

February 28, 2011
IFC Policy Review
International Finance Corporation
2121 Pennsylvania Avenue NW, MSN F 3P-301
Washington DC 20433, USA

Dear IFC Policy Review Board,

This letter presents our comments on IFC's version 2 draft text changes to its Policies and Performance Standards. International Rivers has been researching and documenting the social and environmental impacts of dams for 25 years, working closely with other civil society organizations and local communities affected by these projects. We have also monitored the development and implementation of environmental and social standards of multilateral development banks and export credit agencies, advocating for strong policy protections for affected people and the environment.

The IFC has made notable changes between its first and second draft Sustainability Framework. However, from the perspective of standards for hydropower development, a number of shortcomings remain in the draft language that should be addressed.

Our comments apply to the Access to Information Policy, Performance Standards 1, 3, 4, 5, 6, 7, and 8, and related language in each section's footnotes. A number of cross-cutting concerns exist across each policy, including:

- The need to guarantee the undertaking of comprehensive and integral options and needs assessments that include the assessment of social and environmental impacts, before project licensing or implementation;
- The need to include environmental flows in definitions of ecosystem services and in project assessments, and the need to guarantee their preservation within mitigation hierarchies;
- The need to explicitly define the terms “Indigenous Peoples” and “Free, Prior, and Informed Consent (FPIC)” in accordance with the definitions of the UN Declaration of Indigenous Peoples' Rights, and the need to incorporate across the entire set of policies the right of Indigenous Peoples to FPIC, over and above consultation.

More specifically, we recommend the IFC incorporate the following changes to the draft text:

Access to Information Policy

- Disclosure of information to affected stakeholder should include internal documents used for the assessment of project risk;
- Section II.C.11.i.iv (*Exceptions to the General Principles*) contradicts the goal of Section II.F.28.j on making investment-related information available to the public;

Performance Standard 1- Assessment and Management of Social and Environmental Risks and Impacts

- A full, integral assessment of social and environmental risks should always be undertaken, including assessment of both direct and indirect impacts.

- The full results of integral risk assessments should be communicated to Affected Communities during consultation processes, and should inform dialogues towards obtaining Free, Prior, and Informed Consent, rather than only reflecting consultation outcomes.

Performance Standard 3- Resource Efficiency and Pollution Prevention

- Information regarding ecological resource viability should be freely available and communicated to Affected Communities and stakeholders;
- Reservoir creation should be considered a form of water consumption, and should assure the management of environmental flows;

Performance Standard 4- Community Health, Safety, and Security

- Infrastructure and equipment design and safety should include a review of design flaws in structural elements that produce risk for Affected Communities, and should include proper design to maintain environmental flows, previous to project licensing, construction, and implementation;
- Modifications to ecosystem services should include *a priori* any modifications to environmental flows of a watershed and/or river basin;

Performance Standard 5- Land Acquisition and Involuntary Resettlement

- Drivers of involuntary resettlement should include river diversion and other modifications of water resources;
- Communities to be resettled should directly participate in the creation of resettlement plans and the mitigation of project impacts;
- Negotiated settlements should always guarantee consent, participation, transparency of information, and livelihood improvement through long-term financial support, job training, access to employment, education, and services;
- Affected Communities who practice informal and/or communal land tenure arrangements, e.g. in areas of riparian flood zones and seasonally-flooded river basins, should be guaranteed access to participate in benefit-sharing and compensation;
- Displaced communities should always be provided the opportunity to share in development benefits;

Performance Standard 6- Biodiversity Conservation and Sustainable Management of Living Natural Resources

- Ecosystem services should be defined to include environmental flows, and assessments of risks and impacts to ecosystem services should include any alterations to seasonal hydrological flow;
- The maintenance of environmental flows should be given high priority within the mitigation hierarchy;
- A methodology should be defined, and appropriate biodiversity valuation should occur, before offset targets are identified;
- Protected area sponsors and managers, Affected Communities, Indigenous Peoples, and other stakeholders should be guaranteed not only consultation, but consent, when considering offset targets;

Performance Standard 7- Indigenous Peoples

- The terms “Free, Prior, and Informed Consent (FPIC)” and “Indigenous Peoples” should be fully defined in line with their definitions in the UN Declaration of Indigenous Peoples' Rights, before the remainder of the policy text continues;
- “Collective attachment” should reflect attachment not only to geographically distinct habitats, ancestral territories, and natural resources, but should also reflect attachment to species found in the project area, for reasons of use-value, or social-cultural value;
- “Indigenous Peoples” should be defined to include peoples who have lost linguistic traits through assimilation and colonialism, that would otherwise define them as indigenous;
- All proposed project actions of a client, including actions which cause indirect impacts on indigenous peoples' territories, must be developed with the Free, Prior, and Informed Consent of the Affected Indigenous Peoples;
- Projects should foster the long-term continuity of indigenous territories and the sustainability of the natural resources and species on which they depend;

Performance Standard 8- Cultural Heritage

- The PS should agree with PS7 on the matter of sacred resources, and unique environmental features should include species, to reflect their social-cultural and use-values for Indigenous Peoples;

The most legitimate global benchmark for dam building is the World Commission on Dams (WCD) framework. As such, in general, we recommend that the IFC only support dams that are demonstrated to comply with the WCD recommendations, and that the principles of such recommendations be incorporated into the IFC Sustainability Framework Review, as outlined above.

Thank you again for the opportunity to comment; we look forward to the outcome of the review. I am available to clarify any questions that you may have.

Sincerely,



Zachary Hurwitz
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International Rivers