

IFC Performance Standards: Lessons Learned

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The [IFC Performance Standards on Social & Environmental Sustainability](#) have emerged as the de facto benchmark for developing and financing responsible extractive projects in emerging markets. The Canadian government's March 2009 CSR Strategy for the Canadian International Extractive Sector, [Building the Canadian Advantage](#), also includes the IFC Performance Standards. In this article, I review the genesis, significance and key challenges as seen also from discussions with participants of over 20 workshops and training courses delivered in Canada, China, Peru, UK and Venezuela since 2006.

Genesis

Responding to continued criticism by NGOs, the World Bank Group (WBG) launched its [Extractive Industry Review](#) in 2001. One outcome of this review was a major overhaul of the procedures and standards of the [International Finance Corporation](#) (IFC), a member of the WBG focused on private sector developments. IFC's Performance Standards were published in 2006.

Significance

The IFC Performance Standards replaced the [World Bank's Safeguard Policies](#) for private sector operations. Also, the [Equator Principles](#) emerged as a derivative of the IFC Performance Standards. To date, the Equator Principles have been adopted by over 60 financial institutions involved in project finance. This includes key Export Credit Agencies, such as [Export Development Canada](#) (EDC), which reported a business volume in the extractive sector exceeding CAN\$27 billion in 2008 (IFC: US\$1.34 billion).

The IFC Performance Standards (PS) are organized in eight chapters (46 pages). Their self-explanatory headings are listed below:

- PS 1: Social and Environmental Assessment and Management Systems
- PS 2: Labor and Working Conditions



Biodiversity Conservation and Sustainable Natural Resource Management are two key chapters of the IFC Performance Standards.

PS 3: Pollution Prevention and Abatement

PS 4: Community Health, Safety and Security

PS 5: Land Acquisition and Involuntary Resettlement

PS 6: Biodiversity Conservation and Sustainable Natural Resource Management

PS 7: Indigenous Peoples

PS 8: Cultural Heritage

Extractive projects often trigger most if not all of the above listed Performance Standards, requiring comprehensive environmental and social impact assessment (ESIA) studies. The IFC Performance Standards are complemented by additional tools. These include detailed [Guidance Notes on the IFC Performance Standards](#) (178 pages, updated in July 2007), generic and sector specific [Environmental, Health & Safety \(EHS\) Guidelines](#) and a series of valuable [Good Practice Documents](#).

The IFC Performance Standards require a very participative approach in terms of stakeholder engagement. This approach should ensure Free (of intimidation and coercion), Prior (timely and relevant disclosure) and Informed Consultation (understandable and accessible) – together commonly referred to as FPIC - with project affected communities. Project developers are further expected to secure Broad Community Support (BCS). This can be present and demonstrated even if some individuals or groups object to a project. IFC's guidelines provide a series of tests to help determine and demonstrate whether or not a project has met FPIC and secured BCS.

Project developers are expected to evaluate and mitigate the risks to health and safety of affected communities during the design, construction, operation and decommissioning of a project. Safeguarding of personnel and property should be carried out in a legitimate manner that minimizes risks to the community's safety and security,