to uneven practices and inadequate sharing of best practices.	IFC has stated that the overall process of revision (including the revision of guidelines) is, <i>inter alia</i> , intended to strip out duplication, establish a level playing field, and encourage adherence to best practices.	n/a
Toward more results-oriented policies	The policies have their origins in public-sector projects. For IFC, the lack of specificity of who is responsible for what hinders the extent to which IFC communicates its intent, is understood, and is having an impact.	The Policy on S&ES and Performance Standards makes a concerted effort to clearly delineate responsibilities and clearly communicate their intent with the expectation of supporting better social and environmental outcomes.	Policy on S&ES; various PSs
	Where sponsors have preexisting EMSs, SPs are awkward and irrelevant. For sponsors lacking capacity but having commitment, SPs are unclear and cumbersome. For uncommitted sponsors, confusion regarding SPs is sometimes used as an excuse to avoid implementation.	The Performance Standards strongly emphasize their links to Social and Environmental Management Systems and Action Plans. The Performance Standards should also provide greater clarity in terms of IFC and client roles and responsibilities. This should make it more difficult for uncommitted sponsors to avoid implementation.	Various PSs, especially PS1
	Most sponsors recognize the value added of SPs but want them to be concrete and appropriately tailored.	The process of policy revision is intended to better tailor the policies, guidelines etc., for a private-sector audience.	n/a

**Annex 3: Summary of Extent to which Safeguard Policy Intents and Auditable Criteria  
Are Reflected in IFC's Revised Approach**

### Schedule 3. Inclusion of Policy Intents and Auditable Criteria in Revised IFC Safeguards Approach

Policy Intents/Objectives	Auditable criteria	IFC Response	Response Ref.
<b>OP 4.01 Environmental Assessment</b> (Replaced by Performance Standard 1 Social and Environmental Assessment and Management System)			
<p>To ensure that IFC projects are environmentally and socially sound through the application of Environmental Assessment (EA).</p> <p><i>Note: The intent of OP 4.01 and PS1 is consistent, although social aspects are much more explicitly addressed within PS1</i></p>	The project was categorized correctly, and appropriate EA requirements were clearly identified.	IFC have retained the existing system of category A, B, and C projects but emphasize that categorization is an internal tool to help IFC “ <i>reflect the magnitude of impacts and provide rules of IFC’s disclosure.</i> ” IFC emphasizes that the process and document requirements will be driven by an assessment of impacts and risks as opposed to the categorization process.	Policy on S&E Sustainability, Sec. 3, page 4; Progress Report to CODE (August 11, 2005)
	Adverse impacts were prevented, minimized, mitigated, or compensated for and positive impacts enhanced in the area of influence.	Similar language used in the Policy on S&ES and PS1 emphasizes “ <i>avoidance and prevention of impacts over reduction, minimization or compensation.</i> ” Project area of influence is referenced in PS1 and includes associated facilities and induced development. Enhancement of positive impacts is not addressed in any detail within PS1, although opportunities are referred to in the context of objectives, disclosure, and consultation.	Policy on S&E Sustainability, Sec. 3, page 2; PS1, page 3, para. 1; PS1, page 2, para. 1
	A systematic analysis of feasible alternatives was undertaken for category A projects.	Similar provisions are included in PS1 for projects with significant adverse impacts, which <i>should “include the examination of technically and financially feasible alternatives to the source of such impacts, as well as the rationale for selecting the particular course of action proposed.”</i> Additional details on alternatives analysis are provided in GN 1.	PS 1, page 2, para. 3; GN1, page 5, para. 9 and page 19, Annex A
	The EA considered natural environment, social, human health and safety, transboundary/global, and induced aspects.	Similar provisions are explicitly included in PS1 in the section on <i>Social and Environmental Assessment</i> and are articulated in greater detail in the related Guidance Note under <i>Social and Environmental Considerations</i> . <b>Note:</b> ‘Induced’ impacts are no longer referred to, but the concept is retained in PS1, footnote at the bottom of page 2.	PS1, pages 1–2; GN1, pages 3–7
	For category A projects (and as appropriate for Bs) the sponsor undertook meaningful consultation and disclosed relevant material in a timely manner in an appropriate and accessible form and language.	The language in PS1 relating to community engagement, which includes but is not limited to consultation, is more explicit and inclusive than in OP 4.01. The concept of Free, Prior and Informed Consultation (FPIC) is introduced, for projects involving a high degree of environmental or social risk.	PS1, page 4, para. 4
	The EA Report for category As (or ERS for Bs) was disclosed locally and to the InfoShop within the correct time period.	The draft revised Policy on Disclosure of Information does not retain an equivalent section to the <i>Environment-related documents</i> section of the original Disclosure Policy. PS1 indicates that disclosure prior to project development should include the “ <i>social and environmental assessment and, if applicable, related and relevant measures described in the Action Plan. Ongoing disclosure will address progress in implementing the Action Plan.</i> ” Specific time-bound requirements are not mentioned in the currently available drafts. The respective roles of IFC and its clients in terms of social and environmental document disclosure are unclear.	PS1, page 4, para. 2

Policy Intents/Objectives	Auditable criteria	IFC Response	Response Ref.
	The sponsor reported satisfactorily on compliance during implementation.	The Policy on S&ES refers to clients' responsibility to report on Action Plan commitments in Annual Monitoring Reports, which would include provisions relating to compliance. PS1 states that <i>"ongoing disclosure will address progress in implementing the Action Plan."</i> The related Guidance Note makes it clear that reporting against the PMP should include <i>"progress in meeting the applicable requirements of the Performance Standards and the Environmental, Health and Safety Guidelines, and the applicable laws and regulations."</i>	Policy on S&ES, section 3, page 6 ; PS, page 4, para. 2 ; GN1, page 9, para. 33
<b>OP 4.04 Natural Habitats</b> (replaced by Performance Standard 6 Conservation of Biodiversity and Sustainable Natural Resource Management)			
To deliver on IFC's commitment to support natural habitat conservation and improved land use and the protection, maintenance, and rehabilitation of natural habitats and their functions.  <i>Note: The intent of OP 4.04 and PS6 are broadly similar, although the language understandably shifts from Natural Habitats to Biodiversity. The objectives of PS6 also acknowledge the principle of Integrated Conservation and Development</i>	Where feasible, the project was sited on land that was already converted and therefore of little ecological value.	This principle is not included in PS6.	n/a
	The magnitude and extent of potential impacts on natural habitats were adequately assessed for the proposed project.	PS6 retains this principle as an integral part of the assessment of risks and impacts and the vulnerability of the biodiversity and the natural resources present.	PS6, page 22, para. 4
	Where significant conversion occurred, there were no feasible alternatives and the overall project benefits substantially outweighed the environmental costs.	Both these principles are retained in PS6, verbatim.	PS6, page 23, para. 2
	Where conversion was unavoidable, impacts were minimized and mitigated.	PS6 retains the commitment to mitigating conversion or degradation of natural habitats but does not include a requirement to minimize. Clients are required to minimize conversion or degradation of modified habitats.	PS6, page 23, paras. 2 and 3
	The project did not significantly convert or degrade any critical natural habitat.	PS6 retains this principle and presents a more inclusive definition of "critical natural habitats." It also includes more explicit provisions pertaining to legally protected areas. Any lesser or non-significant impacts on critical natural habitats must be appropriately mitigated, but PS6 makes no reference to minimizing habitat loss which was a provision of OP 4.04.	PS6, page 23, para. 4
	The views, roles, and rights of groups, including local NGOs and local communities, were taken into account, and these groups were involved as appropriate.	The only explicit reference to consultation in PS6 is in relation to legally protected areas. GN6 indicates that where projects are likely to have a significant impact on biodiversity, the client <i>"may need to consult with potentially affected communities, public authorities and independent experts as part of this process."</i> Significant biodiversity issues identified during assessment will be clarified through <i>"specific studies...in all cases, the company will be required to consult with relevant national and local authorities, affected communities and biodiversity experts."</i> PS1 addresses community engagement overall.	PS6, page 23, para. 6 ; GN6, para.s 4 and 6

Policy Intents/Objectives	Auditable criteria	IFC Response	Response Ref.
<b>OP 4.36 Forestry</b> (No equivalent Performance Standard, but partially addressed by PS1 and PS6)			
<p>To ensure IFC's involvement in the forestry sector aims to reduce deforestation, enhance the environmental contribution of forested areas, promote forestation and reforestation, reduce poverty, and encourage economic development.</p> <p><i>Note: The protective "do no harm" elements of the policy intent are reflected in the Performance Standards (PS1 and PS6). Some of the other dimensions are at least partially addressed (e.g. enhancing the environmental contribution of forested areas is in part addressed through the PS6 requirement to consider ecosystem services) but some, such as promotion of reforestation or poverty reduction, are not covered.</i></p>	<p>The project did not involve financing of commercial logging operations or logging equipment in primary tropical moist forest.</p>	<p>This principle is addressed through PS6, which requires that IFC clients involved in natural forest harvesting or plantation development will not cause any conversion or degradation of critical natural habitats.</p>	<p>PS6, page 24, para. 5</p>
	<p>There was adequate consultation with stakeholders for particular forest areas.</p>	<p>This is addressed through the community engagement requirements related to the S&amp;EA process, which includes but is not limited to consultation (see also discussion of these aspects under OP4.01 above).</p>	<p>PS1, page 4, para. 4</p>
	<p>The sponsor was committed to conservation and sustainable management of forestry. (Numerous criteria for this exist in policy and practice).</p>	<p>PS6 requires clients to ensure that all natural forests and plantations over which they have management control are independently certified according to internationally accepted principles and criteria for sustainable forest management.</p>	<p>PS6, page 24, para. 5</p>
	<p>Plantations were confined to non-forested areas or heavily degraded forests.</p>	<p>There is no directly equivalent provision, although PS6 requires clients to ensure that plantation developments will not cause any conversion or degradation of critical natural habitats. They must also ensure that plantations over which they have management control are independently certified according to internationally accepted principles and criteria for sustainable forest management. However, GN6 makes it clear that "conversion of non-critical habitat is permitted by IFC 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 S&amp;EA."</p>	<p>PS6, page 24, para. 5 ; GN6, page 8, para. 28</p>
	<p>In areas of high ecological value, activities were limited to conservation or non-timber forest products (NTFPs) activities.</p>	<p>There is no directly equivalent provision, although GN6 requires clients to ensure that natural forest harvesting (of either timber or NTFPs) or plantation developments will not cause any conversion or degradation of critical natural habitats.</p>	<p>GN6, page 7, para. 25</p>
	<p>Projects that were exclusively environmentally protective or supportive of small farmers' sustainable management were appraised on the basis of their own social, economic, and environmental merits.</p>	<p>There is no equivalent provision, but this is broadly provided for through the requirements of PS1 and PS6.</p>	<p>PS1 and PS6</p>

Policy Intents/Objectives	Auditable criteria	IFC Response	Response Ref.
<b>OP 4.09 Pest Management</b> (No equivalent Performance Standard, but addressed within PS3 and PS4)			
<p>This policy applies to IFC projects where pest management is required, either for agricultural or human health reasons. The policy sets forth criteria for their safe manufacture, packaging, labeling, handling, storage, disposal, and application. It identifies specific classes or pesticides for which IFC finance may not be used. The policy also embodies a presumption in favor of Integrated Pest Management (IPM).</p> <p><i>Note: Most of the policy provisions are addressed within PS3 and PS4 (or related Interpretation Notes), with the notable exception of effectiveness of pesticides against the target species, minimal effects on non-target species, and requirement concerning resistance..</i></p>	<p>IFC assessed the capacity of the sponsor to promote and support safe, effective, and environmentally sound pest management and strengthened capacity where necessary.</p>	<p>There is no specific reference to capacity in relation to pest management, although the importance of reviewing capacity is referenced in IFC's Policy on S&amp;ES. PS3 and PS4 contain specific provisions regarding worker and community health and safety implications of pesticide usage, storage, etc.</p>	<p>Policy on S&amp;S, section 3, page 4, para. PS3, page 13, para. 2; PS4, page 15, para. 2</p>
	<p>The project uses biological or environmental control methods over chemical pesticides (wherever feasible).</p>	<p>PS3 has similar provisions. It requires that clients' Integrated Pest Management (IPM) and Integrated Vector Management (IVM) programs "entail a 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."</p>	<p>PS3, page 13, para. 2</p>
	<p>Any pesticides used were manufactured, packed, labeled, applied, etc., in accordance with WHO/FAO requirements.</p>	<p>PS3 is similar and requires that pesticides 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.</p>	<p>PS3, page 13, para. 4</p>
	<p>Any pesticides used (a) were effective against the target species, (b) had negligible human health effects, (c) had minimal effect on non-target species and the natural environment, and (d) were not expected to develop resistance in pests.</p>	<p>Similar provisions in PS3 require the client to select pesticides that are known to be effective against the target species, low in human toxicity, and have minimal effects on non-target species and the environment. It also requires the client to ensure that the pesticide application regime is designed to minimize damage to natural enemies and prevent the development of resistance in pests.</p>	<p>PS3, page 13, paras. 3 and 4</p>
	<p>IPM was encouraged by IFC to replace or supplement chemical controls in agricultural projects or in projects with an agricultural component associated.</p>	<p>PS3 requires that clients formulate and implement an integrated pest management (IPM) and/or integrated vector management (IVM) approach for all pest management activities.</p>	<p>PS3, page 13, para. 2</p>

Policy Intents/Objectives	Auditable criteria	IFC Response	Response Ref.
<b>OP 4.37 Safety of Dams</b> (No equivalent Performance Standard, but partially addressed in PS4)			
To ensure that dams are designed and constructed safely, in recognition of the serious consequences of a dam failing or not functioning properly.	The dam was designed and its construction supervised by experienced and competent professionals.	PS4 stipulates that when <i>“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 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.”</i>	PS4, page 15, para. 2
<b>New Dams</b>	<p>Safety measures were adopted and implemented from design through to operation and maintenance for the dam and associated works.</p> <p>For small dams, generic dam safety measures designed by qualified engineers were designed and implemented.</p> <p>For large dams, an independent review panel was constituted (&gt;15 m) or any dams posing special risks as defined in the policy (10-15 m).</p> <p>For large dams, detailed plans were prepared and implemented (see policy), construction was undertaken by qualified companies under proper supervision, and periodic safety inspections are undertaken.</p>	<p>Guidance Note 4 requires that the client’s evaluation of projects with structural elements such as dams, which <i>“could threaten human life in the event of failure, such as dams located upstream of communities,”</i> should include a risk assessment <i>“to be performed by recognized and qualified experts in addition to the local engineering certification requirements.”</i></p> <p>Other specific provisions of the original policy are not retained but were largely superseded by IFC’s <i>Environmental and Social Review Procedure (Annex D: Application of EA to Large Dam and Reservoir Projects)</i>. Some of these aspects may be addressed in the ongoing revision of the Pollution Prevention and Abatement Handbook and IFC’s Environmental, Health, and Safety Guidelines.</p>	GN4, page 5, para. 16 and page 13, Annex A
<b>Existing Dams or dams under Construction</b>	<p>An independent dam specialist evaluated the safety status and operation/maintenance procedures of the dam and any additions and made recommendations for remedial works in support of dam safety.</p> <p>Any remedial works have been implemented in line with policy requirements, which if substantial, will require similar provisions to those for new dams.</p>	<p>Guidance Note 4 requires that the client’s evaluation of projects with structural elements such as dams, which <i>“could threaten human life in the event of failure, such as dams located upstream of communities,”</i> should include a risk assessment <i>“to be performed by recognized and qualified experts in addition to the local engineering certification requirements.”</i></p> <p>Other specific provisions of the original policy are not retained but were largely superseded by IFC’s <i>Environmental and Social Review Procedure (Annex D: Application of EA to Large Dam and Reservoir Projects)</i>. Some of these may aspects be addressed in the ongoing revision of the Pollution Prevention and Abatement Handbook and IFC’s Environmental, Health, and Safety Guidelines.</p>	GN4, page 5, para. 16 and page 13, Annex A



Policy Intents/Objectives	Auditable criteria	IFC Response	Response Ref.
<b>OP 7.50 International Waterways</b> (No equivalent Performance Standard, but addressed in Interpretation Note for PS1)			
<p>To ensure that IFC projects support the efficient use and protection of international waterways and do not undermine the necessary cooperation and goodwill between riparian states.</p> <p><i>Note: The provisions in IN PS1 are broadly consistent, although action in the event of an objection is not discussed.</i></p>	IFC ascertained the applicability of the policy and provided appropriate notification to the relevant riparians.	The Policy on S&ES clarifies that responsibility for formal notification falls on IFC, while PS1 emphasizes the Social and Environmental Assessment (S&EA) should consider use and potential pollution of international waterways.	Policy on S&ES, section 5, page 9; PS1, page 2, para. 1
	IFC had ascertained the existence of any existing agreements or institutional frameworks for the waterway and their relevance with respect to notifications.	This is implicit that IFC formally assumes responsibility for the provisions of OP 7.50 as part of the revision process.	Policy on S&ES, section 5, page 9; PS1, page 2, para. 1
	In the event of any objection, the issues were examined (by independent experts where appropriate), and the beneficiary state was urged to offer to negotiate in good faith with the objecting riparian(s).	There is no explicit equivalent provision in the Performance Standards or Guidance Notes, but this practice should continue to be adopted by IFC.	n/a
	The IFC Board report identifies the applicability of the policy and the results of notification.	This is not explicitly referenced in the Performance Standards or Guidance Notes, but IFC conducts the notification with the assistance of relevant members of the Board.	n/a
<b>Harmful Child Labor/Forced Labor</b> (Replaced by Performance Standard 2 Labor and Working Conditions)			
<p>To ensure that IFC does not support projects that use forced labor and/ or harmful child labor.</p> <p><i>Note: The provisions of PS2 are broadly consistent, albeit much more inclusive of other labor concerns.</i></p>	All employment arrangements comply with national laws, including those that institute ILO conventions relating to core labor standards, and other international agreements ratified by the host country.	PS2 implicitly (and GN2 explicitly) recognizes that IFC's clients are required to comply with all national labor and employment laws. PS2 explicitly references the eight ILO conventions considered to be "core labor standards," and the UN Convention on the Rights of the Child.	PS2; GN2, page 2, para. 5, page 4, para. 10, page 8, paras.17 and 18
	The project does not employ individuals under threat of force or penalty.	PS2 includes an equivalent provision.	PS2, page 8, para. 5
	The project does not involve harmful employment of children (e.g. is exploitative, hazardous or likely to interfere with the child's education or to be harmful to the child's health or development).	PS2 includes similar provisions with respect to child labor.	PS2, page 8, para 4

Policy Intents/Objectives	Auditable criteria	IFC Response	Response Ref.
<b>OP 4.20 Indigenous Peoples</b> (Replaced by Performance Standard 7 Indigenous Peoples)			
<p>To ensure that the adverse impacts on indigenous peoples from IFC projects are avoided or, where this is not possible, minimized and that they benefit from IFC projects, socially and economically in culturally compatible ways.</p> <p><i>Note: The intents of OP 4.20 and PS7 are similar, and PS7 reiterates the principle that the development process should foster respect for IPs and commits to obtaining broad community support through a process of FPIC.</i></p>	IFC correctly identified the presence of indigenous peoples in the project area.	PS7 retains this principle but places responsibility on the client for identifying their presence in the project's area of influence and the nature and degree of the expected social, cultural, and environmental impacts, through a S&ES process.	PS7, page 26, para. 2
	The project was designed to avoid and, where not possible, mitigate adverse impacts on indigenous peoples.	PS7 retains these principles: <i>"When avoidance is not possible, the client will minimize, mitigate, or compensate for impacts in a culturally appropriate manner."</i> However, the threshold for application of the policy to projects located on traditional or customary land is where <i>"significant impacts can be expected."</i>	PS7, page 26, para. 3; PS7, page 27, para. 3
	The results of the informed participation of affected indigenous peoples on their preferred options were included in the design of the relevant project action plan.	PS7 retains the commitment to informed participation of affected indigenous peoples. For "projects with significant adverse risks to and impacts on affected communities." PS1 provides for Free Prior Informed Consultation (FPIC), which would likely include projects affecting indigenous peoples.	PS7, page 26, para. 3; PS1, page 4, para. 4
	Elements, as needed, of an indigenous peoples development plan (IPDP) were incorporated into the planning and implementation of the project.	PS7 retains the commitment to preparing IPDPs and provides for use of Community Development Plans, as appropriate.	PS7, page 26, para. 3
	The project resulted in culturally appropriate social and economic benefits for indigenous peoples.	PS7 retains the principle that indigenous peoples should benefit from development opportunities commensurate with the degree of project impacts, with the aim of improving their standard of living and livelihoods in a culturally appropriate manner.	PS7, page 27, para. 1
<b>OP 4.30 Involuntary Resettlement</b> (Replaced by Performance Standard 5 Land Acquisition and Involuntary Resettlement)			
<p>To ensure that involuntary resettlement is avoided and, where not possible, minimized and, where unavoidable, that the displaced persons are compensated fully and fairly for loss of assets and are provided with opportunities for improving their livelihoods and standards of living or at least restoring them.</p> <p><i>Note: The intents of OP4.30 and PS5 are broadly similar</i></p>	Involuntary resettlement (physical or economic social displacement) was avoided or minimized.	This principle is retained as a key objective in PS5 and expanded upon in GN5.	PS5, pages 17 and 18 ; GN5, page 2, para. 5
	Affected persons were compensated for their losses at full replacement cost.	This principle is retained in PS5, and applies to lost assets, loss of access to assets, or restrictions on land use.	PS5, page 18, para. 4
	Affected persons were provided with adequate opportunities to improve their former living standards, income-earning capacity, and production levels, or at least to restore them.	PS5 clearly stipulates that clients must provide support in all cases of loss of income or livelihoods. For economically displaced persons, it requires clients to provide <i>"targeted assistance and opportunities to improve, or at least restore, income-earning capacity, production levels, and standards of living."</i> It also outlines measures for transitional support for restoration of incomes, production levels, and standards of living.	PS5, page 21, para. 1,
	The affected community (including vulnerable groups) were encouraged and enabled to actively participate in resettlement planning and implementation.	PS5 provides for the client to consult with and facilitate the informed participation of affected communities and persons in decision-making processes related to resettlement.	PS5, pages 18 and 19

Policy Intents/Objectives	Auditable criteria	IFC Response	Response Ref.
	The needs of the poorest and most vulnerable groups at particular risk were considered during resettlement planning and implementation.	PS5 places particular emphasis on <i>poorest and most vulnerable groups</i> . In addition, for “projects with significant adverse risks to and impacts on affected communities,” PS1 provides for Free Prior Informed Consultation (FPIC), which would likely include circumstances involving displacement of vulnerable groups. In such circumstances, it would be for IFC to determine whether broad community support was achieved.	PS5, page 19, para. 2; PS1, page 4, para. 4
	Adequate arrangements were made to monitor and evaluate the implementation of resettlement and the status of the resettled over time.	PS5 implicitly provides for monitoring and evaluation, where it states “ <i>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.</i> ” Additional details on monitoring are contained in GN5.	PS5, page 18, para. 5; GN5
<b>OPN 11.03 Cultural Property</b> (Replaced by Performance Standard 8 Cultural Heritage)			
To ensure that IFC projects do not significantly damage non-replicable cultural property and that potentially affected cultural property is investigated and recorded.  <i>Note: The objective of PS8 is broadly consistent with OPN 11.03 and includes the promotion of equitable benefits from the use of cultural heritage in business activities, i.e. that benefits also accrue to the community holding the cultural heritage.</i>	The project avoided significant harm to non-replicable cultural property.	PS8 includes a similar provision (for critical cultural heritage) and requires clients to site and design projects accordingly. It includes specific provisions for dealing with chance finds.	PS8, page 29, <i>Chance Find Procedures</i>
	The sponsor addressed the protection/management of cultural property in the project area through investigation and recording.	PS8 requires that impacts on cultural heritage be addressed as an integral part of the S&EA. It also requires the client to protect and support cultural heritage through undertaking internationally recognized practices for the protection, field-based study, and documentation of cultural heritage.	PS8, page 29, <i>Internationally Recognized Practices</i>
	The sponsor met country regulations/laws with respect to cultural property (or adhered to best practice in the absence of country laws).	PS8 includes similar provisions, and explicitly references the protection of cultural heritage by national law’s implementing the host country’s obligations under the Convention Concerning the Protection of the World Cultural and Natural Heritage and in accordance with internationally recognized practices.	PS8, page 29, <i>Internationally Recognized Practices</i>
	When a deviation from the policy has occurred, the loss of or damage to cultural property has been judged by competent authorities to be unavoidable, minor, or otherwise acceptable; and the project produced substantial benefits.	PS8 includes similar provisions with the qualification that decisions regarding loss or damage to “critical cultural heritage” must be based on the informed participation of the affected community. For projects that commercially benefit from cultural heritage, PS8 requires that the client seek to provide for fair and equitable sharing of the benefits.	PS8, pages 30 and 31