

# Performance Standard Review and Update Process

## Consultation with Directly Affected Communities

October 26, 2009

*Draft for Comment*

*(Please send comments through [www.ifc.org/policyreview](http://www.ifc.org/policyreview))*

As part of the Performance Standard (PS) review and update process, IFC will consult with communities that have been directly affected by IFC financed projects which applied the Performance Standards. IFC will collect this information through two paths including our regular supervision program in which IFC environmental and social specialists routinely visit projects and interact with the communities and also through a specific face-to-face consultation process as part of the PS review and update. In addition, IFC will be informed of additional community feedback through the CAO consultation with five directly affected communities.

For the specific face-to-face consultation program, a sample of projects will be selected to: give IFC feedback on the eight Performance Standards, provide feedback from a variety of regions, and which represent a variety of industrial sectors. IFC will engage with local civil society organizations (CSOs) and local non-governmental organizations (NGOs) to help design the consultation process with each community, to assist with organization and logistics and to possibly facilitate the sessions. The consultations will be spread throughout the first 10 months of the PS review and update process.

### **Selection Methodology**

The selection criteria are outlined and explained in detail below. The final project selection will consist of up to ten IFC projects where the local communities will be consulted on how effective the private companies that receive financing from IFC have been in identifying and mitigating project related impacts and on consulting with the community as required by IFC's Performance Standards and also where improvements could be made to the PSs.

The selection method for the final project selection was based on the following overall criteria:

- A<sup>1</sup> & B<sup>2</sup> category projects
- Project in which IFC has invested
- Projects that have triggered different Performance Standards<sup>1</sup>
- Projects that represent various industries
- Projects that cover various regions
- Project that have affected communities

---

<sup>1</sup> Projects with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented

<sup>2</sup> Projects with potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures<sup>3</sup> Projects with minimal or no adverse social or environmental impacts, including certain financial intermediary (FI) projects with minimal or no adverse risks

- i) IFC uses a system of social and environmental categorization to: i) reflect the magnitude of impacts understood as a result of the client's Social and Environmental Assessment and ii) specify IFC's institutional requirements to disclose to the public project specific information prior to presenting projects to its Board of Directors. Based on IFC project categorization, only category A and B projects may have directly affected communities. Therefore, all C<sup>3</sup> and FI<sup>4</sup> projects were eliminated from the project selection process. In the period between April 2006 and May 2009, a total of 557 projects were approved by the Board of which 287 were A and B category projects.
- ii) Not all projects approved by the Board have actually led to a commitment for investment by IFC. There are several commercial and technical issues that may significantly delay or eventually cancel investment commitment from IFC. Of the 287 A and B projects approved by the Board from April 2006 to May 2009, 204 were committed for investment (14 A category projects and 190 B category projects).
- iii) All A and B category projects can trigger different Performance Standards from 1 to 8. However, all projects trigger Performance Standard 1 and in most cases Performance Standards 2 and 3<sup>5</sup>. To ensure that the final project selection includes a variety of Performance Standards and focuses on the high impact project only projects triggering additional Performance Standard to 1, 2 and 3 were selected. This led to a reduction of the selected projects to 136 projects.
- iv) From 136 projects of A and B category the project selection was further narrowed down to 41 projects by selecting projects with potential negative effect on communities.
- v) The selected 41 projects went through a screening process to verify if the investment was disbursed. 5 projects were not disbursed. Based on this analysis the potential project list was reduced to 36 projects.
- vi) The CAO is carrying out a local stakeholder perceptions study of five IFC projects as part of their contribution to IFC's 3 year review. The remaining 31 projects that have been selected as potential projects for the PS review are distributed in the following industries: Agribusiness 9, Infrastructure 3, Oil, Gas and Mining 6, General Manufacturing and Services 12 and Health/Education 1 project. These projects are located in all regions where IFC has invested. The 31 projects have triggered a range of Performance Standards from 1 to 8.
- vii) From the 31 projects we will select a total of up to 10 projects for each of the following industries: Agribusiness; Infrastructure; Oil, Gas and Mining; and General Manufacturing and Services. The final selection will also reflect an appropriate regional distribution.

---

<sup>3</sup> Projects with minimal or no adverse social or environmental impacts, including certain financial intermediary (FI) projects with minimal or no adverse risks

<sup>4</sup> All FI projects excluding those that are Category C projects

<sup>5</sup> See table 1: 100% of the projects trigger PS1, while 99% trigger PS 2 and 95% PS 3

**Table 1: Three years of experience in implementing the Performance Standards show that the following PSs are triggered in the IFC project portfolio (April 2006-May 2009)**

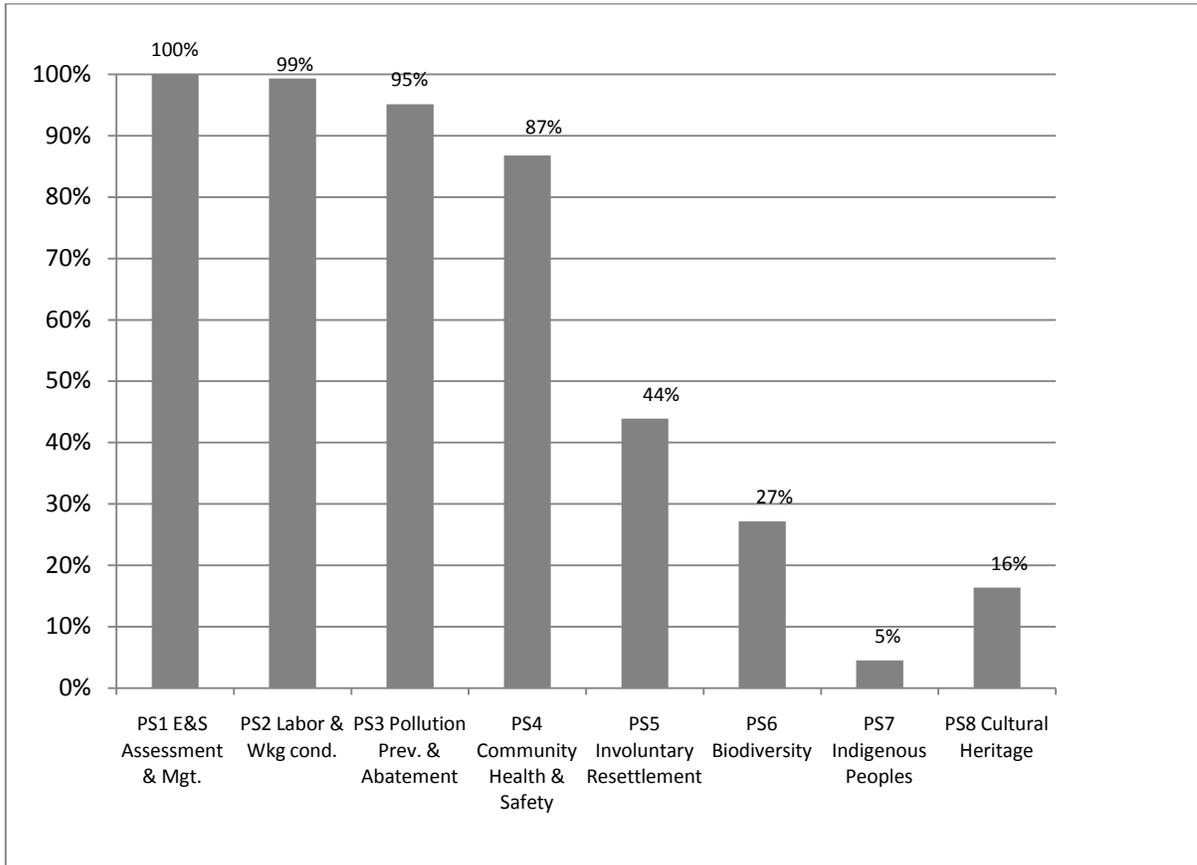


Chart 1. Step by Step project selection process

