

**The IFC's "Social Impact Assessment" Process:  
Adequate to Respect Human Rights?  
August 5, 2010**

The International Finance Corporation (IFC) – the private sector financing arm of the World Bank Group – is in the process of updating its environmental and social policies, including its influential Performance Standards. International financial institutions and companies worldwide base their environmental and social policies on the Performance Standards; the IFC is the global standard-setter.

The IFC has struggled in recent years to ensure that the Performance Standards adequately guide companies to fulfill their responsibilities to the communities affected by its projects. In the five years since the original drafting of the Performance Standards, consensus has grown around companies' "responsibility to respect human rights," as set forth in the 2008 UN Framework on Business and Human Rights. The current IFC policy review is partly focused on establishing whether the current Performance Standards are sufficient to guarantee that companies respect human rights.

This cannot be established without first determining whether the Performance Standards require companies to *assess* their impacts on human rights. A rights-focused investigation of the remaining Performance Standards must begin there, because a company cannot know it respects rights unless it first understands how it impacts them.

During the review process, IFC officials have frequently indicated that they consider a Social Impact Assessment (SIA), as mandated in Performance Standard 1, adequate to manage human rights risks. Does an SIA require a company to assess its impacts on human rights?

**Limitations of social impact assessments**

Time after time, when SIAs have failed to foresee human rights violations caused by IFC-funded projects, the blame has been laid on poorly done SIAs. Certainly this is sometimes true, but it does not address the underlying issue: there is no established methodology for SIA. In the 20 years since social impacts were incorporated into environmental impact assessments, the social component has remained procedurally vague. The most practical guide in use is a 2003 document out of the United States, titled "Principles and Guidelines for Social Impact Assessment in the USA." These guidelines lay out the topics of study as: "social, cultural, demographic, economic, social-psychological, and sometimes political." Construed narrowly, an assessment of a project's impacts on these topics provides almost no information about human rights.

Construed broadly, these guidelines become the basis for a Social Impact Assessment sprawling thousands of pages, becoming too impractical to remain useful. The topics are so vast that a full assessment would be a perpetual task, not a means to develop a concise framework for responsible project implementation. In practice, even the best SIAs cover so many impacts (and sub impacts, and secondary and tertiary impacts) that assessors cannot follow all possible outcomes to their logical ends. Inevitably, some ends are reached prematurely, and some human rights impacts are missed entirely.

Social Impact Assessors, seeking to address this challenge, ask community leaders to set the priorities for study. This practice overlooks that local leaders might not speak for everyone in their communities or foresee lasting impacts comprehensively. Authority

perspectives are vital, but not sufficient, in human rights impact assessment; the voices of the powerless must be given equal weight. In short, SIA cannot, in its current design, assess a project's impact on human rights.

### **Added value of human rights impact assessments**

A human rights impact assessment (HRIA) fills gaps that are not addressed by an SIA. The baseline established by HRIAs depicts the pre-project status of each human right enumerated in the International Bill of Rights. Then it comprehensively investigates the ways rights will be increasingly or decreasingly protected and respected during (and after) project development. This has a threefold implication for the study of a project's impacts:

- 1. HRIA focuses the study on issues that are established (by internationally-negotiated human rights treaties) to be relevant to humanity.**
- 2. HRIA enables a project to see its greater, broader, overlapping repercussions on rights (in contrast to the linear connections that SIA makes).**
- 3. HRIA looks at each individual person, which SIA cannot do. This goes beyond finding vulnerable populations; it is an automatic mechanism to show where rights would be missing in the lives of each rightsholder.**

**Point one** is not to downplay the importance of SIA categories (social, cultural, demographic, etc). On the contrary, SIAs provide extremely valuable objective social data, which is often used in HRIA. The better the SIA, the less sociological work must be outsourced by human rights impact assessors (who are often not social scientists but rights experts). But even a well-designed SIA, by not looking for human rights impacts, will struggle to reveal them. A HRIA necessarily requires a level of analysis over and above the information developed by a social impact assessment—an analysis of the human rights themselves.

**EXAMPLE:** A pineapple plantation in Central America purchased hundreds of hectares of local farm and ranch land at market value. The landowners moved away after selling land. This decline in population reduced road use and stress on health facilities – palpable positive impacts. It also decreased student populations. Schools lost over sixty percent of their students, and since school funding is on a per-student basis, the large school buildings could no longer afford maintenance, let alone the salaries for teachers previously employed. Roofs now leak and a single teacher instructs six grades of students. The level of education has declined sharply. SIA could potentially make a link between shrinking populations and diminished education standards, but it is not designed to and would not be expected to; that would require several steps of analysis and a keenly perceptive assessor. An HRIA, looking at the Right to Education, pinpoints the concern directly. The human rights assessor also recognizes the causes for community (parent and teacher) hostility and can provide guidance to the company for mitigation.

**Point two** takes issue with the linear connections SIA makes between project development and social impacts. The shortcomings of this perspective are well demonstrated in central and eastern Africa, where HIV is often an issue for planned projects.

**EXAMPLE:** A proposed uranium mine in Africa commissioned an environmental and social impact assessment, which identified HIV rates as likely to increase during project

development and operation. HIV was included as a health category (subset of demographic), and community clinic improvements were recommended. The HRIA found the long-term impacts of a potential epidemic in the area to include harm to the Rights to Health, Education, Standard of Living, Political Participation, Nondiscrimination, Food, and Life. Human rights impact assessors notified the project of the need for a much more integrated, multidisciplinary response. Protecting rightsholders from an HIV epidemic is a far more involved process than improving health facilities – a reality the WHO has acknowledged for years (and stressed at this year’s annual HIV conference, which focused on human rights). For SIA to see all these links would require several levels of investigation; the rights perspective takes a single step from the right to an epidemic’s human rights impacts. This efficiency prevents social/human impacts from slipping through the cracks.

**Point three** demonstrates how HRIA provides safeguards against the risk of assessing impacts on a society while missing impacts on individuals. SIAs look for “vulnerable populations” but do not automatically see the myriad roots and outcomes of vulnerability. Since SIA categories are broad, harm to individuals can be overlooked if an overall impact is positive for the greater community.

EXAMPLE: In one IFC-funded project, a tree farm in Africa received a loan to develop a power plant. The social impacts assessed included the positive impact of better air quality and increased electrical supply, but it didn’t account for the power plant’s demand for scrap wood. Because the poorest locals use scrap to build housing, enclosures for animals, and cooking fires, the rights to housing, livelihood and food were profoundly negatively impacted. Because HRIA views a project – from its engineering and design to its social programs and corporate policies – from a human rights perspective, the right to access firewood, build houses and subsist are never overlooked. SIA *could* identify these impacts, but an SIA is not designed to, and in practice, virtually never discerns the links from power plant to pigsty construction.

### Contact information

Kendyl Salcito  
Director, Nomogaia  
Denver, Colorado  
+1.303.514.1522  
salcito@nomogaia.org  
<http://www.nomogaia.org>

Kirk Herbertson  
Associate, World Resources Institute  
Washington, DC  
+1.202.729.7902  
[kherbertson@wri.org](mailto:kherbertson@wri.org)  
<http://www.wri.org>