

## **Response of UK NGOs to DFID's response to the IFC safeguard policy review**

Hilary Benn  
Secretary of State for International Development  
Department for International Development  
1 Palace Street  
London  
SW1E 5EH

Cc  
Sharon White, Policy Division Director, DFID  
Amanda Rowlett, European, Trade and IFI Division Director, DFID  
Tom Scholar, UK Executive Director to the World Bank and IMF  
Gavin McGillivray, Head, International Financial Institutions Department, DFID  
Chris Hindley, Policy Officer, International Financial Institutions Department, DFID  
Gerard Howe, Senior Social Development Advisor, DFID  
Jon Hobbes, Senior Environmental Advisor, DFID

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Dear Hilary Benn

We are writing to present a summary of our concerns with regard to the process and content of DFID's response to the IFC's safeguard policy review.

We acknowledge and appreciate DFID's efforts at consultation with civil society and other stakeholders and the comment papers that it put out during the course of the safeguard policy review, which contained a number of progressive recommendations. However, overall we feel that DFID's consultation process has been unsystematic and that DFID has failed to adequately address a number of key concerns. We are also disappointed by the institution's lack of coherence with its own policies including on human rights, extractives and climate change.

We urge DFID to be bolder in its response to the IFC and to engage in an approach that is consistent with DFID's own institutional policies and the UK government's broader thinking on human rights and sustainable development. We also ask whether DFID will be following up with the IFC on issues that have clearly not been adequately addressed, in particular with regard to the issues of Broad Community Support over the life of a project, and the release of Action Plans to affected communities. We welcome DFID's commitment to review the IFC's progress report on the implementation and effectiveness of the new policies in late 2007 and the comprehensive review in mid 2009. We hope that civil society will be able to feed into this via a transparent and open process.

With regards to the IFC safeguard policy review in general we feel that it was rushed and deeply flawed in both process and content, as we have expressed in earlier correspondence. This letter represents a summary of our concerns and further detailed analysis will be provided in due course in documents produced by various different organisations.

### **Process issues**

We welcome the fact that DFID made public statements - in May and November 2005, and March 2006 - and held several consultation meetings with stakeholders, including other government departments, NGOs, private banks and private sector

companies in drawing up their position. NGOs are grateful that DFID's latest response, in March 2006, was provided so soon after the release of the performance standards. We welcome the fact that in a number of instances, DFID has highlighted where its comments made in May and November 2005 have not been addressed, particularly in relation to certain points on land and resettlement. However a number of concerns remain in relation to the transparency of DFID's decision making and disclosure of information:

- DFID wrote its first position statement in May 2005, nine months after the process had begun. This document, whilst dated May 2005, was only made available to NGOs in November 2005.
- The DFID commissioned *Current Issues regarding the World Bank Group's Social Safeguard Policies*, dated December 2004 was in fact distributed to NGOs in November 2005. This report, written to inform DFID's policy, is extremely comprehensive in its research, yet little of its content was reflected in DFID's public response.
- There are a number of instances where DFID could have been bolder and much more concise in its use of language when clarifying whether its comments made in the May/November 2005 position statements had been incorporated by the IFC. For example, it should have called on the IFC to make the public release of the draft Action Plan to affected communities an explicit rather than discretionary requirement, given that the Action Plan is the key binding document for the performance standards that will incorporate the enforceable terms for the client.
- In the March 2006 paper, DFID states that: "*The final draft of the policies was released to IFC Board members on 30 January 2006 and was approved by the Board, subject to certain amendments, on 21 February 2006*". We would like to request further detail on what these were.

### **Coherence with DFID policy**

We are disappointed by DFID's lack of coherence with its own policies in its response to the IFC, including its rights based approach to development, response to the Extractive Industries Review (EIR), and coherence with other UK institutions such as the Treasury, DEFRA, and the House of Lords on the issue of climate change.

**Human Rights:** NGOs were extremely disappointed to note that based on its statement of March 2006, DFID no longer insists that the performance standards "*reference and cite language from relevant international standards and conventions*" (May- paragraph 20). DFID is satisfied with the fact that ILO conventions are now referenced in the performance standards, but makes no insistence that universal instruments referring explicitly to human rights, indigenous peoples or the environment be included. We feel that this is inconsistent with DFID's rights-based approach to development, as outlined in *Realising rights for poor people*, DFID, 2000 and other institutional documents.

**Indigenous peoples:** In its report on the *UK and the World Bank 2005*, DFID, 2005 welcomed the Bank's new policy on Indigenous Peoples, and stated that "*the main focus of the policy should be on consistent and effective implementation across and within the Bank's regional units*". However, the IFC's policy on indigenous peoples was never the subject of regional face-to-face consultations with indigenous peoples.

**Extractive Industries Review:** DFID's response to the World Bank management response to the EIR in August 2004 urged the Bank to go further to implement the report's recommendations on a number of counts. Therefore we are surprised by DFID's subsequent failure to integrate its position on the EIR - or even mention oil, gas and mining- into its response to the IFC safeguard policy review given the gaps that exist between the World Bank management response to the EIR and the IFC's new policies. These include the recognition of 'no-go zones' of critical cultural or environmental importance, development indicators on poverty reduction, and transparency issues.

**Climate Change:** Industry monitors estimate that in 2005 the IFC was the world's largest multilateral financier of fossil fuel extraction. DFID shared the EIR's concern about the impact of fossil fuels on climate change and stated that the current World Bank investment portfolio is disproportionately skewed towards fossil fuels. The UK's commitment to tackling climate change is clearly demonstrated in various cross-Whitehall initiatives including the *Stern Review*, 2006 *the UK and the World Bank 2005*, DFID 2006, and DFID's upcoming white paper.

**Principles-based approach:** DFID has welcomed the move from a "*rigid, prescriptive and rules-based approach to one based on principles*" (May 2005, paragraph 4) We find this statement confusing, given that in DFID has also stated that "*to be effective, the Policy and Performance Standards must be clear and unambiguous*" (May 2005, paragraph 12), and should contain "*a clearer definition of (i) minimum standards (ii) expectations and (iii) challenging aspirations*". We request further clarification of how these two potentially conflicting approaches would be compatible in practise.

We hope you will take our concerns carefully, and we look forward to a considered response to each of the points that we raise above.

Yours sincerely

Lucy Baker  
Policy and networking officer  
Bretton Woods Project

Tony Juniper  
Executive director  
Friends of the Earth

Tricia Feeney  
Executive director  
Rights and accountability in development

Anne Lindsay  
Private sector policy analyst  
CAFOD

Sharon McClenaghan  
Senior policy officer (private sector)  
Christian Aid

Nick Hildyard  
Co-director  
Cornerhouse

Andy Whitmore  
Communications and research officer  
Indigenous Peoples Links

Tom Griffiths  
IFI Coordinator  
Forest Peoples Programme

James Leaton  
Senior policy advisor  
WWF

Mika Minio Paluello  
Government policy & private finance officer  
Platform

Hugo Sintes  
Programme officer (private sector)  
CARE International UK