

# Good Practice Note

## Addressing the Social Dimensions of Private Sector Projects

The management of social issues poses a key challenge for many private companies operating in emerging markets. Identifying and addressing these issues early on and managing them actively throughout the life of a project can increase the likelihood of project success. This approach creates broader social support for the investment, reduces risks and uncertainties, helps maintain a “local license to operate,” and enhances the reputation of a company. Ultimately, economic development cannot be successful if it is not sustainable, and sustainability cannot be achieved without taking into account the social aspects of an investment. Therefore, promoting the social well being of local communities is an explicit objective of development projects financed by IFC.

IFC views social assessment as an important tool for evaluating the social aspects of IFC-financed projects as well as an integral part of IFC's environmental assessment process. This Good Practice Note (Note) provides guidance on how to identify and assess project-related social issues. It also provides guidance on options for social “value-added” and sustainable development opportunities that may arise in project development. While the identification and assessment of impacts of IFC-financed projects are mandatory, the approach outlined in this document serves as good practice guidance.

This Note is intended as a reference document for IFC's sponsors, but the primary target audience is

practitioners and/or specialists working in a developing country context and in charge of identifying, analyzing and addressing social issues on behalf of the sponsor during the assessment process. In the hands of a knowledgeable and experienced practitioner, this Note will provide the roadmap necessary to undertake the social impact assessment process at the project level and prepare the appropriate documentation for IFC.

### What is IFC's Approach?

IFC's approach entails a review of projects proposed for financing to help ensure they are environmentally and socially sound. This is carried out as part of the environmental and social assessment (ESA) process. (Refer to IFC Operational Policy 4.01, *Environmental Assessment* for further detail on IFC requirements.)

For IFC, the review and assessment of environmental and social factors is an integrated process. In the case of projects having significant adverse impacts, clients are requested to undertake an integrated Environmental and Social Impact Assessment (ESIA). This includes the Environmental and Social Action Plan (ESAP) which brings together the various commitments for mitigation and development. For smaller or less complex projects where adverse impacts are less serious and readily mitigated, an Environmental and Social Review Summary (ESRS) is produced by IFC in conjunction with the client and can also include an ESAP. This Good Practice Note is relevant to both categories

Environment and Social Development Department



INTERNATIONAL FINANCE CORPORATION  
World Bank Group

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of projects. However, the scale of effort and amount of social information required will vary according to the range and level of social impacts associated with the project.

This Note should be used in conjunction with OP 4.01 on Environmental Assessment, and IFC's social safeguard policies on Involuntary Resettlement, Indigenous Peoples, Cultural Property, and Harmful Child Labor and Forced Labor. In the event that any safeguard issues are identified during the course of the environmental and social assessment process, the sponsor should refer to the relevant IFC policies for detailed guidance on how to proceed. This Note does not attempt to duplicate existing IFC policy requirements or guidance documents but instead will refer the reader to them as appropriate.

Similarly, this Note does not seek to replicate in any detail the considerable body of literature that already exists on social impact assessment. Instead this Note takes a very practical, IFC-specific focus, covering only those elements needed to fulfill the social assessment requirements for IFC-financed projects. It is based on the applied experiences of IFC's social development specialists who work on private sector investments across a wide range of industry sectors and regions.

## How Does IFC Define Social Assessment?

Whereas traditional social impact assessment tends to focus primarily on the identification and mitigation of adverse impacts, IFC broadens the definition in the context of its ESIA to include a sustainable development component. This expands the scope and function of the social assessment to include identification and assessment of positive impacts and

opportunities for enhancing the socioeconomic well-being of the people who live and work in the project's area of influence. In projects where there are no safeguard policy issues or significant adverse impacts, there still may be a business case to be made for a company's engagement in interventions that provide sustainable benefits for the surrounding population. In such cases, social assessment is equally important and may result in a Community Development Plan. (For more details, please refer to "Identification of Sustainable Development Opportunities," Section 5.)

## What is the Value of Socioeconomic Data?

In the context of a company's environmental and social assessment process, IFC places a strong emphasis on the gathering of socioeconomic baseline data at the front end of the process. Sound baseline data serves several valuable purposes which are relevant regardless of the size or scope of the project. The first is that it provides the basis for the **identification of social impacts**, the analysis of these impacts, and the design of measures to mitigate adverse effects and enhance beneficial ones.

For IFC, the analysis of social issues serves a dual screening function. It alerts both IFC and the sponsor to any social safeguard policy issues which may require a specific action plan such as for resettlement or cultural property management, or identifies other high-risk social issues which might affect the project. At the same time, it may also **reveal opportunities in areas where IFC can work with the sponsor to add value to the project and promote sustainability**. For the sponsor, gathering solid socioeconomic data upfront can be a powerful tool for reducing and managing social risks later on.

Social data also *informs decision-making early on* and can play an important role in the selection of project alternatives as well as project design and site or routing selection. Access to such information in the early stages of project preparation enables sponsors to avoid or minimize negative impacts on the local population, which might otherwise pose risks and additional costs to the project. It can also help sponsors identify project design options that are beneficial to local communities and result in enhanced development outcomes. In addition, data gathering can also lead to a better understanding of, and more effective consultation with, local communities.

Finally, pre-project socioeconomic baseline data is *essential for effective monitoring* of a project's impact over time. An accurate baseline must be established as early as possible in order to evaluate or measure social, economic and demographic changes attributable to the project. A lack of social information can pose risks for the sponsor, for example, where unforeseen population influx as a

result of a project leads to disputed claims for compensation or relocation benefits. Without accurate data the company cannot correctly identify eligible project-affected people, or target programs to the most adversely impacted or vulnerable groups. Good baseline data allows a company to monitor changes in living standards and quality of life of the population impacted by the project, defend itself against misinformation regarding project impacts, and identify problems and make mid-course corrections in operations or policy.

## Is Social Assessment Needed for all Projects?

Social impacts are most often associated with large, complex projects in certain sectors such as extractive industries, infrastructure or energy. However, smaller projects across a range of other sectors can also have social issues or hold potential for bringing value that might not be immediately obvious. These may include such projects in

*A lack of social information can pose risks for the sponsor.*



### The Value of Baseline Data in a Project Context

The **Pamir Hydro** project in **Tajikistan** requires the drawdown of water from a high altitude lake for the operation of a run-of-river hydropower plant during the winter months when river levels are low. A key issue of local concern about the project is the sufficient recharge of the lake in the spring to ensure re-vegetation of the lake's flood plain grasslands. Local villagers rely on this resource for grazing of livestock during the summer months and for production of hay. There are also

concerns related to the impact of water level fluctuations on the lake's fish population. Project proponents anticipate that there will be no significant adverse impacts on the grasslands or fisheries. However, in order to address the concerns of the local population, the company has undertaken baseline studies in advance of project construction to determine productivity of the floodplains and the dynamics of the lake's fisheries. If fluctuations in water levels as a result of power plant operations do indeed reduce productivity and incomes in the area, the company will have the information necessary to set levels of compensation and determine eligibility of households who suffer economic losses. It is also expected that having this baseline data will protect the company against exaggerated claims regarding the impact of the hydro project on livelihoods in the area.

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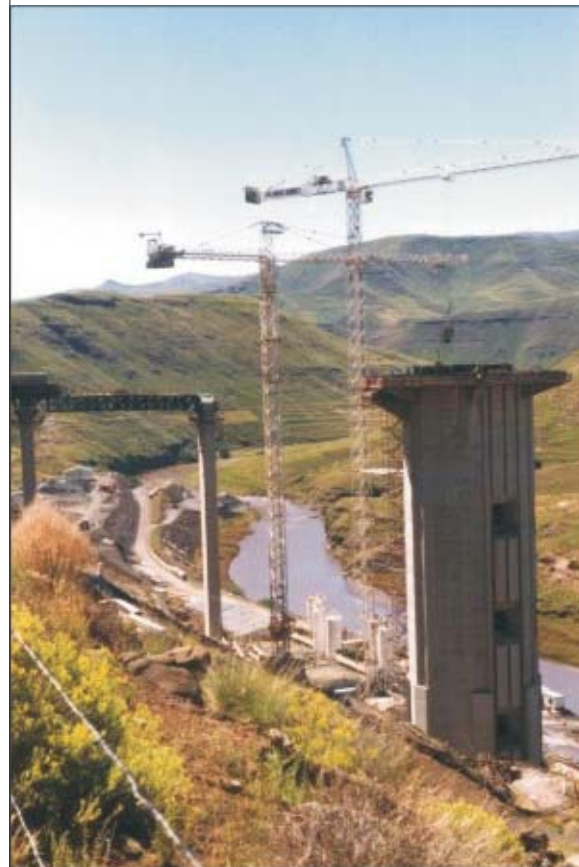
*Regardless of the size or nature of a project, the fundamentals of the social assessment process remain valid.*

general manufacturing, agribusiness, tourism; expansion, restructuring or privatization of existing facilities; and corporate loans. At a minimum, these projects require a review of project data to determine if impacts exist. This in turn will determine if, and in what scope, further data is needed. While this Note may be most useful for operations with multiple and complex social issues that require the preparation of a comprehensive ESIA, it also has value as a screening tool for smaller projects. Where project impacts are minor, the level of detail and the range of social impacts discussed in the following sections may not always be relevant and should be adjusted to fit the scope and scale of the project. The same applies to the types of opportunities and sustainable development initiatives undertaken by smaller projects. However, regardless of the size or nature of a project, the fundamentals of the social assessment process (which will help to identify and address any potential social impacts or determine opportunities for enhancing sustainability) remain valid. For projects involving ongoing or future expansions, social assessment should be an iterative process.

## Components of Social Impact Assessment

### 1 Scoping

Socioeconomic data is often obtained in two stages. The first of these involves “scoping” or “characterization.” The objective of the scoping phase is to identify and prioritize the range of likely social impacts and opportunities at an early stage through consultation with affected groups and review of secondary data. This stage should provide the project proponent (and other stakeholders) with sufficient preliminary information to decide whether or not to



proceed with the project. Once this decision has been made, the more detailed “baseline” studies can be undertaken, expanding on the information obtained as part of the scoping process and providing a basis for measuring impacts. By identifying and prioritizing social impacts and opportunities, the scoping exercise sets the parameters for the social impact assessment and avoids expenditure of effort and resources on gathering unnecessary data.

An important task of scoping is to identify the project's probable area of influence in terms of its potential social, bio-physical, economic, and cultural impacts. The use of maps (of appropriate scale) is an initial step. Map overlays (depicting existing settlement and land use patterns as well as proposed project footprints including associated facilities such as access

roads, pipelines, transmission lines, or sources of materials such as quarries and borrow pits) can be used to provide a spatial portrayal of impacts on communities, their land base, and other natural resources. However, social impacts typically extend beyond footprint overlays and may include indirect and induced impacts. It is therefore essential to analyze impacts in the wider context of the area or region as well as to consider short-term, long-term, cumulative, and transitory impacts.

Initial public consultations should commence at the scoping stage. Early social scoping activities, including stakeholder analysis and initial participatory appraisal, can serve as a first step. Consultation during the scoping process assures that no group within the community is excluded, that the issues discussed and subsequently researched through baseline studies are posed in a culturally appropriate and socially relevant way, and that the community takes ownership in building solutions for mitigation measures or development opportunities. A plan for engaging interested and affected parties in a consultation and disclosure process should be set forth as early as possible.

Similarly, there needs to be good and continuous communication among the SIA and EIA teams (where these are separate processes). Organizational integration of *both* these teams with the project's planning and design team is critical. Preliminary indications of impacts from the scoping stage should be communicated to the planners as early as possible as this may inform decision-making in the design and siting of project facilities.

cornerstone of social enquiry in the ESIA process. Social baseline surveys help predict the capacity of the local population to cope with the range of impacts the project may bring as well as its ability to take advantage of the opportunities that development creates. They provide valuable information on demographic and economic conditions and trends, political structures, local organizations, cultural traits and other factors that can influence the way in which affected communities will respond to anticipated changes brought about by the project. They can also help predict the way in which the project will be affected by these factors.

The development of the social baseline and the identification of impacts are an interrelated and parallel process. Socioeconomic information is critical for the selection of sites and routes. This selection, in turn, permits the identification of project-affected people and may identify the need for more specific or targeted information. Consulting with project-affected people is key as it not only builds trust relationships but often uncovers additional impacts that may require further data collection for future monitoring purposes.

The assessment of social conditions at the very early stages of ESIA preparation is normally based on secondary information of the population within the project's area of influence. However, once the critical project issues and impacts have been identified it is possible to design detailed studies on specific groups affected by the project and to develop social action plans that address these issues. In general, the collection of relevant and comprehensive socioeconomic baseline data greatly expedites the production of detailed plans in areas such as resettlement, community development, retrenchment and indigenous peoples because good basic information already exists.

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## 2

### Establishing the Social Baseline

A targeted baseline study of populations residing within a project's area of influence is the

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*Consultation is an integral part of the ESIA process.*

The social baseline is normally based on the review of secondary data and information obtained through qualitative, quantitative and participatory methods, each of which provides a different perspective and contributes to the creation of a complete socioeconomic picture. The combined use of these methods should always be supplemented by thorough stakeholder consultation.

## ● Secondary Data

Baseline studies normally begin with a review of secondary data. Secondary sources typically involve a desk study using a number of sources: official data (such as topographic and thematic maps, censuses and other government records), research reports, historical texts, and other available documentation on demographic trends and the history of the people and the area. The use of secondary sources is a good starting point; however, in any instance where significant social, economic or cultural issues are likely to be a factor, the use of secondary material alone is insufficient. Field surveys must be undertaken to fully establish an appropriate social baseline and update information that may no longer be current.

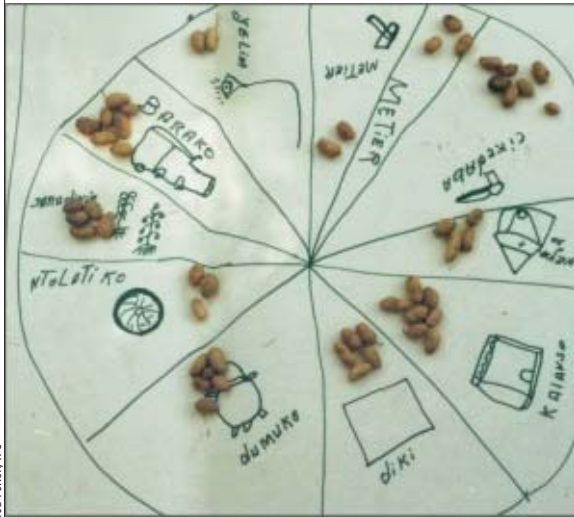
## ● Public Consultation

Public consultation is a process for managing two-way communication between the project sponsor and the public with the goal of improving decision-making and promoting understanding through the active engagement of individuals, groups and organizations who have a stake in the project and its outcomes. Public consultation plays a critical role in raising awareness of a project's impacts and gaining agreement on management and technical approaches in order to maximize benefits and reduce negative consequences. For the sponsor, consulting affected parties early and frequently throughout the development process makes good business sense and in many cases can lead to reduced financial risks and delays, a positive public

image, and enhanced social benefits to local communities. Experience has shown that the process of engaging stakeholders as a means to build relationships is often as important as the analysis derived from that engagement. Consultation is an integral part of the ESIA process and as such should be a key consideration during the design stage of the assessment to ensure its incorporation into each stage of the process.

During the scoping and baseline phases of the assessment, the community can be made aware that information is sought as part of a shared agenda to mitigate future project impacts and identify opportunities for improvements in social and economic conditions. Consultation and baseline studies for both environmental and social impacts





*Guidance Note on the Preparation of a Public Consultation and Disclosure Plan.*

### ● Participatory Techniques & Stakeholder Analysis

Participatory techniques, such as *Participatory Rural Appraisal* (PRA) and participatory land use planning, can be especially helpful at the initial scoping and planning stages. PRA techniques are of good utility for establishing a constructive basis for dialogue with the community, for the early identification of issues, and for establishing a basis for participatory formulation of mitigation or other development measures. Participatory methods can expose key issues for follow up during the baseline survey. PRA facilitates baseline researchers' awareness of local knowledge and perceptions and helps to adapt questionnaires to make them relevant to local people. It also emphasizes local participation in planning and feedback. Some examples of PRA tools include: semi-structured interviews, participatory mapping, Venn diagrams, oral and life histories, and livelihood analysis.

Similarly, undertaking a *stakeholder analysis* as part of the social baseline activities is important in identifying the various parties who may have an interest in the project or who may affect or be affected by the project in some way. Stakeholder analysis enables a broader range of perspectives to be heard and understood and contributes to a better understanding of the social relations among and between various groups.

### ● Qualitative methods

Qualitative methods have to do with people's perceptions, how they view themselves and the world around them. Qualitative interview techniques are used to provide insight into community social institutions and organization, including local arrangements for decision-making

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should work synergistically. The key conclusions of the baseline study analyses must be discussed with the community as part of an iterative process. It is very important that good and frequent two-way communication exists between the baseline study team and the consultation team, where these two are separate units; but where possible this should be undertaken by the same team.

In many societies it is best to carry out separate consultations with vulnerable groups, and in particular women, who often provide much of the economic support for households but have no formal political power in the community. In some cases, focused consultations with specific social groups can be constructive, especially where high rates of unemployment or under-employment prevail, or where projects are likely to affect vulnerable populations such as the young and the elderly. Likewise, where marginalized or minority ethnic groups are present, consultations should be designed to accommodate their views. For further guidance on consultation techniques used during the ESIA process, please refer to IFC's Good Practice Manual (*Doing Better Business through Effective Consultation and Disclosure*, 1998) and

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## Quantitative methods enable an empirical measurement of project impacts.

and leadership. Qualitative surveys can be used to obtain descriptive information on topics such as: household livelihood options, social differentiation, ethnic minorities, lines of solidarity and conflict, the role of women, key resource issues, local perceptions about the project and more. They also serve to enhance and verify quantitative data.

A variety of techniques can be used depending on the complexity and size of the community in question. Larger, more general, **group interviews** help to inform the community as a whole about the project, gather information on local perceptions, and reveal impacts and issues while providing first-hand information on social, economic, cultural and political organization at the community level. Discussions with **focus groups** (such as women, youth groups, social or cultural organizations, marginalized groups, minorities, etc.) are an effective means to identify and understand different perspectives, conflicts, concerns and aspirations for development within a given community. Knowledgeable **key informants** may be used as another means of acquiring more detailed information on complex issues and past events, which may be difficult to gather at a group level. An initial sampling at the household level can help establish a basis from which to focus subsequent quantitative surveys.

### ● Quantitative methods

Quantitative surveys serve to establish baseline measures for key social parameters that can be used later as indicators to measure social impacts. Quantitative methods are commonly used to generate data on: household assets; income streams and livelihood survival strategies; vulnerable individuals and households; the role of women and children in the division of labor; the degree of economic dependency on land and local resources; household composition and demography, health,

and educational characteristics; skills of the labor force; etc.

Pilot questionnaire surveys should be undertaken in order to refine questions and test the usefulness of the questionnaire before undertaking the overall survey. If the affected population is large, appropriate sampling methods should be employed. Where appropriate, these should be stratified according to target groups identified in the qualitative survey. (Methods for quantitative surveys are discussed in IFC's *Handbook for Preparing a Resettlement Plan*, 2002.)

The importance of quantitative methods cannot be overstated. A quantitative analysis of income streams, household expenditures, and household demographic characteristics portrays how households allocate their labor, capital, and other resources. The absence of quantitative data opens the door to conjecture or anecdotal speculation that serves neither the interests of the population nor the company. Quantitative methods enable an empirical measurement of project impacts and effective evaluations of progress made in mitigation or sustainable development undertakings. Reliable quantitative baseline data also provides a sound basis to challenge unfounded claims and future disputes concerning project impacts.

### ● Team Composition

Professional staff with relevant training and skills in social science research should manage baseline studies. The size and composition of the field research team will vary in proportion to the size of the affected population, the timeline for undertaking the studies, and the range of issues to be investigated. Local language speakers with facilitation, interviewing and recording skills should be employed to carry out fieldwork. Where possible, facilitators/interviewers as well as study

managers and planners should be sourced from the local population (e.g. teachers, social workers, nurses, or university researchers with the necessary skills and familiar with the local circumstances). In addition, the research team should — if possible — include women who can better interact with female informants, especially during consultation activities. Scheduling should take into account time needed for survey design, training of field staff, testing, implementation, and analysis of survey information, as well as the availability of community groups involved. Continuity of the baseline study team is advised where social action plans (such as resettlement plans, community or indigenous peoples development plans) or other development projects are foreseen.

### ● Content of Baseline Studies

Table 3 (pp. 24-25) provides an indicative list of topics often explored as part of a social baseline study and specifies the methods best suited for attaining different types of information. However, topics covered will vary in light of the specifics of a given project. The process of collecting baseline information is not about assembling any type of social data, but rather is a targeted exercise based on the preliminary impacts identified in the scoping stage and focused specifically on the directly affected population. The objective is to investigate in further detail only those aspects most relevant to the project and its potential impacts. (See Table 1, p. 10.)

## 3 Analysis of Social Impacts

Once the baseline data has been collected through a combination of secondary, qualitative, quantitative, participatory and consultative techniques, a good understanding should exist of the society in the project's area of influence and the general categories of impacts that may result. The next step is to analyze the information with the purpose of

### Pangué Hydroelectric, Chile



A good example of an indirect or induced development impact occurred during the building of the Pangué Hydroelectric dam on the Bio-Bio river in Chile. The project created a large, scenic reservoir as well as a paved access road along the mountainside in the middle of what had previously been a remote and difficult-to-access area. The land around the reservoir which had been considered of little value before the project, suddenly became prime lakefront property, escalating land prices and touching off heated conflict between absentee landowners based in Santiago and indigenous families who claimed the land as their ancestral territory. Indigenous families who had been living in the area (but outside the direct footprint of the project) and using the land to graze their livestock suddenly found themselves threatened with eviction by an absentee landowner who had subdivided and sold the land into lakefront vacation plots and started construction of a tourist development. Although the conflict was generated by a third party, completely unrelated to the company, the company itself ultimately had to get involved in finding a solution to this unforeseen impact.



Debra Sequeira/IFC

Debra Sequeira/IFC

*When considering impacts, a holistic perspective of the social area of influence is important.*

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**TABLE 1**

## Potential Social Issues and Impacts

### Common Social Impacts

The types of social issues and possible impacts associated with a project can vary considerably depending on the nature of the project, its size, location and stage in the project cycle. The following table provides an overview of the types of issues that may be considered during the impact analysis process and related questions for investigation. Not all issues may apply to a given project, particularly in the case of small projects or those with limited impacts. For example, a mining investment in a remote rural area may have a very different and much broader set of social impacts than the upgrading of a manufacturing plant in an urban area. When using this table, specialists should use their professional judgment to determine which are the appropriate issues for inquiry.

Issues for Consideration	Comments/Questions
<b>Population/Demographic Movement</b>	
<ul style="list-style-type: none"> <li>▶ Change in make-up of population</li> <li>▶ Relocated populations</li> <li>▶ In-migration or out-migration</li> <li>▶ Seasonality in movement of workers/residents</li> </ul>	<ul style="list-style-type: none"> <li>▶ Will project impacts result in a change in the size or composition of the population in project area of influence? Will the project bring changes to the existing social infrastructure?</li> <li>▶ Will the creation of economic opportunities and services by the project result in welfare imbalances or attract significant population influx?</li> </ul>
<b>Economic Environment</b>	
<ul style="list-style-type: none"> <li>▶ Employment creation: direct, indirect, temporary</li> <li>▶ Unemployment (post construction or closure)</li> <li>▶ Wage, income levels</li> <li>▶ Opportunities for local sourcing of goods and services</li> <li>▶ Impact on local businesses</li> <li>▶ Inflationary effects</li> <li>▶ Tax revenue levels</li> <li>▶ Monetization of economy</li> <li>▶ Land tenure rights</li> <li>▶ Equitable access to opportunities and accrual of benefits</li> <li>▶ Economic vulnerability</li> <li>▶ Competition for economic resources</li> </ul>	<ul style="list-style-type: none"> <li>▶ Consider changes in the structure of the local economy including: opening of new markets for products and services, increased demand for consumer goods and inflation of local prices, population influx</li> <li>▶ Will the project result in impacts to traditional land rights, occupations and production systems? Will it result in increased and unsustainable utilization of local natural resources?</li> <li>▶ Will there be a boom-bust cycle and will the project foster economic dependency among the local population?</li> <li>▶ Are there differential economic impacts and opportunities such as marginalization of women and vulnerable groups? Consider variables such as gender, ethnicity, age and skill level.</li> <li>▶ Will people not benefiting directly or indirectly from the project experience increased economic vulnerability? Will this result in possible conflict and impacts to the project?</li> <li>▶ Will reduced reliance on subsistence production systems result in increased dependence on non-local products, vulnerability to macro-economic events, or a lack of sustainable livelihoods following project closure?</li> <li>▶ Will profits be exported from the region with few benefits accruing to communities that bear the greatest disruption costs of the development?</li> <li>▶ Will wage injections into the local economy increase trade in consumer goods and entrepreneurial opportunities?</li> </ul>
<b>Natural Resource Management and Land Use</b>	
<ul style="list-style-type: none"> <li>▶ Land use impacts: existing residential, agricultural and forestry land; land with high potential (arable, irrigable)</li> <li>▶ Common property resources: e.g., water, grazing, hunting and fishing areas, forest, timber and fuel wood, medicinal and herbal plants, craft materials, nomadic routes and seasonal uses</li> </ul>	<ul style="list-style-type: none"> <li>▶ Will there be loss or reduction in existing land use, potential land use, access to or quality of natural resources on which communities depend now or in the future?</li> <li>▶ If land acquired for the project results in physical or economic displacement of people, refer to World Bank Operational Directive (OD) 4.30, <i>Involuntary Resettlement</i>. This may require the preparation of a Resettlement Action Plan.</li> <li>▶ Water resources: determine sources of drinking water, irrigation water, seasonal variation in water-use patterns.</li> </ul>

### Community Organization and Local Institutions

- ▶ Local government
  - ▶ Community decision-making structures
  - ▶ Community-based organizations
  - ▶ NGOs
  - ▶ Religious and political institutions
  - ▶ Changes in power relations
  - ▶ Organizational and negotiation skills vacuum
- ▶ Is there sufficient capacity in local government and regulatory structures to cope with associated project impacts?
  - ▶ Will issues of local concern assume greater importance with project implementation, involve regional or national government departments, or become part of political agendas?
  - ▶ Will increased income-earning capacity lead to individual and community empowerment? Could this result in greater opportunities for political activity, increased government attention and local expenditure?
  - ▶ Will alternate livelihood opportunities and in-migration change existing power structures and relations?
  - ▶ Will traditional authority structures and methods of social control and discipline weaken? Will challenges to existing power structures result in changes in attitude towards the project?
  - ▶ Will a limited experience in negotiation and business transactions among affected communities reduce their ability to bargain effectively for mitigation measures and access to sustainable development opportunities?
  - ▶ Will a lack of organizational capacity lead to limited local involvement in decision-making processes, causing legitimacy problems in which long-term stability and sustainability of the project are difficult to achieve?
  - ▶ Are there competent, solution-oriented local NGOs available to help articulate/negotiate or act as "honest brokers" on behalf of affected communities?

### Social Services and Infrastructure

- ▶ Health and education
  - ▶ Water supply
  - ▶ Transportation/roads
  - ▶ Power supply
  - ▶ Waste management
  - ▶ Housing
  - ▶ Communications
  - ▶ Community/religious/recreational facilities
  - ▶ Temporary construction camps
- Will the project increase and/or decrease demand, supply and quality of public goods and services?
- ▶ Will improved infrastructure associated with project development (e.g., roads and improved transport linkages, water and energy supply systems) provide opportunities for catalyzing local economic development? Will this require modifications to siting/routing in the planning stage to ensure optimal use during project operation or after decommissioning?
  - ▶ Will an increase of construction workers into the area put pressure on existing infrastructure and services?

### Vulnerable Groups

- ▶ Indigenous peoples
  - ▶ Ethnic or religious minorities
  - ▶ Women
  - ▶ Youth and elderly
  - ▶ Handicapped
  - ▶ Land users without formal rights/squatters
- ▶ Are there groups who might be differentially impacted as a result of distinct socioeconomic characteristics that make them particularly vulnerable during the development process?
  - ▶ If indigenous people are identified in the project area of influence, refer to World Bank OP 4.20 on *Indigenous Peoples*. This may require the preparation of an Indigenous Peoples Development Plan.

### Cultural Property

- ▶ Archaeological sites or artifacts
  - ▶ Cultural and sacred sites
- ▶ Will the project affect sites, structures, or resources having archaeological, historical, religious, spiritual or cultural value? This may require the preparation of a Cultural Property Management Plan. Refer to World Bank OP 11.03 on *Cultural Property*.

### Employment and Labor

- ▶ National and local labor standards
  - ▶ Harmful child labor and forced labor
  - ▶ Retrenchment
  - ▶ Worker health and safety
  - ▶ Competition for jobs, resources, access to infrastructure
- ▶ Will redevelopment or expansion of an existing project result in retrenchment or downsizing? (A retrenchment plan may be required).
  - ▶ Is there any child labor or forced labor associated with the project or any of its suppliers? (Please refer to IFC's Note, *Addressing Child Labor in the Workplace and Supply Chain*).
  - ▶ Many companies are also contributing to good practice by ensuring freedom of association among its workers and elimination of discrimination in the workplace.
  - ▶ The backgrounds of project staff (e.g., urban; educated; skilled; foreign language; expatriates, different customs, etc.) can often differ.
  - ▶ Has the host country ratified ILO or other international conventions?

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TABLE 1, continued

## Potential Social Issues and Impacts

Issues for Consideration	Comments/Questions
<b>Social Conflict</b>	
<ul style="list-style-type: none"> <li>▶ Competition for jobs, access to infrastructure, natural resources (land, water, etc.)</li> <li>▶ Differential wage incomes, wealth accumulation</li> <li>▶ Perception of unequal treatment</li> <li>▶ Community rivalry and jealousies</li> <li>▶ Social conflicts (e.g., between local population and newcomers)</li> </ul>	<ul style="list-style-type: none"> <li>▶ The backgrounds of project staff (e.g., urban, educated, skilled, foreign language, expatriates, different customs, etc.) can often differ greatly from local communities and provide potential for misunderstanding and conflict that needs to be addressed early in the project cycle.</li> <li>▶ Low level of awareness of project impacts (and unfamiliarity with similar projects) among local communities may result in a poor appreciation of the potential seriousness of changes to local circumstances, or unrealistic expectations about project benefits, and lead to consequent conflict.</li> <li>▶ Is there a significant gap between local perceptions of project impacts and actual impacts which could lead to misunderstandings and conflict?</li> <li>▶ Inadequate participation by local communities or uncritical support for the project on the basis of desperate needs (such as jobs) could result in later conflict over issues insufficiently discussed or considered.</li> <li>▶ Will a change in the social environment without significant returns of jobs, service and infrastructure benefits lead to conflict?</li> <li>▶ Will project impacts exacerbate pre-existing conflicts or lead to new ones?</li> </ul>
<b>Lifestyle and Culture</b>	
<ul style="list-style-type: none"> <li>▶ Social cohesion and disruption (separation of families and communities)</li> <li>▶ Change in production systems and traditional livelihoods</li> <li>▶ Social ills: alcoholism, drugs, prostitution, crime, HIV/AIDS</li> <li>▶ Socioeconomic impacts of cash injection into local economy</li> <li>▶ Social or cultural disruption due to population influx</li> <li>▶ Changing relationships between groups (gender, age, socioeconomic status, ethnicity)</li> <li>▶ Disturbance impacts (e.g., noise, dust, pollution, traffic)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Will low levels of skills and literacy of affected communities restrict their ability to realize opportunities associated with the project? Is there a need for training and skills development? Can the project contribute to improvement of the skills base of affected households?</li> <li>▶ Will wage incomes from the project result in a greater stratification of household income levels and changes to extended family systems?</li> <li>▶ Will an influx of newcomers seeking opportunities associated with the project contribute to new social ills, including crimes, violence, and disputes over land, water or other resources? Will an influx of outsiders create tension or conflict due to religious or ethnic rivalries?</li> <li>▶ Will the generally slow pace of change of an unsophisticated rural community conflict with rapid changes required to develop and operate a major modern project (e.g. mine, power plant)?</li> </ul>
<b>Health</b>	
<ul style="list-style-type: none"> <li>▶ Changes in nutrition status</li> <li>▶ Mortality and morbidity levels</li> <li>▶ HIV/AIDS, STDs and communicable diseases</li> <li>▶ Endemic diseases (malaria, bilharzia, gastro-intestinal infections, TB, etc.)</li> <li>▶ Impacts of in-migration on health (for both local population and newcomers)</li> <li>▶ Health aspects of environmental impacts (e.g., contamination of air, water, soil, noise, pollution, traffic)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Will an influx of newcomers seeking opportunities associated with the project contribute to a greater incidence of HIV/AIDS, STDs?</li> <li>▶ Will such influx of newcomers result in overburdening of health services and infrastructure, inadequate sewage and waste management, or increased health risks?</li> <li>▶ What precautions will be required to protect workers from local disease (HIV/AIDS awareness programs, malaria control, improved quality of water supply)?</li> <li>▶ Please refer to IFC Note, <i>HIV/AIDS in the Workplace</i>.</li> </ul>

**Equity**

- ▶ Distribution of and/or access to development benefits, e.g., employment, revenue, social investment
- ▶ Opportunities to participate equally in the consultation and development process
- ▶ Differential impacts on various groups
- ▶ Are there socioeconomic conditions that would preclude equitable access to opportunities provided by the project (marginalization of women, ethnic minorities and other vulnerable groups; restrictions on freedom of choice)?
- ▶ Will the patriarchal nature of an affected community result in inequitable accrual of benefits?
- ▶ Are compensation systems being applied in a fair and consistent manner?

**Induced Impacts and Associated Facilities**

- ▶ Changes in land values
- ▶ Changes caused by increased access to the project area (logging, slash-and-burn or swidden agriculture)
- ▶ Spontaneous settlement
- ▶ Relocation or economic displacement caused by a facility associated with the project but not necessarily financed by IFC
- ▶ Social impacts of all activities in the project area of influence should be considered, including associated facilities or ancillary aspects of a project such as access roads, pipelines, construction camps, etc., as well as unplanned developments induced by the project.

**Cumulative Impacts**

- ▶ Direct, indirect and secondary impacts resulting from existing projects, the proposed project and anticipated future projects
- ▶ Will the project have cumulative impacts? Refer to IFC Guidance Note G on requirements for "Assessment and Management of Cumulative Impacts."

**Bio-Physical Aspects**

- ▶ Climate
- ▶ Water resources and hydrology
- ▶ Soils and vegetation
- ▶ Will local climatic conditions exacerbate project impacts (e.g., air pollution, impacts of recurrent droughts on food security)? Does the project take into account prevailing wind direction in siting air emission stacks or waste dumps near settlements?
- ▶ Will the project lead to a change in water quality and quantity for use by affected communities (including supplies for agriculture/livestock)?
- ▶ Will the project reduce the availability of arable land, local natural vegetation resources or wildlife?

**Alternatives Analysis**

- ▶ Planning alternatives
- ▶ Site or route
- ▶ Location of facilities
- ▶ Infrastructure alternatives
- ▶ Technology
- ▶ Operations
- ▶ Land use alternatives
- ▶ Financial alternatives
- ▶ "No-go" or "without project" alternatives
- ▶ Provides systematic comparison of feasible alternatives to the proposed project in terms of their potential social impacts. States the basis for selecting the particular project design proposed and justifies it from a socioeconomic impact perspective.



Nick Flinders/IFC



Manthius Heiding/IFC

# Addressing the Social Dimensions of Private Sector Projects

**Customized measures should be developed for each anticipated impact.**

predicting and measuring with a greater level of specificity both positive and negative impacts of the project on the population. This is done by projecting the existing baseline into the future with and without the project. The differences between these two projected scenarios reveal the predicted impacts of the project which in turn might require the collection of additional data to home in on precise impacts and affected persons. In addition, the process should make reference to the quantity and quality of available data, and cite any significant gaps in the data or uncertainties that may need additional attention. It should also specify topics that do not require further investigation or action.

When considering impacts, a holistic perspective of the social area of influence is important. This perspective takes into account impacts on social, economic, and cultural relations within and amongst communities, both directly and indirectly affected. Such impacts may include changes in land and natural resource use, existing relations of trade and commerce, employment and occupations, as well as potential shifts in social, cultural and political relations. It is also important to take account of *induced development impacts* bringing change to the wider area and *impacts related to associated facilities* (e.g. roads, pipelines, transmission lines, power plants, etc.) that may not be financed by the project company itself but are inter-related or dependent on the project's development.

*Cumulative and transitory impacts* should be addressed as well. This includes, for example, the establishment of work camps and in-migration to the area by outside job seekers or other service providers during the construction phase as well as the resulting impacts on host communities.

## ● Stages of the Project Cycle

Impacts should be considered separately for the four key stages of the project cycle: (i) design and

planning, (ii) construction, (iii) operations, and (iv) decommissioning or closure. Ongoing consultation is an important part of the impact identification, mitigation, monitoring and evaluation process. For presentational purposes, it is helpful to group impacts chronologically and indicate at what stage of the project cycle they are likely to occur. One option is to apply the impacts table for each stage of the project cycle.

## ● Levels of Significance

Typically, both environmental and social impacts are placed in a matrix and ranked or rated in terms of their significance. Rating scales or formulas may vary, but at minimum they must provide an indication whether impacts are positive or negative and the scale of significance (often presented as high, medium or low). All project impacts (environmental and social, positive and negative) should be evaluated and ranked in an integrated manner with reference to relevant international, national and local regulations and IFC guideline and policy parameters.

## 4 Mitigation of Adverse Impacts

Once a set of potential project impacts has been identified, the next step is to assess the scale and seriousness of the adverse social impacts and propose measures to mitigate them. Mitigation can be defined as the stage in the ESIA process in which measures are identified to avoid, minimize or offset adverse social impacts. The project sponsor should consider ways to modify the project design or mode of operation in order to avoid or at least minimize negative social impacts. Again, the earlier the feedback to the project developers and engineers about potential social impacts, the greater the chance alternative solutions can be found. For example, a road can be re-routed in order to avoid populated

## Norvial, Peru



A good example of successful efforts to minimize social impacts is the Norvial project in Peru. The consultation process and the analysis of alternatives led to the significant reduction of the adverse effects of this project, designed to expand and improve the Ancón-Huacho-Pativilca toll road, a section of the Pan-American Highway. Consultations with project-affected people, along with archaeological studies, led to the decision to divert the road for 3.1 km in order to circumvent the informal settlement Alberto Fujimori and to avoid the nucleus of an archeological site known as Cerro Colorado. This change in project design reduced the number of dwellings directly affected by the project from 518 to 75 and minimized the effects of the project on cultural resources.

areas or impacts on culturally sensitive sites. Similarly, the size of the project's construction may be reduced to limit or avoid adverse social impacts.

### ● Development of Mitigation Measures

Customized measures should be developed for each anticipated impact. Finding the best solution often necessitates communication among several parties including the social and environmental consultants, the project developers and engineers, and the impacted population. Ultimately the social mitigation measures proposed in the ESIA must have full ownership from the company and the affected communities.

All measures that are needed to mitigate the anticipated impacts of a project — regardless of who is responsible for their implementation — should be identified in this section of the report. Mitigation measures that are the responsibility of the government, for example, should be developed and proposed, even if the company does not have responsibility for or control over their implementation. This serves as a basis for subsequent discussion and negotiation with the responsible parties.

A *sequencing strategy* should be used to manage social impacts. The first step in the sequence gives priority to

impact *avoidance*. Social impacts can often be avoided by “at source” changes, such as the selection of an alternative site for the project or the modification of the design. The second step focuses on the *reduction or minimization* of impacts that cannot be avoided. The reduction of impacts is achieved through the implementation of customized measures, such as soundproofing houses within the noise footprint of an airport, regulation of construction traffic, use of dust suppression techniques, minimization of land requirements, etc. During the third step in the sequence, where adverse impacts are unavoidable, people affected by the project must receive adequate *compensation* (including covering replacement costs and livelihood restoration where appropriate).

The people affected by a project must be involved in the development of measures to avoid, mitigate, reduce or remedy adverse social impacts. Local knowledge can help identify solutions or alternatives that may not be evident to the project sponsor or to local authorities. For example, local people can help identify sacred or culturally sensitive sites that are not obvious to an outsider. Consultations and participatory processes can also be used to corroborate official information and to evaluate the adequacy of the mitigation measures being considered, including such aspects as eligibility for compensation and fair valuation of assets.

*Local knowledge can help identify solutions or alternatives that may not be evident to the project sponsor.*

# Addressing the Social Dimensions of Private Sector Projects

*Full support by company management is critical for the effective implementation of mitigation measures.*

## ● Compensation Effectiveness

The objective of compensation is to ensure, to the extent feasible, that people are not harmed by a project, i.e. that their situation after the project is equal to or better than before. Compensation leads to the reproduction or improvement of the conditions prior to the project and covers the replacement of lost assets, lost income or production, access to social services, and other elements, such as social or neighborhood ties.

In some cases cash compensation is appropriate and can be used in positive ways. In other cases, however, monetary compensation alone does not solve the problems created by the project and places the onus of solving them on the affected individuals or communities, rather than on those who caused the impact. In these cases, cash compensation should be substituted by compensation in kind and/or complemented by rehabilitation programs, such as: assistance to vulnerable groups, technical support for the reconstruction of community infrastructure, assistance for the acquisition of substitute facilities, training for indigenous peoples or ethnic minorities, livelihood restoration, re-training programs, etc.

In certain jurisdictions, compensation is based on a nationally recognized scale, while in other situations it will need to be developed on a project-specific basis. In cases where there is a significant difference or potential conflict between government regulations and IFC requirements, the highest standard prevails. In every case, total compensation packages must be equivalent to the replacement value of assets lost or affected as part of the project.

(For projects that involve non-voluntary land acquisition refer to IFC's operational policy 4.30 on Involuntary Resettlement and our *Handbook for Preparing a Resettlement Action Plan*.)

## ● Planning and Implementation of Mitigation Measures

Measures to mitigate general social impacts should form part of Environmental and Social Action Plans (ESAP) or other specialized plans. The latter are usually needed in cases where social safeguard policies or other special issues apply that require complex interventions over a period of time. Certain impacts can be mitigated with a single action or set of actions that need to be carried out only once. For example, the noise produced by a road project can be mitigated by building noise barriers. Other impacts, such as physical or economic displacement, call for more complex mitigation plans, which often consist of a combination of programs. A resettlement plan, for example, may include a compensation program, a relocation program, an income restoration program, a community development program, etc. Each program, in turn, consists of a set of actions with specific objectives targeted to various categories of affected people.

Full support by company management is critical for the effective implementation of mitigation measures. Management support facilitates the timely allocation of funds and other resources required by the mitigation program. In addition, successful implementation of mitigation measures often requires collaboration between the project company, civil society groups, affected communities, and government agencies.

## 5 Identification of Sustainable Development Opportunities

Traditionally, the "do no harm" approach of the World Bank Group's social safeguard policies has made social mitigation plans the primary entry point for distributing benefits to local communities impacted by IFC investments. However, the



*The developmental benefits to local communities from a timely supply-chain analysis should not be underestimated.*

broadening of scope from impact-based mitigation requirements to wider sustainable development initiatives that add value and improve overall economic conditions is becoming an increasingly important aspect of IFC-financed projects. This is in large part due to a greater awareness about the business case for social and environmental sustainability that points to a convergence between sound management of social issues and good business performance. Benefits to companies which actively manage the social dimensions of their investments include enhancement of reputation, reduction of risks and uncertainties (which can translate into significant cost savings), and maintenance of a “local license to operate.”

Unlike mitigation and compensation, which have the important but limited objective of protecting affected persons from adverse impacts, sustainable development actions enable the wider population in a project's area of influence to gain access to and take better advantage of the range of opportunities brought about by private sector development. Such programs may be localized or conceived at a broader level depending on the nature and scale of the project. Companies can team up with other

partners such as local government, NGOs, universities, or other businesses in the design and delivery of such initiatives.

In a general sense, project initiatives for sustainable social development require the provision of capital and other technical assistance needed to catalyze self-sustaining investments, thereby raising incomes and living standards. Such measures also help to avoid chronic dependency of local people on a project, which is especially important where the life of the project is limited.

The following section provides an illustrative menu of options for consideration when designing sustainable development interventions for private sector investments in emerging markets. The guiding principle is that corporate investments, whether for mitigation of impacts or for proactive development, should be based on sound baseline information and thorough consultation. Implementation and monitoring should be participatory and outcomes should be sustainable. In other words, these initiatives, once established, should not require repeated recourse to corporate contributions in order to remain viable.

# Addressing the Social Dimensions of Private Sector Projects



Ted Poller/IFC

## **BTC Pipeline Project, Azerbaijan/Georgia/Turkey**

### **Business Enterprise Center**

A full year in advance of pipeline construction, the company established a Business Enterprise Center in Baku with the support of a full-time specialist from IFC's Small and Medium Enterprise facility. A supply-chain analysis was undertaken to identify the range of services and supplies that the project was likely to require and this list was made publicly available through the center, which proactively identified local skills, businesses and entrepreneurs to alert them to the needs of the pipeline project. The center also provided business development training on bid and tender preparation, transaction skills, financial management, and on how to do business with the company. The objective of this initiative is

to maximize the economic benefit of the project to the local population by proactively identifying and training local suppliers and entrepreneurs to take advantage of the opportunities that will be available during the construction phase of the project.



Ted Poller/IFC

### **Community Investment Program**

The BTC pipeline project has committed to designing and implementing a Community Investment Program (CIP) in areas impacted by construction activities in Azerbaijan, Georgia and Turkey. The objective of the CIP is to create sustainable development for local populations by generating employment opportunities and improving quality of life for affected communities during both construction and operations, as well as in the longer term. The program will fund such initiatives as capacity building and institutional development, education, assistance to small and medium enterprises, support to civil society organizations, business development and community-specific projects. The CIP accepts project proposals from government agencies, NGOs, developmental organizations and communities which are then selected for funding through an independent selection process. Organizations must provide 20% of their own funding for their proposals, which must meet certain sustainability criteria. BTC also has separate Environmental

Investment and Social Investment Programs aimed at macro-level issues in all three countries.

Through a separate fund, BP is also financing other sustainable community investments such as solar power electrification for rural telephone systems in 22 remote villages in the Guba region of Azerbaijan. BP has teamed up with Total Energy, a solar systems integrator to connect the villages to the national communication grid using photovoltaic systems from BP Solar as a sustainable option for a telecommunication network that can operate regardless of the availability of electricity.



José Zanolini/IFC

## **Favorita, Ecuador**

Favorita Fruit Company in Ecuador is implementing a program designed to assist independent banana suppliers in their efforts to achieve ECO-OK certification (a program of the Sustainable Agricultural Network, a coalition of NGOs that includes Rainforest Alliance USA and various institutions of Ecuador, Brazil, Costa Rica, Guatemala and El Salvador). ECO-OK certification mandates implementation of far-reaching environmental and social management activities at the farm level. As part of the social requirements, farming activities must improve the socioeconomic well-being and the quality of life for farm workers and their families. Implementing requirements of this principle include contracting standards, freedom of organization and opinion, an occupational safety and health program, and provision of housing and basic services.

IFC, through its Corporate Citizenship Facility, is working with Favorita to improve labor and environmental practices among independent banana producers through various educational programs of the Wong Foundation. The foundation currently supports 27 primary schools (14 private and 13 public) and implements various educational programs. Going forward, it will also support technical schools at the secondary level of education. Technical schools will be an attractive option for minors between the ages of 12 and 15 and will complement Favorita's efforts to eradicate child labor in the banana industry.



### Chad Oilfield, Chad Cameroon

IFC, a lender to the Chad-Cameroon Pipeline Project, initiated a rural enterprise development project in the oilfield area of southern Chad in partnership with Africare, a U.S.-based NGO. The goal of the project is to help community groups and entrepreneurs to develop self-sustained, creditworthy businesses. Africare is implementing a two-phase pilot project with six rural enterprises in the first phase. The aim is to establish viable rural businesses in the areas of egg and poultry production, livestock (cattle, small ruminants, and pigs), fish farming, and irrigated market gardening. Oil field development in southern Chad is changing the demographic and economic characteristics of the region and is increasing demand for agricultural products. The project provides technical assistance in business management and

banking, marketing, and cost-effective production techniques and technologies. Africare has assisted with official registration of the enterprises and focused initially on management training and support to enable the businesses to establish themselves as well-managed, creditworthy operations which can access credit when needed in future. The pilot project has established rigorous standards for measurement of success and sustainability in order to draw lessons learned and develop an optimal model in the second phase, which will expand to some 40 enterprises.



### Gloria S.A., Peru

The company is a major employer with over 10,000 milk suppliers, many in remote rural locations, for whom milk production provides an essential source of income. Gloria plays a central role in developing Peru's local dairy industry with the objective of increasing local raw milk supply. IFC, together with its Corporate Citizenship Facility, is working with the company to provide technical assistance for Peruvian milk producers. A study will identify targeted interventions to improve productivity, output quality and household income for each producer type. These interventions will likely include provision of credit and technical assistance to local dairy farmers to enable them to increase milk yields and reduce production costs, raising the profitability of their dairy activities. IFC will work with Gloria's management to develop a pilot project to provide small-scale loans to dairy farmers and actors along the supply chain, from producers and

transportation to milk collection and cooling stations. Gloria's management has indicated that it could manage such a financing program, but the company requires financing and technical support to structure this program. The above-cited diagnostic study will provide the information needed to design an appropriate credit program.



### Sadiola Gold, Mali

A gold mining company in Mali established a reticulated water supply system to provide water to resettled communities living in an extremely arid environment. The bore holes dug during mine construction were handed over to the resettled villages for their water supply. In order to ensure long-term sustainability, water development facilitators were trained and local water committees established in each village. However, the diesel engines powering the pumps on the bore holes were soon stolen and as an interim measure the village water supply system was connected to the 70km pipeline built to supply water to the mine. This connection to the main pipeline is extremely convenient for the resettled communities and has had the unforeseen effect of attracting more people to settle near the villages. The population has become very dependent on this water supply, and because the company has never charged people even a nominal fee,

the principle of "user pays" has not been established in the area, and villagers are used to a free supply of water. The company and local government and communities must now contend with the problem of ensuring a sustainable water supply. Following mine closure, the water pipeline will cease to operate because the local economy cannot support its operational costs. The issue was identified during the social impact assessment and resettlement of the villages but implementation of a solution has not yet been successful.

# Addressing the Social Dimensions of Private Sector Projects



IFC Staff

## Odebrecht, Angola

With IFC support, Odebrecht, a Brazilian engineering and construction company, earmarked \$1 million of an IFC project loan to efforts related to the fight against AIDS. IFC and Odebrecht have launched an education, prevention, and care program reaching 30,000 people in the operations and communities of Odebrecht in Angola. The program also places special emphasis on women's health, the prevention of HIV transmission from mother to infant, and the assessment of the provision of anti-retroviral therapy of the company's sites, thereby further contributing to the overall AIDS strategy of Angola. The program will be used as an advocacy tool to entice the large business community of Angola to adopt similar proactive initiatives. In addition, Odebrecht decided to adopt an HIV/AIDS policy for all of its

operations worldwide. Depending on the lessons learned through the Angola pilot program, the next step for the Company may be a roll out of a structured program of education, prevention, and care. In 2003, the Global Business Council on HIV/AIDS commended Odebrecht with an Award for Business Excellence, recognizing the company's exemplary contribution to the fight against the disease, both in its workforce and the surrounding communities.

## Misima Mines, PNG

Misima Mines Limited, a gold mining company in Papua New Guinea, created training programs both for mine employment and for employment in the outside workforce. In order to maximize local employment, they established an apprenticeship program equivalent to technical college certification in mechanical, secretarial and construction trades. They offered scholarships to university and for training in nursing, occupational health and safety, mill operation, and community health. In addition, the mine's training officer conducts basic secretarial courses in the local high school and computer training for employees. The company also provides broader training to the community in bookkeeping, legal rights, village administration and community organization.

Source: IFC, *Investing in People: Sustaining Communities through Improved Business Practice*

## Cummins Engine Company, India

In an effort to employ more women at its plant in Pune, India, Cummins Engine Company worked with the Cummins Foundation, the Rose Hulman Institute and other businesses in Pune to found the Cummins Engineering College for Women at a local women's university. The college now has over 1,000 students and serves as a training ground for women engineers for Cummins and other companies.

Source: IFC, *Investing in People: Sustaining Communities through Improved Business Practice*

**A project's construction phase often provides economic opportunities...**

### ● Construction Phase Opportunities

A project's construction phase often provides significant, although temporary, economic opportunities to communities and people living within the project's area of influence. A number of proactive measures can be taken at this stage to help provide long-term sustainable benefits to the community. These include:

- ▶ Provision of training or skills enhancements for local people (in advance of construction) to allow them to benefit from higher wages during construction and improve their potential for similar work in future.

- ▶ Facilitating the local supply of goods and services required for project construction.
- ▶ Training in money management and facilitation of banking services.
- ▶ Transforming earnings from temporary employment into a long-term income stream through assistance with savings, basic business management, and the investment of money made during construction in sustainable businesses or improvements in existing enterprises.
- ▶ Provision of credit to assist local people with development of rental housing or other services to cater to a large workforce.

### ● **Supply-Chain Analysis**

It is helpful at an early, pre-construction stage to assess the inventory of goods and services required by a project during construction, operations, and, where applicable, at decommissioning, with the purpose of trying to link community development initiatives to core business activities. Early knowledge of the types and quantities of goods and services required allows for timely development of opportunities for local people or local businesses. Programs to provide technical and financial assistance for small and medium enterprises can be designed and implemented to meet new, project-linked market opportunities. The developmental benefits to local communities from a timely supply-chain analysis should not be underestimated. In addition, companies can make a significant contribution by working with their suppliers to raise awareness, build capacity, and encourage good practice in environment and social standards. For further information on IFC assistance in this area, please go to [www.ifc.org/sme](http://www.ifc.org/sme).

### ● **Provision of Technical Assistance, Capital and Capacity Building**

In many instances, projects are situated in remote rural areas where the population is engaged in subsistence production that provides limited opportunities for development and economic growth. Constraints on labor, technology and capital can limit productivity and are often exacerbated by poor access to markets, a lack of infrastructure for storage of crops, and an absence of savings and credit institutions needed to provide cash flow when commodity prices are low. In such instances, it can be worthwhile to assess markets for opportunities to expand existing production or identify new commodities that can be produced in the area. Cost-effective actions to help improve the productivity of land and labor should also be considered where this is justified by market demand. These may include the

provision of capital to purchase inputs needed to raise the productivity of land and crops, rehabilitate or develop basic production assets, or acquire technologies to raise labor productivity. Skills training and technical assistance can also be provided as a means of improving productivity of labor, land and other resources.

Support for local economic institutions, such as cooperatives or business associations, can help improve market returns and provide financing needed for the provision of credit, as well as inputs and technologies at a larger scale. A good understanding of local social organization and the community's productive activities, political structures and decision-making, is fundamental to the development or reinforcement of such institutions. Institutional strengthening and capacity building efforts should refer to baseline studies and employ other information-gathering techniques to assess the capacities, needs and interests of key groups. They should also be based on a pragmatic assessment of local natural resources and skills.

### ● **Human Capital Development**

Investments in human capital have both short-term and long-term returns. In the short term, training and skills development can provide a basis for new or augmented sources of income for the local population. Wherever people survive on the basis of their labor and skills, skills training can be an effective method for improving income. In the long-term, some projects with minimal direct impacts on people may nevertheless provide for longer-term human development in the area through support for education, training and skills development. It is not uncommon for some corporations to take the longer strategy of investing now in younger generations, which will bring benefits to society, the company, and the economy in later years.

*Educational programs focusing on literacy, numeracy and skills development can result in a more productive workforce.*

# Addressing the Social Dimensions of Private Sector Projects

*A company may need to adopt a more formal and procedural approach to managing its social issues.*

## ● Social Services and Infrastructure

Social services and infrastructure are normally the responsibility of government. However, in remote areas where there are needs for roads, electricity, water supply and sanitation, a company may coordinate its own infrastructure needs with those of the communities and local government so as to maximize local benefits from company infrastructure. Infrastructure and service delivery can be a positive contribution but, again, the issue of sustainability is important. Projects may fund the construction of schools, health centers, and other community infrastructure, but it is critical to ensure that the government can supply a teacher or a nurse and that the community is committed and has sufficient resources to pay its share. Investments of this type have the short-term allure of a new physical structure, but they risk falling into disuse where the government or community do not have sufficient resources to sustain them. Advance arrangements, including capacity building and feasibility studies, should be made for transfer of infrastructure and services to local government once the project ends.

Companies may also provide health and education services that benefit employees and the wider community while resulting in risk reduction and cost savings for the business. These include education and prevention programs to ameliorate the impacts of HIV/AIDS, malaria and other communicable diseases (which can have devastating effects on a company's labor force, or public health and sanitation programs). These programs can reduce the spread of disease, cut company medical costs, and reduce sick time for employees and their families. Educational programs focusing on literacy, numeracy and skills development can result in a more productive and efficient workforce and assist the local population to find better employment or income-earning opportunities in the future.

## ● Economically Beneficial Environmental Projects

Another approach to income generation can be made through employment creation in projects that enhance the environment. Environmental projects are often urban and can involve establishing businesses to manage waste or the recycling of waste materials (such as plastics and fibers) into marketable products. In more rural areas, local populations can set up nurseries and start reforestation activities as off-sets for projects in sectors such as oil, gas, and mining and forestry. Innovative approaches should be sought to exploit synergies between human development and improvements to the environment.

## 6 Preparing the Social Component of the Environmental and Social Action Plan

Once mitigation and/or sustainable development measures have been identified, they are brought together in a plan or set of plans called the Environmental and Social Action Plan (ESAP), which constitutes part of the broader Environmental and Social Impact Assessment (ESIA) report. The social component of the ESAP might comprise a combination of general social mitigation plans (to respond to non-safeguard related impacts) and more specific, policy-driven mitigation plans such as Resettlement Action Plans or Cultural Property Management Plans, as well as plans designed to bring sustainable development benefits to the broader community such as a Community Development Plan. In certain instances, the sponsor may choose to specify which actions in the ESAP are being done to fulfill IFC requirements and which are being undertaken by the company on a voluntary basis.

Wherever a plan is being prepared to respond to a specific social safeguard policy issue (such as

Indigenous Peoples, Involuntary Resettlement, or Cultural Property) the planning requirements outlined in that policy should be followed. All social components of the Environmental and Social Action Plan should contain the information provided in Table 2 below.

# 7

## Monitoring

There are two primary objectives in monitoring and managing social impacts. The first is to track whether actual social impacts brought about by the project deviate in any way from those that were predicted during the environmental and social impact assessment process, and if so to recommend a means for corrective action to address these different impacts. The second is to assess the ongoing progress and performance of mitigation and development actions being undertaken by the company to ensure program

objectives are being met and to allow for mid-course adjustments where necessary. In principle, key measurements and indicators used in the social baseline should be continued in the monitoring process, including quantitative and qualitative measures of success and the use of participatory methodologies where appropriate.

For projects that are large or complex and have social impacts that require multiple interventions over a period of time, a company may need to adopt a more formal and procedural approach to managing its social issues. Emerging best practice among private sector companies is to develop a specific social management system. This can, and in most cases should, be integrated into a company's environmental management system (EMS), if one exists, to create a unified Environmental and Social Management System (ESMS).

*Key measurements and indicators used in the social baseline should be continued in the monitoring process.*

TABLE 2

## Social Content in Preparing an Environmental and Social Action Plan (ESAP)

- ▶ **Summary of Social Impacts:** Brief description of the predicted social impacts of the project, both positive and negative. These should be cross-referenced to sections of the ESIA report that provide further detail.
- ▶ **Summary of Social Mitigation and Development Measures:** Brief description of each mitigation and/or development measure being proposed and the impact to which it relates. Each specified measure should be accompanied by a description of how and by whom it will be carried out.
- ▶ **Monitoring and Reporting:** The monitoring program for social impacts should be elaborated, including what targets and indicators will be used as well as timetable and methods. Monitoring is the primary means for tracking and evaluating progress towards the attainment of stated outcomes and objectives. In addition, procedures should be specified for periodic reporting of progress and monitoring results to company management, IFC and affected stakeholders.
- ▶ **Implementation Timetable:** The implementation schedule should be elaborated here, with dates and duration of key actions linked to overall project implementation timeline.
- ▶ **Budget:** All mitigation and development measures specified in the social management plan should include a cost estimate of the initial implementation as well as any recurrent expenses. The costs should be factored into the total project cost.
- ▶ **Organizational Arrangements:** Implementation and monitoring responsibility for social mitigation and development actions should be specified as well any requirements for coordination or joint action among various parties. This includes clear lines of organizational responsibility and accountability for social actions, such as the identification of a Social Manager. Clear mechanisms should also be established for communicating Environmental and Social Action Plan commitments throughout the company. Operational and documentation controls should be put in place to ensure that programs and procedures are implemented and documented.

# Addressing the Social Dimensions of Private Sector Projects

**TABLE 3**

## Issues and Primary Methodologies for Socioeconomic Baseline Investigations

Area of Investigation	Comments/Questions
<b>Secondary Data</b>	
<ul style="list-style-type: none"> <li>▶ Demographic profile</li> <li>▶ Size, location, history and distribution of the population</li> <li>▶ Household composition and demographic characteristics</li> <li>▶ Socioeconomic status</li> <li>▶ Sociocultural characteristics</li> </ul>	<ul style="list-style-type: none"> <li>▶ Describe the characteristics of each community/settlement located within the project area including: name and location of community, size, spatial distribution, land ownership patterns, ethnic composition, education levels, socioeconomic status, age and sex distribution, social and political organization, local and traditional decision-making structures, culture, religion, language, identification of key local representatives.</li> <li>▶ Include maps of the project area that clearly delineate the location of each of the communities.</li> <li>▶ Consider both household and community levels.</li> </ul>
<b>Qualitative Methods and Participatory Techniques</b>	
<ul style="list-style-type: none"> <li>▶ Quality of life of the population</li> <li>▶ Salient characteristics of social differentiation within communities</li> </ul>	<ul style="list-style-type: none"> <li>▶ Household and community levels.</li> <li>▶ Indigenous peoples, vulnerable groups, minority ethnic groups, classes, castes, religious groups and the role of women.</li> </ul>
<ul style="list-style-type: none"> <li>▶ Key social institutions and customary systems for decision-making</li> </ul>	<ul style="list-style-type: none"> <li>▶ Including customary systems for resource allocation.</li> </ul>
<ul style="list-style-type: none"> <li>▶ Characteristics of social organization and internal community relations</li> </ul>	<ul style="list-style-type: none"> <li>▶ Social mapping, kinship/lineage systems, village layout.</li> </ul>
<ul style="list-style-type: none"> <li>▶ Local institutions and decision-making</li> </ul>	<ul style="list-style-type: none"> <li>▶ Including local government, non-governmental or civil society organizations and conflict resolution mechanisms.</li> </ul>
<ul style="list-style-type: none"> <li>▶ Natural resource management and land use</li> <li>▶ Mapping and use of common resources</li> </ul>	<ul style="list-style-type: none"> <li>▶ Describe the pattern of land use within the project area, clearly identifying agricultural land, forest, hunting and fishing areas, grazing land, residential and uninhabited areas, including limitations and relative importance of these resources.</li> <li>▶ Provide details of the land registration system in the area. Who are the owners, occupiers and/or users of this land? Is land ownership communal or based on individual title? What percentage of the population occupies or uses land to which they do not have formal, legal title?</li> <li>▶ What formal or informal mechanisms exist for the distribution of land within the project area?</li> <li>▶ Special attention should be paid to land areas where title or ownership is unclear or disputed between parties.</li> <li>▶ To what degree are households dependent on access to communal land or activities related to natural resources such as hunting, fishing, grazing, gathering of forest products, etc.?</li> <li>▶ Provide maps that indicate government-owned lands, private land, communal land and land of unknown ownership.</li> </ul>
<ul style="list-style-type: none"> <li>▶ Relevant cultural properties and archeological sites</li> </ul>	<ul style="list-style-type: none"> <li>▶ Describe any sites having archeological (prehistoric), paleontological, historical, religious, and unique natural values. Cultural property encompasses both remains left by previous human inhabitants (for example, shrines, and battlegrounds) and unique natural environmental features (such as canyons and waterfalls).</li> </ul>
<ul style="list-style-type: none"> <li>▶ Livelihood systems and survival strategies</li> <li>▶ Household organization</li> <li>▶ Information on social mobility and the social division of labor</li> </ul>	<ul style="list-style-type: none"> <li>▶ Describe the production systems of communities in the project area.</li> <li>▶ How do people (both men and women) make a living? What are their various sources of income and employment during the year? What types of crops are grown and animals raised? What types of access to markets exist for these products?</li> <li>▶ What is the contribution of women, children and migrants to household income and survival?</li> </ul>

- ▶ Perceptions of past, present, and future limitations or opportunities for development
  - ▶ Perceptions of opportunities for sustainable development with respect to the project
  - ▶ Perceived project impacts and ways to mitigate them
- ▶ What are the average wage levels in the area for these activities and the average income levels of these households?

**Quantitative Methods**

- ▶ Demographic characteristics
  - ▶ Age and sex distribution.
- ▶ Livelihoods and occupations
  - ▶ Including migrant family members and remittances, by age and gender.
- ▶ Levels of education and skills
  - ▶ By age and gender.
- ▶ Sources and amounts of household income
  - ▶ By household member and by household type, including contributions by women, men, children and migrants.
- ▶ Land use potential
  - ▶ Quality and productivity of land and soils and other resources in both good and drought years, cropping and grazing potential and carrying capacity.
- ▶ Household structures, land, and other assets
  - ▶ Including crops, livestock, agricultural equipment, small enterprise equipment, etc.
- ▶ Soil, vegetation and land capability surveys
  - ▶ Consider cropping and grazing potential and livestock carrying capacity.
  - ▶ Consider quality of land and soils both in good years and during droughts.
  - ▶ Assess the existing social services and infrastructure available to communities within the project area including access to: health care, education, water supply and sanitation, waste treatment and disposal, housing, electricity, markets, transport and roads, communication, and local banking and credit facilities.
- ▶ Access to health, education, and other services
- ▶ Health indicators
- ▶ General trends
  - ▶ What are the major changes going on in the population without the project?



Debra Sequiera/IFC



Richard English/IFC

# Addressing the Social Dimensions of Private Sector Projects

**TABLE 4**

## Sample Socioeconomic Survey

### 1. Household Composition

Ref no	Names of family members living in the household	Sex (M/F)	Age	Marital status	Highest Educational Standard Obtained	Occupation	If formally employed, where do you work?	Other skills/trades	No. of years living in the area	Migrancy present (P)/absent (A)	If (A) away: Where are they?	Why are they there?
1												
2												
3												
4												

### 2. Household Income

	Estimated Amount (per month/annum)
Employment	
Agriculture	
Trade/household enterprises	
Migrant remittances	
Pensions	
Social welfare grants & allowances	
Insurance payments	
Rent of housing and property	
Investments/returns	
Other income sources (specify)	

### 3. Household Expenditure

	Estimated Amount (per month/annum)
Food	
Clothing	
Fuel	
Education	
Health	
Others	

### 4. Household Structures and Assets

	No.		No.
Home (type: brick and corrugated iron, grass hut, etc.)		Motorbike	
Storage shed		Bicycle	
Latrine		Tractor	
Granaries		Plough	
No. of chicken/livestock pens		Cart	
Car		Stove	

### 5. Household Agricultural Production

#### a. Crops

A	B		C		D		E			Returns last year		Returns compared to previous years		Estimate of income received if crop sold
	Grown yearly		Grown last year		Crop rotation		Crop yield Good/Mediocre/Poor			Sold	Bartered	Better	Worse	
	Y	N	Y	N	Y	N	G	M	P	Y	N			
Millet														
Cotton														
Cassava														
Rice														
Beans														
Pumpkin/squash														
Other/specify														

#### b. Livestock

Livestock		No.	No. consumed in last year	No. bought in last year	No. sold in last year	Estimate of income received
Cattle	Bulls Cows Calves					
Goats/sheep						
Donkeys						
Horses						
Chickens						
Guinea fowl						
Pigeons						
Other (specify)						

### 6. Household Resource Use

Wood	Paraffin
Fuel	Electricity
Building timber	Solar power
Water	Generator
Stream	Charcoal
Dam	Medicinal plants and crafts
Borehole/well	Others, specify
Reticulated water supply	

# Addressing the Social Dimensions of Private Sector Projects

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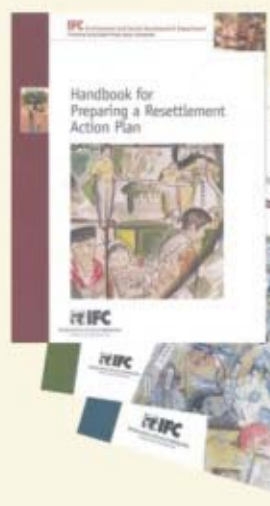
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## Useful References

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