

**Amnesty International
Public Statement**

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The Revised Sustainability Framework of the International Finance Corporation: a missed opportunity to better protect the rights of those affected by business related human rights abuses

Despite the International Finance Corporation's (IFC's) stated commitment to fighting poverty and improving people's lives, the 18-month long review of its Sustainability Framework failed to demonstrate a clear commitment to respecting human rights. The IFC's revised Sustainability Framework – which includes eight Performance Standards aimed at addressing the social and environmental risks associated with the commercial activities that it supports – were adopted by the IFC Board of Executive Directors on 12 May 2011. The revised framework will become effective on 1 January 2012.

Amnesty International welcomed the opportunity to engage in, and contribute to, the IFC's consultation process. The IFC's review process involved a wide variety of stakeholders, including a range of organisations working for the protection and promotion of human rights. Throughout the consultation, Amnesty International and other organisations called on the IFC to include adequate safeguards to ensure that the human rights of individuals and communities affected by the IFC's activities are respected and protected. Despite some steps forward, the IFC missed an opportunity to adopt the necessary standards to effectively protect human rights.

Amnesty International made a sustained contribution to the 18-month review process. The need for the IFC to reflect emerging standards on the responsibilities of business actors to respect human rights was emphasised – including by carrying out human rights due diligence - and for the Performance Standards to be consistent with international human rights standards in key areas where the IFC's activities are known to have potentially negative impacts on affected individuals and communities. These include: displacement and resettlement, pollution and environmental damage, specific impacts on women and girls, and on the rights of Indigenous Peoples.

At a minimum, Amnesty International called on the IFC to:

- Include a clearly stated commitment that it will not support activities that are likely to cause, or contribute to, human rights abuses;
- Ensure that its Sustainability Framework is consistent with international standards and norms relating to the corporate responsibility to respect human rights, including a requirement that its clients undertake human rights due diligence; and
- Ensure that the Performance Standards reflect, and are fully consistent with, international human rights standards.

The IFC's recognition of the standard of Free Prior and Informed Consent is a step forward, and is indicative of a growing recognition that international financial institutions cannot ignore internationally agreed human rights standards. However, even this revised standard applies to only a narrow set of circumstances and not to all those cases identified by the *UN Declaration on the Rights of Indigenous Peoples* (e.g. cases where a project adjacent to Indigenous Peoples affects their lands, or where waste or hazardous materials are stored on Indigenous Peoples' lands).

Despite repeated calls by Amnesty International and others, the IFC has failed to acknowledge its own responsibility to ensure that the activities it supports do not lead to, or contribute to, human rights abuses. By failing to include an explicit commitment that it will not support any such activities, the IFC leaves affected individuals and communities exposed to such a risk. The removal of a statement which had been included in a previous draft – stating that certain risks, such as the risk of being complicit in gross human rights violations, could require the IFC to refrain from supporting an activity - shows an unwillingness by the IFC to be held accountable for its impacts on the rights of individuals and communities which are often among the poorest and most marginalised. This flies in the face of the IFC's stated commitment to 'do no harm' to people and the environment.

The IFC continues to regard its social and environmental due diligence process as sufficient to enable its clients to address actual and potential negative human rights impacts of their activities. While the IFC acknowledges the responsibility of business actors to respect human rights and states that it will be guided by the *International Bill of Human Rights* and the core ILO Conventions, the IFC's revised Performance Standards fall far short of the human rights due diligence requirements, as set out in the current international normative standards on business and human rights endorsed by the UN Human Rights Council on 16 June 2011. The IFC's revised Performance Standards also fall short of the revised 2011 *OECD Guidelines for Multinational Enterprises* which largely mirror the current UN endorsed business and human rights standards and establish a clear expectation that all enterprises carry out human rights due diligence to ensure they respect human rights.

The IFC's revised Sustainability Framework restricts the need for clients to conduct a human rights due diligence process to 'limited high risk circumstances'; even in these instances, this is purely optional for clients. This is utterly insufficient to guard against negative human rights impacts on individuals and communities.

Furthermore, the IFC's approach is particularly troubling given its role in setting standards for managing social and environmental risks in private sector investments in developing countries and emerging economies. The *Equator Principles*, which are used by private sector banks worldwide, are modelled on the IFC's Performance Standards. The *OECD's Recommendations on Common Approaches on Environment and Officially Supported Export Credit* ("Common Approaches"), which are recommendations for the OECD's Export Credit Agencies on environmental management policies, also use the IFC's Standards as their framework for addressing social and environmental risks. The risk is that these other standard setting processes, which look to the IFC, will fail to benchmark corporate client activities and private projects which they support against international standards on business and human rights.

As a multilateral institution governed by states that are parties to international human rights treaties, the IFC could have played a leadership role in strengthening standards to ensure greater respect for human rights by corporate actors. Instead, the IFC and its member states have refused to adopt sufficient necessary safeguards to prevent negative human rights impacts in the activities they support.

The IFC states that it is committed to address the challenges of ensuring its safeguards are implemented effectively, and to improving its own capacity and procedures in this regard, including by providing training for staff on human rights due diligence. Going forward, the IFC will need to ensure that its monitoring and implementation procedures are sufficiently robust to guard against the IFC supporting projects and programmes that have a negative impact on human rights.

States cannot ignore their international human rights obligations when they act within multilateral institutions such as the IFC and other international financial institutions. It is imperative that multilateral institutions, such as the World Bank Group, adopt binding and effective safeguards against possible human rights violations. The IFC's review process has missed a crucial opportunity to do so. As the World Bank embarks on its own review of its safeguard policies, its governing body must ensure that these are strengthened and expanded in a way that ensures greater protection against possible human rights violations.