



INTERNATIONAL FINANCE CORPORATION  
WORLD BANK GROUP



# Addressing the Social Dimensions of Private Sector Development

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# Facts about IFC



- Private sector arm of the World Bank Group
- Owned by 176 member countries
- Emerging markets focus
- Provide loans & equity, advisory services and mobilization of capital and
- FY03 commitments: \$5.03 billion
- Total IFC portfolio: \$16.78 billion

# IFC's Mission

*We promote sustainable private sector investment in developing countries, helping to reduce poverty and improve people's lives.*



# Environmental & Social Leadership



- ▶ Promotes commercial success of investments through sustainable E&S practices.
- ▶ Catalyzes investments in projects with environmental benefits
- ▶ Disseminates E&S best practice



# Environment & Social Development at the Project Level

- Reduce & mitigate negative impacts while enhancing positive outcomes
- Early attention to E&S issues
- Identify & manage risks
- Promote sustainable development benefits--



# WB/IFC Safeguard Policies

- Environmental Assessment
- Forestry
- Natural Habitats
- Involuntary Resettlement
- Indigenous Peoples
- Cultural Property
- Harmful Child Labor & Forced Labor
- Pest Management
- Safety of Dams
- International Waterways



# IFC's Approach to SIA



- Integration of Environment & Social: ESIA
- Focus on Private Sector & Project Level
- Developing country focus
- Used in conjunction with WBG safeguard policies
- Move beyond mitigation to include sustainable development opportunities



# SIA as a Risk Management Tool for the Private Sector



- Informs decision-making early on
- Improves project design (time & \$)
- Identifies risks and mitigation measures
- Identifies opportunities
- Basis for monitoring performance
- Protects the company





# Adapting SIA for the Private Sector



- Define Area of Influence
- (Indirect Impacts, Associated Facilities, Supply Chain Issues, Cumulative Impacts)
- Target Baseline Studies to Affected Population
- Emphasis on Alternatives Analysis
- Avoid and minimize, then mitigate
- Build company capacity to manage social risks

# Adapting SLA in a Developing Country Context



- Weak legislative and regulatory systems
- Low government capacity
- Lack of data / poor record-keeping
- Low literacy rates
- High rates of vulnerability among population
- Lack of locally available social science skills
- In-country travel & communications difficult
- High local expectations for project benefits

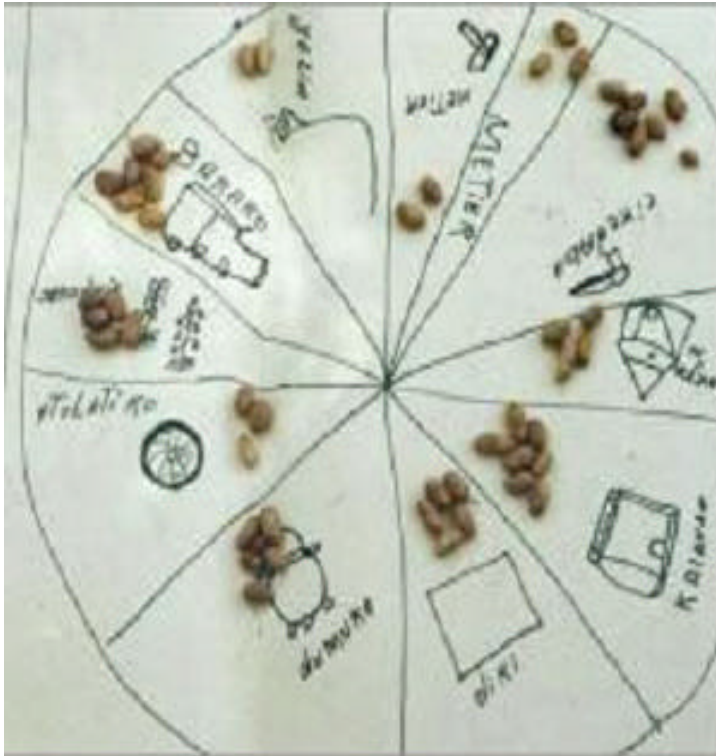
# Challenges: Data Collection



- Unreliable census records
- Government data out of date
- People don't keep records of income, expenditures, etc.
- Much more primary data collection required
- (household surveys, focus groups, key informants)
- Difficulty finding local expertise
- (Partner with local universities, NGOs, SIA specialists with regional expertise)



# Challenges: Consultation



- Low literacy / education levels may require different types of consultative techniques (i.e. participatory methods)
- Translation of project information into local languages and non-technical format



# Challenges: Consultation



- Special attention on vulnerable or marginalized groups (women, elderly, ethnic minorities, etc.)
- Good consultation takes time, plan accordingly!

# Challenges: Operational Issues



- Development projects often cause influx of population (aerial photos, cut off dates, census & inventory become important)
- Projects can cause profound social changes (monetized economy, inflation, HIV, crime rates, conflict over natural resources, cultural shifts)
- Expectations for role of private company need to be managed (coordination with local gov't)



# SIA as a Tool for Sustainable Development



- IFC's unique contribution: use SIA to seek out positive development interventions
- Promotes local license to operate
- Builds relationships with communities
- Assessment process, baseline data and consultation can be used to design SD interventions with little extra cost to company

# Critical Sustainability Issues



- Balanced integration of social, environmental and economic concerns of civil society, government and private sector;
- Social dimensions present the greatest challenge
- No single party has all the resources or capacity to achieve sustainable development
- Building capacity and partnerships among various parties is key to achieving sustainability



# Key Actors



- Government (national, regional, local)
- Private Sector Companies
- Local communities
- Non-Government Organizations (NGOs)
- International Finance Institutions

# Key Actions for Sustainability



- Commence planning for SD in initial conceptual and design phase of project
- Continue planning throughout life of project
- Ensure adequate consultation & involvement
- Avoid and limit factors that create dependencies of local authorities and communities on the project or company resources
- Build local capacity esp. of local communities and government to take ownership

# Avoid Dependency.....



# Sustainable Development Opportunities



- Construction phase opportunities
- Supply chain analysis (SME development)
- Social infrastructure and services
- Provision of Capital and Technical Assistance
- Human Capital Development
- Environmental Projects





# IFC Good Practice Publications



- GP Note: Social Impact Assessment
- GP Handbook: Resettlement
- GP Handbook: Community Development
- GP Handbook: Public Consultation
- GP Note: Child Labor in the Workplace and Supply Chain
- GP Note: HIV/AIDs in the Workplace

