

Social Impact Assessment

INTEGRATING SOCIAL ISSUES
IN DEVELOPMENT PROJECTS

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Social Impact Assessment

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Acronyms and Abbreviations

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
CBD	Convention on Biological Diversity
CLRP	Compensation and Livelihood Restoration Plan
DFI	Development Finance Institutions
EA	Environmental Assessment
EBRD	European Bank for Reconstruction and Development
EIA	Environmental Impact Assessment
ERM	Eligibility Review Meeting
ESG	Environmental and Social Safeguards Unit
ESHIA	Environmental, Social, and Health Impact Assessment
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
ESMR	Environmental and Social Management Report
ESS	Environmental and Social Strategy
FPIC	Free, Prior and Informed Consent
GRM	Grievance Redress Mechanism
HRIA	Human Rights Impact Assessment
IAIA	International Association for Impact Assessment
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IFI	International Financial Institution
ILO	International Labor Organization
IPP	Indigenous Peoples Plan
MFI	Multilateral Financial Institution
NGO	Non-governmental Organization
OPC	Operations Policy Committee
POD	Proposal for Operation Development
QRR	Quality Risk Review
RP	Resettlement Plan
SCA	Sociocultural Analysis
SDG	Sustainable Development Goal
SEA	Strategic Environmental Assessment
SIA	Social Impact Assessment
UNDRIP	United Nations Declaration on the Rights of Indigenous Peoples

Table of Contents

Acronyms and Abbreviations	6
Executive Summary	6
Introduction and Background	9
Overview of Content	12

SECTION ONE: INTERNATIONAL GOOD PRACTICE IN SOCIAL IMPACT ASSESSMENT

Part One: Overview

What is a Social Impact Assessment?	17
Why Undertake Social Impact Assessment?	18
Ten Principles of Social Impact Assessment	18
Responsibilities	19
Social Impact Assessment as Part of ESIA	21
Topics Addressed in the SIA Process	22
Coordination, Communication, and Proportionality	24

Part Two: Ten Elements of Social Impact Assessment

1. Clarifying the Legal and Normative Foundation	29
2. Assessing the Social Context	32
3. Conducting Stakeholder Analysis and Meaningful Engagement	37
4. Identifying Benefits and Opportunities	41
5. Identifying Risks	44
6. Determining Indicators, Baseline, and Data Collection Methodology	48
7. Reflecting Social Issues in Project Design and Implementation	52
8. Producing and Disclosing Reports and Plans	55
9. Embedding Social Issues Within the Project Management System	57
10. Monitoring, Adaptive Management, and Evaluation	59

SECTION TWO: SOCIAL IMPACT ASSESSMENT IN PROJECTS SUPPORTED BY THE IDB

Part One: SIA in IDB's Project Cycle

Overview of SIA Requirements for IDB Operations	65
Reflecting SIA Good Practice in IDB	67
Main Steps and Milestones	68
Pre-Identification and Identification Stages: Rapid Assessment	69
Project Preparation and Approval Stages	74
Project Implementation Stage	79
Project Completion Stage	82

Part Two: IDB Social Safeguards Policies and Instruments

Involuntary Resettlement Operational Policy [OP-710]	85
Operational Policy on Indigenous Peoples [OP-765]	87
Other Vulnerable Groups	88
Content of a Socio-Cultural Analysis	89
Operational Policy on Gender Equality in Development [OP-761]	90

REFERENCES	92
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APPENDIX A: Social Risk Factors	101
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APPENDIX B: IDB Tools and Templates	141
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Executive Summary

This note provides an overview of good practice standards in Social Impact Assessment (SIA). It has been prepared by the Inter-American Development Bank (IDB), to provide guidance to practitioners and decision-makers. By applying the approach presented in this note, it is expected that the quality, consistency, and operational relevance of SIAs will improve.

SIA facilitates the systematic integration of social issues in the planning and implementation of projects. It improves the quality and sustainability of projects, supports and strengthens national requirements, and enhances project acceptance and local ownership. The SIA helps to identify and manage potential adverse social impacts a project may cause or contribute to, and to maximize benefits to local communities and other groups.

While the field of SIA is evolving, there is broad agreement among practitioners and institutions on some key aspects and characteristics of SIA. The SIA is a process that should be embedded in all stages of a project's life cycle, from concept and identification, through preparation and approval, implementation and completion. During this process, the SIA focuses on assessing and managing social risk and opportunity based on three inter-related dimensions:

1. An **analytical** dimension, entailing comprehensive assessment and documentation of the social context and likely project impacts, both positive and negative;
2. A **participatory** dimension, involving engagement with project stakeholders in a meaningful way; and
3. A **management** dimension, where the analysis and participation elements are embedded in project decision making and management systems, both during preparation and implementation.

The approach suggested in this note assumes that there is or will be an identified project sponsor or proponent responsible for project planning and implementation, and that a financing institution such as the IDB will provide financial and technical support. Both borrower and lender have requirements and complementary roles and responsibilities related to how social issues should be addressed in the project. Section I of the note summarizes international good practice, and focuses on the borrower's role and responsibilities. This part is intended for those responsible for undertaking an SIA process, whether they be a government agency, consultants, or others. Section II focuses on the lender's role. It contains a detailed discussion of relevant aspects of IDB's policies, procedures and requirements during a typical project cycle. Other finance institutions have similar requirements and approaches.

The note is structured around ten key elements, which should be embedded in an SIA process in projects of moderate to high risk, scale, and complexity. However, the note stresses that these elements should not be applied mechanically or as a blueprint. The nature and setting of each project is different, and the SIA process should be adapted and applied in a flexible manner.

The ten SIA elements discussed in the note are:

1. **Legal and Normative Foundation.** An SIA should be done with a normative framework in mind, reflecting country legal frameworks and other relevant norms and standards.
2. **Social Context.** The SIA process should provide an understanding of local social groups, categories and institutions, with a particular emphasis on poverty, social exclusion, and vulnerability.
3. **Stakeholder Engagement.** Stakeholder analysis and meaningful engagement are essential parts of the SIA process, providing inputs to informed decision making. It is an essential part of good governance, based on principles of transparency, accountability, non-discrimination, and access to remedy.
4. **Benefits and Opportunities.** The SIA process provides the basis for determining how a project can benefit local communities and other stakeholders, and promote local ownership and support for the project.
5. **Risk Identification.** The SIA process helps ensure that any potential or actual adverse impacts a project may cause or contribute to are identified. Risk identification and management are at the core of the safeguards policies of IDB and other Development Finance Institutions. Section I of the note contains a brief overview of risk factors, and Appendix A discusses social risk factors in greater detail. This includes issues commonly addressed in safeguards policies such as Involuntary Resettlement and Indigenous Peoples, as well as other social risks. Appendix A also has a detailed discussion of contextual risk factors.
6. **Indicators, Baseline, and Methodology.** The note stresses the importance of accurate and reliable data to establish project baseline and benchmarks. Having good data is essential in order to monitor and manage project implementation, and to document impacts on project stakeholders.
7. **Design and Implementation.** This section discusses how risks and benefits, once identified, are managed throughout the lifetime of a project, both during preparation and implementation. In discussing risk, the note summarizes how to apply a logical sequence of steps, referred to as a risk mitigation hierarchy.
8. **Reports and plans.** During the SIA process, there will normally be requirements for specific reports and plans at different times, particularly as inputs to project approval. Public disclosure of key documents in easily accessible formats and locations should be done to enable stakeholders to provide inputs and suggestions.
9. **Project Management System.** The SIA process should provide the information needed not only to produce studies and reports, but also to ensure that social issues are appropriately managed and integrated into project decision-making processes. Developing an appropriate management system requires allocating appropriate budgets and other resources, and ensuring that there is capacity within the project to manage social issues.
10. **Monitoring, Adaptive Management, and Evaluation.** The project should be able to adapt to unforeseen circumstances in a flexible manner. Systematic monitoring on the part of the implementing agency, and supervision by the lender or other agency with an oversight function, are undertaken throughout the project's implementation period.

The general principles and elements of good SIA practice described above are discussed in Section I, and in Appendix A of this note. Section II, and Appendix B, focus on the role of IDB in advising borrowers and conducting its own due diligence process related to the content and quality of the SIA. At the IDB, these functions are carried out by environmental and social specialists in the Environment and Social Safeguards unit, ESG, who are members of project teams.

Section II describes the SIA process in IDB policy requirements and procedures. However, the key principles discussed in this section are likely to be of relevance to other finance institutions as well. The note stresses that the core analytical, participatory, and management-related SIA elements discussed above apply in the various stages of IDB's project cycle:

1. Pre-Identification and Identification Stages
2. Preparation and Approval Stages
3. Implementation Stage
4. Completion Stage

For each of these stages, the note suggests main steps to be followed, and the complementary responsibilities of the borrower or implementing agency, and IDB. As with Section I, the note suggests diagnostic questions and key issues to address and document.

Section II also contains more detailed guidance on the types of documents and instruments required under the following IDB policies:

- OP-703, Environmental and Safeguards Compliance
- OP-710, Involuntary Resettlement
- OP-765, Indigenous Peoples
- OP-761, Gender Equality in Development

Additionally, the SIA process when supported by IDB has to meet the requirements of OP-102, the Access to Information Policy.

Appendix B contains annotated outlines of various documents and reports that should be prepared at different times during the IDB project cycle. This includes the summary SIA report, which should be completed before a project is submitted for approval. The Appendix also summarizes key elements of a Resettlement Plan, and gives guidance on how to estimate impacts of economic displacement and / or income losses. Indigenous Peoples' issues are summarized in the suggested contents of a Socio-Cultural Analysis, and finally Appendix B contains an overview of some issues to address and document concerning gender-related risks.

Introduction and Background

This note on Social Impact Assessment (SIA) is part of a series of guidance and good practice publications prepared by the Inter-American Development Bank's Environmental and Social Safeguards Unit (ESG). The series covers assessment and management of environmental and social risks and opportunities, and aims to provide guidance on international good practice and IDB's requirements in applying environmental and social sustainability principles.

Undertaking an SIA is an essential part of preparing and implementing development projects. The SIA provides the information needed to enhance development outcomes, assess and manage potential risks, and strengthen social acceptance and support to a project. This note attempts to systematize and summarize the emerging international consensus on what an SIA process should consist of, and to provide guidance and greater clarity about how to integrate attention to social safeguards issues more in IDB's project planning and implementation. By applying the approach presented in this note, it is expected that the quality, consistency, and operational relevance of SIAs will improve.

This note includes two main sections: Section I covers international good practice in social impact assessment, and Section II focuses on operational processes for undertaking a social impact assessment within IDB's project cycle.

The intended audience for this note is practitioners of SIA, particularly in projects supported by International Finance Institutions, IFIs.¹ These practitioners fall into two main groups:

- **Practitioners responsible** for carrying out SIAs as part of project planning and implementation. These practitioners may be employed by the agency responsible for the project in question, or they may be consultants who have been commissioned to do the SIA in cases where there is limited internal capacity within the project agency.²
- **Specialists in IFIs**, such as environmental and social specialists in IDB's Environment and Social Safeguards Unit, ESG. These specialists advise borrowers on the scope and content of SIAs, and carry out quality control of the analysis, consultation process, documentation, and implementation of projects' social elements.³

In addition to practitioners and IFI specialists, the note should also be relevant to decision-makers and others responsible for project planning, approval, or implementation in borrowing countries and IFIs, in judging quality and relevance of SIAs and integrating findings into decision-making.

There is a need to improve the practice of SIA, since social issues have often been poorly or only partially addressed in development projects. Many countries require that adverse social impacts be addressed in projects, but the specific issues covered are generally limited and unevenly addressed. While countries in the Latin American and Caribbean (LAC) Region have requirements for Environmental Impact Assessment (EIA) at the national and subnational levels, these generally focus on the physical environment. Typically, social issues are not addressed comprehensively as part of the assessment process. And while some degree of public consultation is required by law in most countries, this is often done in a perfunctory

1. The term International Finance Institution is used here to include financial institutions that are also variously referred to as Multilateral Finance Institutions (MFIs) and Development Finance Institutions (DFIs, which also includes bilateral development banks).

2. Section I as well as Appendix A of this note is oriented towards these practitioners.

3. Section II of this note presents some of the requirements of the IDB with regards to project cycle, documentation, and procedures. Appendix B is also based on IDB's procedures and reporting formats. It is included in the note as internal guidance within IDB, but may also be of relevance to other IFIs.

manner. When SIAs are done, they are frequently undertaken differently by different practitioners, resulting in uneven quality or problematic applicability. Typical shortcomings include focusing on some aspects but ignoring others; being overly descriptive and lacking in clear analysis or basis for operational decisions; depending on secondary data sources without field work or primary data collection; or doing SIAs as separate and stand-alone exercises rather than integrated into overall project management.

While the limited and inconsistent attention to social issues poses challenges, it should also be noted that there is increased understanding and acceptance among countries and institutions in the LAC region (as well as in other regions) that these issues must be addressed more comprehensively. This provides opportunities for strengthening national frameworks and sectoral approaches, and to build capacity. IDB and other development institutions are actively supporting these efforts.⁴

There is also considerable confusion about whether the SIA is a **study** at a specific time resulting in a report, or whether it is a **process** with different milestones and documentation requirements throughout. **This note views SIA as a process.** This is the approach increasingly taken by different institutions, and embedded into policies and requirements.

The SIA as described in this note is informed by, and intended to be consistent with, an emerging consensus on how to integrate social issues in projects, and what a good SIA should consist of. This consensus has two main sources:



4. See also Section I.2., Clarifying the Legal and Normative Foundation.

- A growing body of case practice and lessons learned, including from approaches developed by various countries, along with guidance provided by professional associations such as the International Association of Impact Assessment, IAIA; and
- Formal requirements developed by national authorities and increasing numbers of IFIs, including IDB, which have moved from limited attention to social issues to comprehensive and integrated environmental and social frameworks, with more explicit attention to a broad range of social risks and impacts.⁵

As with other technical notes in this series, this note does not constitute official policy of the IDB or other institutions. It is not mandatory or intended to be used as a prescriptive approach, nor should the topics covered in the note be seen as exhaustive. While the note suggests a systematic and structured approach to SIA, the elements described in this note should not be used mechanically or as a blueprint. Practitioners and responsible agencies need to exercise judgment in applying the approach and principles outlined in this note.

The note is written from the perspective of a typical investment project, and the topics covered reflect operational experience on the ground in different project contexts. However, every project is different, and it is unlikely that all of the issues addressed in the note will be relevant or require attention in any one particular project setting.

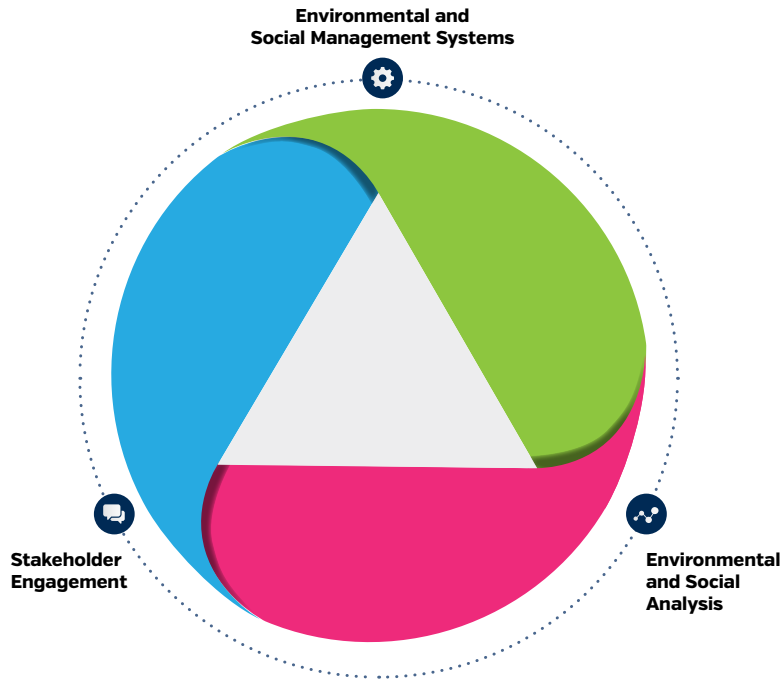
The approach described in this note assumes that there is or will be an identified project sponsor or proponent responsible for project preparation and implementation; that financing will be considered and, subject to meeting requirements, will be provided by a lending institution such as an IFI; and that both the borrower and the lender have requirements and responsibilities related to environmental and social risk management and due diligence. In several sections of the note, reference is made to the complementary roles of borrowers undertaking SIAs, and IFI specialists advising and conducting due diligence of the process.⁶ The project phases and elements of the SIA described in this note will likely also be relevant and applicable in projects where there is no lending institution involved.

5. These institutions include the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD), the Asian Infrastructure Investment Bank (AIIB), and the World Bank. In IDB, the safeguards policies provide the basis for various SIA processes in project preparation and implementation. Attention to social issues is included within the IDB's environment policy, and with specific policies on involuntary resettlement, Indigenous Peoples, and gender. Section II provides guidance on SIA in IDB's policies and procedures

6. 'Due diligence' in this case refers to the responsibility of the IFI to ensure that the project meets the IFI requirements related to social risks and impacts.

Overview of Content

The guidance in this note is based on three inter-related dimensions, as illustrated in the figure below:



1. An **analytical** dimension, entailing comprehensive assessment and documentation of the social context and likely project impacts, both positive and negative;
2. A **participatory** dimension, involving engagement with project stakeholders in a meaningful way; and
3. A **management** dimension, where the analysis and participation elements are embedded in project decision making and management systems, both during preparation and implementation.

The note consists of two main parts:

1. Section I summarizes **international good practice**. It discusses the rationale, principles, and approach recommended in undertaking a Social Impact Assessment, stressing that the SIA is a process rather than a single study or report. It clarifies that the level of effort and content involved in undertaking an SIA should be proportionate to project risk, scale, and complexity. Section I also describes ten elements of an SIA, with strong emphasis on

risk identification and management. These elements are not sequential; many of them overlap in time, are iterative, and may require different actions at different times during the project cycle.

- II. Section II describes **requirements of the IDB**, both in terms of steps to be taken during the project cycle, and in terms of specific policy requirements. It discusses how the SIA process fits within this cycle during different stages such as identification, preparation, approval, implementation, and completion. While this part is focused on IDB requirements, the discussion related to how the SIA process should be undertaken within the project cycle covers several points that are also applicable to other institutions.

A set of appendices contain additional information:

- A. Appendix A discusses social risk factors in more detail than the summary section in Section I. This includes a discussion of contextual risks in the project setting.
- B. Appendix B contains tools, templates, and report formats for IDB operations. These should be used judiciously, and adapted to project context. While they are tailored to meet IDB's requirements, other institutions have similar approaches and requirements, and may find these to be of use.



SECTION ONE:

International Good Practice In Social Impact Assessment



PART ONE:
OVERVIEW



What is a Social Impact Assessment?

While the IAIA has established definitions, proposed steps, and criteria for what an SIA should contain, practice on the ground is still highly variable.⁷ National requirements are uneven, and frequently lag behind international good practice, which is still evolving. Terminology also varies. In this note, the term ‘Social Impact Assessment’ [SIA] is used to be consistent with international good practice standards and terminology. The SIA is also sometimes referred to simply as a Social Assessment. Other terms are also used to cover all or parts of the elements discussed in this note.

The SIA is a process that includes specific milestones, deliverables, and products such as reports and plans, e.g. resettlement plans and socio-cultural analysis, at appropriate times during the project cycle. A consensus is emerging, not only on key topics to address through the assessment, but also about the nature of the assessment itself. The SIA – like the Environmental Impact Assessment – has evolved from being defined as a study or a report to being much more of a process. This process has multiple stages and outputs, which should be coordinated and embedded within a project cycle. The IAIA defines SIA as being *“the processes of analyzing, monitoring and managing the intended and unintended social consequences, both positive and negative, of planned interventions (policies, programs, plans, projects) and any social change processes invoked by those interventions”*.⁸ A robust social analysis and consultation process involving local communities should also inform decisions about local priorities and needs, and be considered in determining the overall concept and design of a project, not just analyzing and managing consequences of a pre-determined project approach. The SIA process should be reflected in project decision-making at all stages of a project cycle, in order to maximize value and minimize the social cost of an intervention. This perspective of SIA as a process with analytical, participatory and operational elements is reflected in the IDB safeguards operational policies and other IFI policy frameworks and requirements.

It is important to recognize that environmental and social risks and impacts may be different at different stages of the project, and that it is impossible to predict all impacts with certainty. Unforeseen circumstances will occur, and planned mitigation measures may fail for different reasons. The social analysis, stakeholder engagement, and updating of plans and management systems should therefore be embedded as core elements throughout the project’s lifetime.⁹

An important implication of understanding SIA as a process rather than as a stand-alone study or report, is that different elements can be sequenced throughout the project cycle. While the SIA as a process should start as early as possible, different parts of it will generally be done at different times. For example, different institutions will have different requirements as to which documents are required, and when.

Throughout this process, the SIA focuses on those social identities and relationships that are relevant to a proposed project. It takes as a starting point that projects do not simply have “beneficiaries” and “adversely affected people”. These broad categories should be disaggregated to understand how a project may affect different groups and individuals in different ways. A key task in an SIA process is therefore to identify the distributional aspects of potential benefits and risks the project may cause or contribute to, and to ensure that any adverse impacts do not fall disproportionately on the poor or vulnerable.¹⁰

7. See in particular Vanclay et.al. (2015), [Social Impact Assessment: Guidance for assessing and managing the social impacts of projects](#), as well as Vanclay (2003), [International Principles for Social Impact Assessment, Impact Assessment and Project Appraisal](#).

8. See Vanclay et.al. (2015), *op.cit.*, p. 1

9. Section II contains practical guidance and explanations on how SIA fits with the IDB’s project cycle.

10. This is an explicit requirement in most environmental and social standards.

Why Undertake Social Impact Assessment?

An SIA improves the quality of project design and implementation in numerous ways. Among them are:

- **Assessment and management of project-related risks and benefits.** A major purpose of the SIA is to identify and manage potential adverse impacts, and to maximize project benefits to local communities and other groups.
- **Local understanding and support.** By addressing local needs and priorities, the SIA process helps to strengthen local understanding and support for the project.¹¹
- **Efficiency and effectiveness of project implementation.** During implementation, the SIA provides information and continued stakeholder engagement to enable adaptive, responsive, and cost-effective project management.
- **Evaluation of project outcomes and impacts.** The SIA process includes establishing robust baseline data, providing the basis and means to evaluate social outcomes and impacts of a project.

As noted earlier, IDB and most other IFIs require some sort of assessment and management of social impacts of the projects they finance. In some cases, like in the IFC's Performance Standards, this is explicitly addressed as requirements for integrated Environmental and Social Impact Assessments, ESIA's. At the IDB, there is currently (2018) no explicit requirement for an SIA. However, to meet the requirements of the institution's safeguards policies, it can be argued that an **SIA is an implicit requirement**. Most of the elements and content of a good SIA as described in this note are reflected in various parts of IDB's policies.¹² It is highly unlikely that the policy requirements can be met unless an SIA – defined as a process, with specific documentation and actions at different times – is undertaken. As such, it is an essential part of the IDB requirements, to manage risk and enhance opportunities in the projects supported by the institution.¹³ The relationship between EIA, SIA, and ESIA is discussed in later sections of this overview.

Ten principles of Social Impact Assessment

While the field of SIA is evolving, there is broad agreement among practitioners and institutions on some key aspects and characteristics of SIA. These can be summarized in the following ten principles:¹⁴

-
11. This is sometimes referred to as the Social License to Operate, particularly in the extractives industry sector. It refers to the legitimacy, credibility, and trust a project needs to have among concerned stakeholders to be viable from a social perspective.
 12. At the IDB, this requirement is embedded in Operational Policy [OP] 703, section B.5, which states that "analysis should be performed including an evaluation of the potential environmental, social, health and safety impacts and risks associated with the operation, and an indication of the measures foreseen to control these risks and impacts." Specific social issues are also required in specific social stand-alone policies. See Section II of this note for more detail about specific IDB policy requirements.
 13. The ambiguity about SIA as an implicit or explicit requirement has been resolved in some IFIs through policy reform, where SIA (or ESIA) is more explicitly addressed as a requirement.
 14. These principles are in large part informed by Frank Vanclay (2003), International Principles for Social Impact Assessment, Impact Assessment and Project Appraisal.

The SIA should **promote**:

1. Equal opportunity, inclusion, and sustainability in a project setting
2. Local benefits, community development, and capacity
3. Empowerment and social capital

The SIA **should**:

4. Be a proactive and integral part of project planning and implementation, interconnected with economic, physical, environmental and other issues
5. Address both risks and opportunities
6. Be rigorous in its use of data, which may include quantitative as well as qualitative data
7. Be widely applicable in different contexts and settings
8. Build on local knowledge and participatory processes, and reflect diversity in culture and values
9. Respect and promote human rights, transparency and accountability, and the rule of law¹⁵

The SIA **should not**:

10. Apply coercion or undue force

Based on these principles, outcomes and results are more important than process and procedures. While careful studies, consultations and planning are essential, even the best plans can go wrong. The SIA process plays a crucial role during implementation, in providing continued data and facilitating stakeholder engagement that allows for ongoing monitoring and adaptive management of the program.¹⁶

Responsibilities

Particular studies or plans within the SIA process may be required as conditions for project licensing by national regulatory authorities, by a finance institution as part of meeting safeguards requirements, or both.¹⁷ Companies or agencies preparing projects may also undertake SIAs on their own volition and as part of their normal practice, to strengthen project quality, sustainability, and acceptance. Communities also expect to be part of a transparent engagement process where their local conditions and priorities are considered.

Regardless of who decides or requires that an SIA be undertaken, it is **typically the responsibility of a project proponent to undertake the work**, and to integrate findings and recommendations from the SIA into project design and implementation. In projects financed by an IFI such as the IDB, this normally means that the executing agency responsible for a

15. The UN defines rule of law as “a principle of governance in which all persons, institutions and entities, public and private, including the State itself, are accountable to laws that are publicly promulgated, equally enforced and independently adjudicated, and which are consistent with international human rights norms and standards. It requires, as well, measures to ensure adherence to the principles of supremacy of law, equality before the law, accountability to the law, fairness in the application of the law, separation of powers, participation in decision-making, legal certainty, avoidance of arbitrariness and procedural and legal transparency.”

16. This is discussed in Section I.2, in the section on Monitoring, Adaptive Management, and Evaluation.

17. The international good practice standards and requirements for SIA have for the most part been established by Development Finance Institutions, but are increasingly also required by other public and private institutions and corporations. This includes commercial banks such as the Equator Principles Financial Institutions.



project undertakes the SIA. This could be a private company, a transport ministry, a health agency, a forestry department, or any other body responsible for preparing and implementing a project.

The role of IDB and other IFIs is **complementary to that of the borrower**. The finance institution supporting the project has a responsibility to explain requirements, and undertake **due diligence and oversight**. Understanding potential risks, and the efforts – including budget resources – involved in managing risks responsibly, is part of the IFI decision making process. If the costs involved in managing environmental and social issues are very high, it might mean that the project's overall cost-benefit ratio is unacceptable, and that the project does not meet financing requirements.

During project implementation, IFI oversight and support normally involves regular supervision missions with field visits to project sites. It may also include doing or commissioning independent evaluations of project outcomes and impacts. The IFI is also expected to provide **guidance and support** as needed. This may for example be done through training and capacity building, either directly for a single project, or as part of a sectoral or more strategic approach to strengthening institutions and capacity.

To the extent possible, there should be a shared understanding about what constitutes acceptable quality of an SIA in a given project situation.¹⁸ Specific outputs and deliverables, such as reports and action plans, are likely to need approval or agreement between the borrower and lender, depending on the applicable policies and procedures.¹⁹ National law may also require formal approval of some aspects of the SIA.

Both the borrower and the IFI are responsible for documenting findings and decisions from the SIA process, and for disclosing relevant documents to the public. Such document disclosure may be done as general information dissemination for transparency reasons, or it may be part of a more structured engagement process.²⁰

In exceptional cases, the IFI may commission or undertake some of the studies and consultations related to the SIA process. This may be appropriate when the borrower lacks capacity or resources to do an SIA of acceptable quality within the available timeframe, and explicitly asks for direct assistance. Even in such cases, the responsibility to integrate the findings of the SIA process into the overall project management system and implement the actions related to social issues should remain with the borrower.

Internally, within the IFI considering or providing funding to the project, there are also complementary roles. Typically, it is the responsibility of designated specialists to assess and advise on issues related to environmental and social risks and opportunities. Within the IFI, these specialists are responsible for ensuring that the SIA process is done with the required quality and accuracy. When required, formal approval and confirmation of reports' and plans' quality and accuracy is normally done and communicated to the client by the project team leader, on the advice of the environmental and / or social specialist. Such approvals should be documented in project files, to ensure there is clear accountability.

18. For an example of a protocol that provides guidance on how to check the scope and quality of an ESIA, see the International Hydropower Association (2010) [Hydropower Sustainability Assessment Protocol](#).

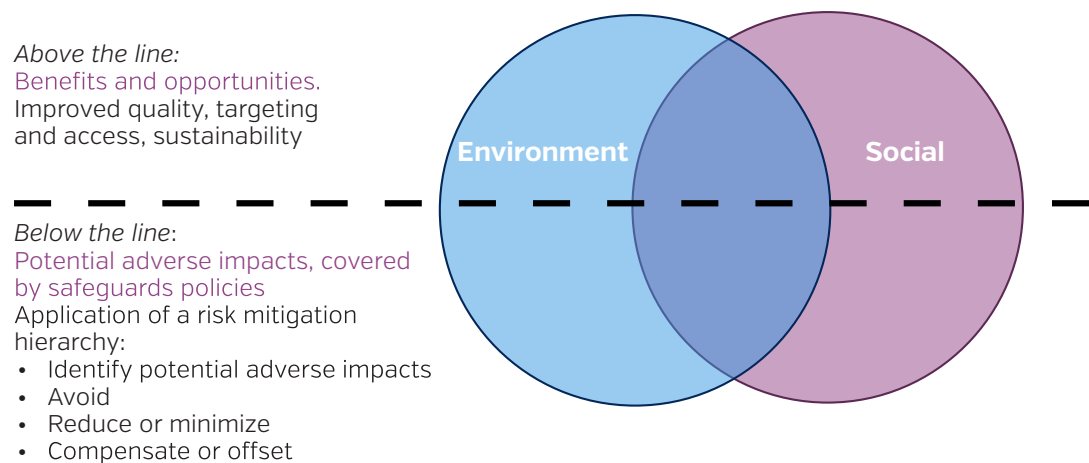
19. See Section II: Social Impact Assessment in Projects Supported by the IDB

20. See Section I. 2 for a discussion of Stakeholder Analysis and Engagement, and of Producing and Disclosing Reports and Plans.

In higher risk circumstances, **enhanced due diligence** may also be required from a financing institution such as the IDB. Enhanced due diligence would mean intensifying and expanding on the normal due diligence process a financing institution undertakes to understand risk, meet its obligations and responsibilities, and assess and verify the borrower's ability to meet the necessary requirements related to the project. In a higher risk situation, an enhanced due diligence process may for example include assessing historical claims to land, conducting independent reviews and studies, and engaging directly with some stakeholders.²¹

Social Impact Assessment as Part of ESIA

The recommended approach to SIA is to coordinate it with a project Environmental Impact Assessment (EIA) or an environmental and social analysis. Increasingly, this is done as an integrated approach, Environmental and Social Impact Assessment, ESIA.²² The process should contribute to enhancing project benefits and opportunities, as well as identifying and managing risk of potential adverse impacts. This can be illustrated in the diagram below, showing (i) the overlap between environmental and social issues, and (ii) the “above the line” benefits as well as the “below the line” adverse impacts and risks.



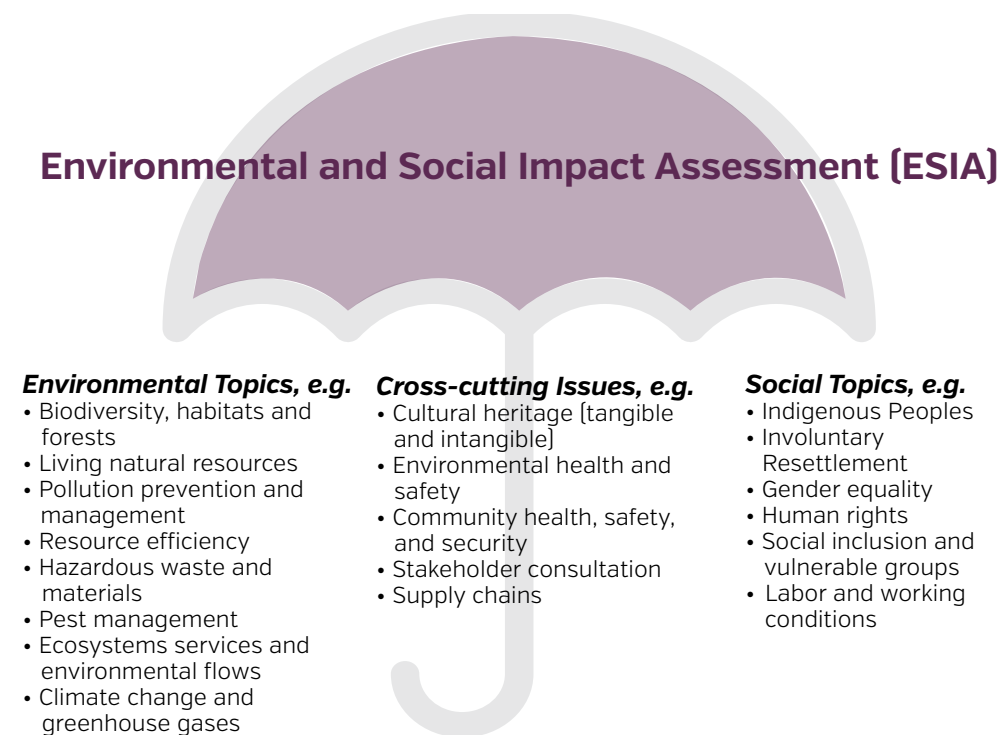
As the diagram indicates, there are elements of the ESIA that are largely environmental; there are elements that are predominantly social; and there are elements and issues that are cross-cutting, and that relate to both the physical and the social environment. While environmental and social issues should be addressed in a coordinated manner, the social aspects can be done either as part of an integrated ESIA or environmental and social analysis, or as a stand-alone SIA. This is discussed in more detail in the next section.

21. While stakeholder engagement is the responsibility of the borrower, enhanced due diligence in higher risk circumstances may make it prudent for the lending institution to conduct some independent consultations. This may be done both as a means of gathering additional information about the project, and to verify the consultations done by the borrower.

22. This is also sometimes known as an Environmental, Social, and Health Impact Assessment, ESHIA.

Topics Addressed in the SIA Process

As discussed in the previous section, the ESIA process should cover both environmental and social risks and opportunities. This can be illustrated in the following diagram, where the ESIA process as a whole can be seen as the “umbrella” that covers different topics that may be relevant in the planning and implementation of a project. Some examples are listed related to environmental, social, and cross-cutting issues, where issues are listed as predominantly (but not exclusively) environmental, social, or cross-cutting.



This is a simplified illustration, since the boundaries between these are not absolute, and most issues are cross-cutting to some degree. For example, environmental impacts also have social consequences. Gender aspects also relate to the environment, and Indigenous Peoples have strong connections with the natural environment. It is therefore important not to see the environmental and social issues in isolation. If a stand-alone SIA is conducted rather than an integrated ESIA, there needs to be coordination and identification of the touch points, complementarities, and synergies between the EIA and SIA processes.²³

There are several implications of this approach that should be kept in mind:

- Undertaking an ESIA or separate but coordinated EIAs and SIAs will mean that a **multi-disciplinary team** is needed. Depending on the project, the ESIA may require different areas of expertise among both environmental and social specialists. It is rare that any environmental or social specialist has experience with all relevant aspects of the ESIA, even within their own broader discipline. An anthropologist with experience working with

23. There is no hard and fast rule about when social issues should be addressed within an integrated ESIA process, or through a stand-alone SIA process. To a large extent, this will depend on organizational structures, staffing, and approaches among the institutions involved. Either approach can work well, assuming both environmental and social issues are assessed carefully using the appropriate levels of expertise.

Indigenous Peoples may have little knowledge of involuntary resettlement, or conflict and security issues – yet as international standards and requirements evolve, the expectation is that a very broad range of risks and opportunities should be identified and managed as part of the ESIA process.

- The **need for appropriate expertise** also applies when looking at the environmental and social issues together. An environmental engineer is unlikely to have the expertise and experience to understand cultural aspects of local Indigenous communities, nor should one expect a social scientist to be familiar with requirements related to pollution control and emissions standards, or biodiversity.
- This may pose a challenge in the early part of an ESIA process, during scoping and initial identification of relevant risks and opportunities. If potential impacts are unknown, **how do we know which type of expertise is required?** There are two ways to address this:
 - I. Project preparation generally does not start with a blank slate. There are **inherent sectoral risks**, such as when it is known that an infrastructure project will require land, which again is likely to cause displacement of local people. This will require attention to issues such as compensation mechanisms, livelihood restoration, and gender considerations. Similarly, the **local setting** may already be known to contain areas of high biodiversity value. In such cases, it will be known from the outset that the ESIA will need to address resettlement and biodiversity issues, and the team needs to incorporate the corresponding expertise.
 - II. In most cases, the part of the ESIA process undertaken during the early scoping phase of project preparation will consider the potential for a **broad set of issues** related to environmental and social risk and opportunity, without going into deep technical detail. Those responsible for the ESIA process during this phase should be able to undertake a rapid assessment to identify a broad set of issues. In some cases, one person can undertake this assessment, looking at both environmental and social issues. But as the assessment process identifies issues of particular risk and complexity, whether it is related to environmental or social issues, consideration should be given to [a] bringing in **specialized expertise**, and [b] conducting more **in-depth assessments, studies, and consultations** appropriate to the particular topic or topics, and influencing planning. Within the “umbrella” of an ESIA, it may be appropriate to undertake specialized studies and consultations related to such topics as critical habitats, ecosystems, health and safety issues, Indigenous Peoples, resettlement, gender equality, or human rights.
- **Specialized studies and approaches.** Many of these specialized areas have developed specific approaches and methodologies, such as gender analysis, socio-cultural analysis, cultural heritage studies, strategic social investment, and Human Rights Impact Assessment [HRIA].²⁴ This note recommends that if it is determined that such specialized, more in-depth studies are to be conducted, they should be done within the overall organizing framework of the [E]SIA process, rather than in isolation, as long as the appropriate expertise is applied at the right time. Separate and uncoordinated studies increase the risk of inconsistencies and parallel efforts or duplication of work, add additional burdens on local communities, and may make it more difficult to integrate findings into project design and implementation.

24. Human rights principles should be respected in a project, and the SIA process should be based on such principles, including people's right to transparency, accountability, participation, and non-discrimination. In high risk circumstances an HRIA may be recommended. From the perspective of this note, this should be seen as done within the continuum and overall framework of the SIA process, but may require specialized expertise, methods, and references to legal instruments. For more guidance on HRIA, see for example Guide to Human Rights Impact Assessment and Management <https://www.unglobalcompact.org/library/25>. It should also be noted that human rights are closely tied with the environment; see for example the work of the UN's [Special Rapporteur on human rights and the environment](#).

Coordination, Communication, and Proportionality

Integrating social issues into project design and implementation requires a multi-disciplinary approach. It requires project teams – whether on the implementing agency's side or on the part of an IFI providing support – to take account of different perspectives. This may pose challenges, since the understanding of the project, and the priorities and incentives, may be different among different team members. For example, it may be difficult to find the right balance between technical and financial considerations on the one hand, and environmental and social concerns on the other. When environmental and social specialists work as team members along with technical specialists in other fields, it is therefore not unusual that differences of opinion arise. It is essential that there is **clarity on roles and responsibilities**; that there is good coordination among specialists and the team leaders; and that differences of opinion are resolved in a constructive and collegial manner.²⁵

It is difficult to give an exact estimate of what an SIA will cost. The cost is relative to the effort needed, which again depends on project scale, complexity, and levels of risk. There are nevertheless some general considerations that should be made when estimating the effort it will take to undertake an SIA tailored to a project, and seeking the greatest efficiency:

- Not allocating sufficient resources – whether budgets or expertise – may add to costs at subsequent stages, rather than save money. Mistakes and poor quality of reports, studies, and plans may add costs and lead to delays.
- The process can be made smoother by first ensuring that preparing and undertaking the SIA starts **as early as possible in the project cycle**. If this is well planned and coordinated with other aspects of the project, the various elements of the SIA process can more easily add value, and not be perceived as bottlenecks or delaying factors. This includes establishing a good understanding of the local socio-political context, to guide decisions on time and effort needed.²⁶
- The **principle of proportionality should be applied to guide the degree of effort** required in a particular project context:
 - Projects with **substantial or high risk and complexity** require more thorough analysis of the issues, and a more structured and meaningful process of engaging with affected stakeholders. Such projects are likely to need more budget resources, time, specialized and in some circumstances independent expertise, enhanced management oversight, and stricter requirements for documentation and disclosure.²⁷
 - Conversely, projects of **lower risk and complexity** may take an approach to SIA that is simplified and streamlined. In such projects, not much may be required other than a basic understanding of the project and the setting, and a simple consultation focusing on transparent access to information for the public.

25. Given the importance of complying with mandatory environmental and social policies, it may be necessary at times to escalate concerns or unresolved issues to management and, when required, to the institution's Board for decision.

26. See the section below, on Assessing the Social Context.

27. Different types of risks are discussed in detail in Section 1.2, and in Appendix A.

- Delays and costs can be reduced by being **clear about requirements and good practice**, and by ensuring that individuals and institutions responsible for the SIA process have the necessary skills and resources to manage the process.
- Finally, **good integration** of the SIA with other planning and implementation aspects can make the overall project more cost-effective. Many delays and problems are caused by misunderstandings, miscommunication, or a failure to appreciate the perspectives of different team members.

Experience shows that communication and coordination improve with time and experience. For social specialists responsible for undertaking or advising on SIAs, there is often room for improvement in how they work in two key areas:²⁸

1. **Moving from seeing problems to also identifying solutions.** While the identification of social risk is key, the SIA is incomplete unless it helps identify practical and timely solutions to the challenges, and unless the process focuses not just on what needs doing, but also on how to do it in a way that is clear and understandable for non-specialists.
2. **Becoming sector-literate.** Each sector has its own characteristics and challenges. A linear project such as a gas pipeline or a transmission line is different from an urban slum upgrading project, or from an education project. The likelihood of the SIA being well integrated into overall project design and implementation is far higher if the people responsible for the SIA are familiar with the sector of the particular project. The more familiar a social specialist is with design and project cycle issues for a particular sector, the more relevant and credible are the results and recommendations from the SIA likely to be, and the greater the likelihood of integration into project design and effective implementation. Generic advice about the importance of social issues is unlikely to result in more than irritation and a perception that the inputs are emotional or advocacy oriented, and not practical from an implementation perspective.

28. While this paper focuses on guidance to practitioners of SIA, the authorizing environment – such as policies and standards, resources allocated, and management support – is equally important. In practice, improvements in the field are likely to be made through a combination of demand and supply. This note focuses on the “supply side”. The demand and supply sides for SIA are likely to be mutually reinforcing: Greater support and understanding of the agenda among decision makers can best be achieved by practitioners demonstrating good quality work that results in better projects and outcomes, and that in turn will generate more understanding, support, and resources for SIA. See the section below on Clarifying the Legal and Normative Foundation for a brief discussion of applying and strengthening country systems in environmental and social management.

PART TWO:

TEN ELEMENTS OF SOCIAL IMPACT ASSESSMENT



In projects of moderate to high scale, complexity and risk, the SIA should consider and address a number of aspects. Typically, the ten elements outlined below will be relevant.²⁹ These elements are not addressed separately or sequentially. They inform each other, and may be studied, consulted on, and managed at different times of the project cycle. There may also be different risks and impacts at different stages of the project, depending on the activities that are being conducted.³⁰

1. Clarifying the Legal and Normative Foundation
2. Assessing the Social Context
3. Conducting Stakeholder Analysis and Meaningful Engagement
4. Identifying Benefits and Opportunities
5. Identifying Risks
6. Determining Indicators, Baseline, and Data Collection Methodology
7. Reflecting Social Issues in Project Design and Implementation
8. Producing and Disclosing Reports and Plans
9. Embedding Social Issues Within the Project Management System
10. Monitoring, Adaptive Management, and Evaluation

These ten elements should be aligned with the project stages, with different areas of focus, activities, and outputs at different times. The earlier the SIA starts, the easier it is to maximize benefits and minimize risk, and to add value to the project through improved designs and implementation.³¹

Different institutions refer to different project stages in different ways, from early identification until completion and closure. The following five stages are typical:³²

- Concept and identification
- Preparation
- Approval
- Implementation
- Completion

Using these stages, different aspects of the SIA process can be summarized as follows:

- **Concept and Identification Stage:** Understand the issues through initial scoping; determine if additional or specific studies and plans are required [e.g. Resettlement Action Plan, Indigenous Peoples Plan, etc.
- **Preparation Stage:** Assess likely risks and impacts; identify and consult with affected people and other key stakeholders; develop action plans for mitigation measures and social benefits within a management system

29. While the content of this note is comprehensive, the numbering of these elements into ten is somewhat arbitrary. The different elements could be combined to make a smaller number, or separated out further into a higher number. The choice of ten elements as an easy number to remember was made in part to encourage practitioners to be structured and systematic in their approach.

30. See Section II: Social Impact Assessment in Projects Supported by the IDB.

31. If the SIA starts too late, the quality of the SIA and its usefulness may suffer, and the process itself may turn into a bottleneck. This may delay other parts of the project, and add unnecessary costs.

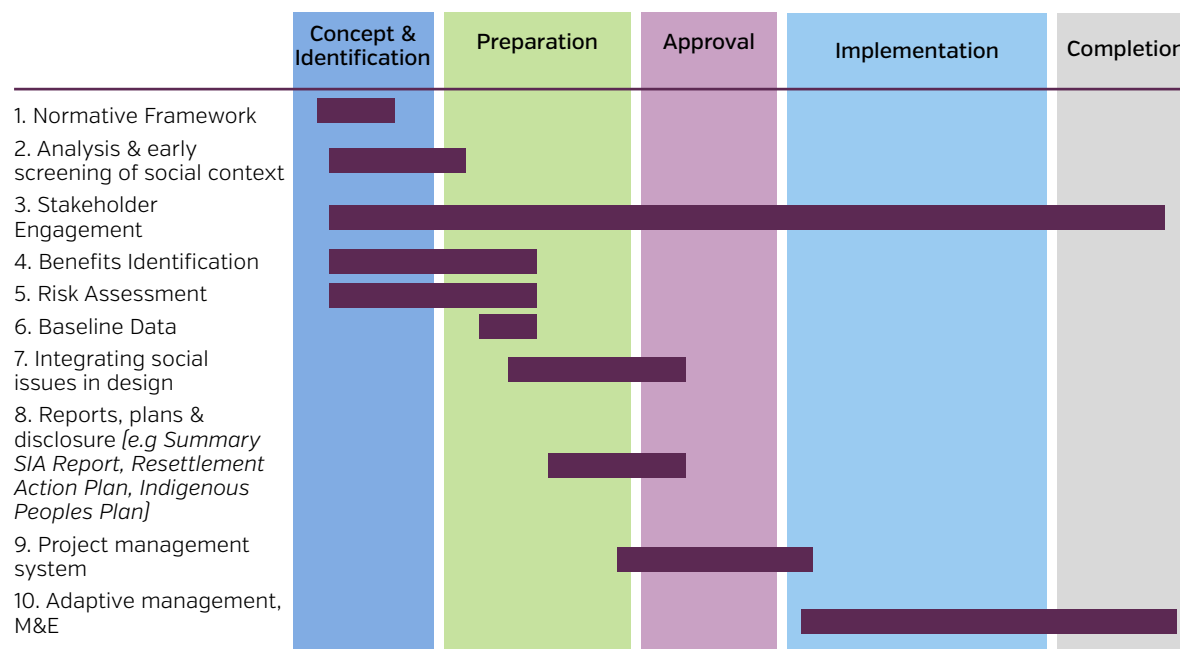
32. See Section II, Requirements of the Inter-American Development Bank, for a more detailed discussion of IDB's project cycle, terminology, and requirements.

- **Approval Stage:** Finalize and disclose plans; reflect social issues in legal agreements and project operational documents
- **Implementation Stage:** Implement actions related to social issues; monitor and make corrections as needed
- **Completion stage:** Project closure, end of project evaluation, transition arrangements as needed

Throughout these project stages, **stakeholder engagement** should be undertaken as an ongoing process based on a stakeholder analysis and mapping, and including a Grievance Redress Mechanism. The stakeholder engagement will have different areas of focus at different times of the project cycle.

The graphic below shows an example of how the different elements of the SIA may be addressed in a typical project cycle of an IFI. IDB's project cycle is discussed in more detail in Section II.

Elements of the SIA Process in a Typical Project Cycle



This is a simplified illustration, reflecting a recommended approach to projects of moderate to high risk and complexity. In projects of low risk, the SIA process may not require much beyond the initial screening and analysis of context.

As noted earlier, the SIA elements may be addressed intermittently. Some designs and plans may be finalized only during implementation. This is especially the case with phased projects, such as projects with multiple sub-components, or linear projects such as a road, where final designs are generally done in stages.

The following sections discuss the ten elements of the SIA in more detail.



1. Clarifying the Legal and Normative Foundation

An SIA should be done with a normative framework in mind. In determining applicable principles for a project, environmental and social frameworks and sets of issues that are likely to be of relevance and should be taken into account include:

1. The country's own laws, regulations, policies, and relevant procedures. This is fundamental: A project should not conflict with national standards.³³
2. Applicable requirements from the lending institution(s), such as the IDB or the World Bank.³⁴ These requirements are applied to all projects irrespective of country.³⁵
3. A country's existing environmental, social, and relevant sector strategies. A country may have existing action plans or priorities relevant to the management of environmental and social risks and opportunities that should be taken into account in planning and implementing a project.
4. Relevant international treaties and agreements. This can for example relate to UN conventions including ILO labor conventions, human rights standards, and other covenants, conventions, and agreements the country has signed. The project must respect these agreements.
5. Good International Industry Practice.³⁶ This may include the World Bank Group's Environmental, Health and Safety Guidelines, and other accepted standards, for example industry sectors' standards, that can reasonably be expected applied in the project, taking local context into account.

33. In rare circumstances, a country's laws may be inconsistent with international law and standards. Such situations must be dealt with on a case by case basis, to ensure that appropriate norms are applied in a project.

34. Section II of this note covers IDB's requirements.

35. At first glance, it may look like there could be a conflict between points 1 and 2 here. In practice, complying with IFI requirements rarely if ever conflicts with national standards. Rather, IFI requirements may be additional to national standards, such as in calculating resettlement compensation.

36. Often abbreviated to GIIP. It is advisable to speak of "good practice" rather than "best practice", since the "best", apart from being subject to interpretation, may not be practical or cost effective in a particular country or setting.

In ideal circumstances the various frameworks should be consistent, and it should not be necessary to explore and agree on first principles and fundamental assumptions on a case by case basis. Ideally, there should be a shared understanding of the applicable normative foundation for all projects in a country or sector, between a country's authorities and its development partners such as IFIs.³⁷ However, there are often differences and inconsistencies. National laws and practices are subject to different legal interpretations and change; International Finance Institutions may have different requirements; and international agreements or declarations may be more or less binding from a legal perspective.³⁸ It is therefore important to clarify and agree on core principles and objectives as early as possible, to guide the scope and approach for the SIA and other project activities.³⁹



While not all IFIs have explicit references to human rights in their policies, it is becoming accepted and understood that beyond supporting and promoting human rights generally through for example working to achieve improved access to education, water, or health, human rights should also be respected in individual project contexts. From an SIA perspective, respect for human rights is functionally equivalent to the “do no harm” principle that all IFIs embed in their environmental and social safeguards and standards.⁴⁰

It should be recognized that there are considerable inefficiencies resulting from undertaking SIAs in individual projects on a case by case basis. This frequently leads to a situation of “reinventing the wheel” from project to project. It often means starting from first principles in a dialogue on the normative framework and core principles applicable to each individual project. It may also lead to duplication of effort, or inconsistencies in how data are gathered, analyzed, and applied in different projects. Furthermore, the capacity building and institutional development gained in individual projects are rarely transferred from one project to another.

The alternative to this practice of addressing each project in isolation, is to support a longer term, more strategic approach of strengthening, and gradually applying, countries' own systems. There is full agreement in the international community that aid and development should be oriented towards greater local ownership, alignment among donors and financing institutions, and harmonization of approaches.⁴¹ Such a more programmatic approach could also include more standardized legal agreements, that can be adopted for a program portfolio as a whole, to avoid the transaction costs and inefficiencies involved in re-negotiating issues for every single project. IDB and other IFIs are therefore supporting programs of knowledge exchange, institutional strengthening, and gradual application of countries' own systems. For

37. Member countries of IFIs such as the IDB have agreed that in cases of the IFI having more stringent requirements than national law and practice, the IFI requirements shall be followed. However, this principle is not always known by local authorities responsible for a project, and much time and effort are often expended debating the applicable environmental and social requirements.

38. In cases of co-financing among IFIs, the standard practice is to apply the more stringent requirements when there is a difference.

39. For an example of an area where gaps between IFI requirements and national standards frequently occur, see the discussion on Involuntary Resettlement in the Appendix A, Social Risk Factors.

40. In certain high-risk circumstances, such as the presence of child labor or forced labor, or significant impacts on Indigenous Peoples' identity and well-being, specialized studies and expertise should be considered, such as a Human Rights Impact Assessment. This may be done as a stand-alone study or within the overall scope of the SIA process. For more on this, see for example Guide to Human Rights Impact Assessment and Management <https://www.unglobalcompact.org/library/25>.

41. See the 2005 Paris Declaration on Aid Effectiveness, and the 2008 Accra Agenda for Action.

the IDB, this is a high priority. The institution's Board has instructed management to move towards using country systems. Early analytical work, focusing on consistency rather than equivalence between the IDB and country systems, provides a basis for moving in this direction.

To be successful, moving towards country systems requires policy dialogue at high levels, strategic assessments done at a more sectoral or macro level than for individual projects, and long term institutional development and capacity building. It may also require financing institutions to lighten some of their procedural requirements in order to focus on higher-level principles, and to accept higher levels of risk in individual projects while political commitment and institutional capacity are being built up among client institutions. Over time, however, it is expected that a more coherent and coordinated approach to project planning and implementation will strengthen local ownership, and that the quality and efficiency of processes such as SIA will improve.⁴²

Checklist

- ☒ Has an assessment been made of relevant national and international requirements for the project?
- ☒ Is there understanding and agreement on principles and the normative framework for the project?
- ☒ Are relevant human rights principles understood and respected?
- ☒ In the case of disagreement or lack of clarity regarding the project's normative foundation, how will this be resolved?
- ☒ Are there risks related to political, administrative or project staff changes that may jeopardize agreement on the project's normative framework?

⁴² It is outside the scope of this technical note to go into additional detail about initiatives and lessons learned in applying a country systems approach.



2. Assessing the Social Context

The SIA process should be designed and carried out in such a way that it helps develop projects that provide benefits and opportunities for all, and ensures that adverse impacts do not disproportionately affect the poor and vulnerable. Opportunities, poverty, and vulnerability vary from one setting to another. A key element of the SIA is therefore to **assess the social context** in which the proposed project is taking place.⁴³ This is important, since it helps in understanding levels and types of opportunities and risk as they apply to different groups.⁴⁴ It also helps define local needs and priorities, which may determine the overall project concept and approach. For example, if it becomes clear that there are local water shortages, and that women in the area are tasked with collecting water, a project may be designed to specifically address women's needs in relation to water.

An assessment of social context as part of an SIA process is more than just a description of different social groups. Simple demographic information – for example, census data showing the ratio of men to women, or age brackets – is unlikely to be of much use unless it can be

43. In most cases, there is existing literature, research, and statistics related to the project's social context. Efforts should be made to avoid duplicating efforts, and to draw upon existing data and information to the extent possible, for example by making use of national or sectoral studies and strategies.

44. See the section on risk, below, for a discussion of how the social context may exacerbate risk in the cases of vulnerable or marginal individuals and groups.



shown how this is relevant to a proposed project.⁴⁵ To be meaningful, the SIA needs to relate the existing social context to the proposed project, and analyze what aspects of the social context are relevant. Of particular relevance and importance is the question of resilience and vulnerability, and risk of adverse impacts: An adverse impact caused by a project will affect vulnerable people more than those with more resources and resilience. The risk is higher when a poor subsistence farmer is displaced from his or her land, than when the same thing happens to a wealthy person. Risk from a social perspective therefore depends not just on what happens, but on who it happens to.⁴⁶ The analysis and consultation conducted as part of the SIA should identify who among the affected population is particularly vulnerable to adverse impacts.⁴⁷ The project should adopt differentiated measures so that adverse impacts do not fall disproportionately on the disadvantaged or vulnerable.⁴⁸

Social context is a broad term. It covers issues such as gender and diversity, culture and history, inclusion and exclusion, assets and resources, vulnerability and resilience, local institutions and governance. Assessing the social context means understanding how individuals and groups perceive themselves and each other, how they relate to each other, and **what characteristics of these groups may be relevant in a project context**. Understanding these issues is key to assessing whether some groups face structural and systemic barriers from participating fully in development, or have less resilience to adverse impacts. This also requires a thorough understanding of the nature of the project, and how it is likely to affect local communities and other stakeholders.

Relationships among people are to a large part based on social identities such as economic class, gender, ethnicity, age, sexual orientation, disability, or other factors. These identities are shaped by culture and history, and they can play out in different ways and through different channels, such as in the **market place** [e.g. access to land, housing, labor, or credit]; in different **physical, political, and cultural spaces**; and in terms of how different groups benefit from **services** such as access to information, health, education, or water.

Some social categories are changeable, and others are more difficult for individuals or groups to change.⁴⁹ For example, age, ethnicity and sex (unlike gender; see below) are relatively fixed and ascribed categories. Other identities are achieved or decided on by individuals, such as education, occupation, or political ideology. Furthermore, when looking at systemic opportunities or barriers to development, the SIA should take into account that the combination of identities is likely to have different implications than each of these factors seen in isolation. For example, being Indigenous, illiterate, and female may exacerbate levels of poverty, social exclusion, and vulnerability.⁵⁰ Both fixed and changing social identities may cause individuals and groups to be vulnerable to project impacts.

45. SIA reports sometimes contain large amounts of purely descriptive information, where it is not clear what the relevance of the information is for a project. Efforts should be made to analyze the significance of the information in relation to potential project risks and opportunities.

46. The examples of social identities and groups in this and other sections are intended to be indicative only; they are not exhaustive or complete. Each project setting should be examined to determine the relevant social context.

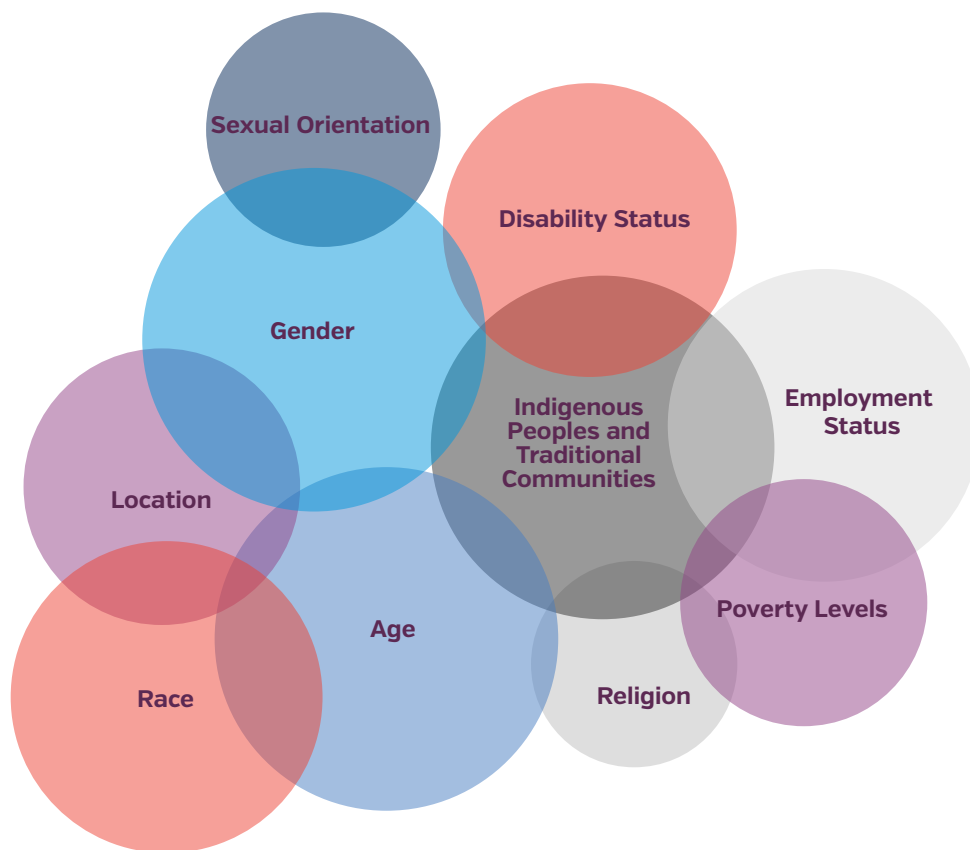
47. See Appendix A for a more detailed discussion of contextual risk.

48. The concept of risk, and different types of risk, is discussed in more detail in the section on Identifying Risks, below.

49. These are sometimes referred to as achieved and ascribed identities.

50. For a more comprehensive discussion of social diversity, see World Bank [2003], *Social Analysis Sourcebook*, particularly pages 13 - 18, and World Bank [2013], *Inclusion Matters: The Foundation for Shared Prosperity*.

Some examples of identities and categories that may be of relevance in a project are indicated in the figure below:



The figure illustrates the concept of **intersectionality**, the fact that individuals fall into several social categories that interrelate and affect each other. Different societies and cultures give different meaning to social identities, and people's opportunities or barriers to development are affected by societal norms and practices around these identities.⁵¹ For example, people of advanced **age** may be treated very differently in different cultures: In some places, they are respected and given authority, while in other places they are marginalized. Similarly, **gender** is a social construct.⁵² How men and women are treated, and what decision-making authority they have, vary from society to society, and within groups. Both gender roles and power dynamics between men and women should be considered. Increasingly, there is also recognition that people's sexual identity may encompass various positions on a spectrum – heterosexual, lesbian, gay, bisexual, transgender, genderfluid, and other identities.

The SIA process should consider all groups who may be vulnerable to adverse impacts, or constrained from benefitting from project facilities or services. This may include people with disabilities. Disability is a social and cultural construct, in that limitations become disabling only if society is discriminatory or non-supportive. The SIA should seek to understand the degree of social exclusion or limitations on development opportunities facing people with disabilities. Barriers to access and opportunity may be environmental and physical; institutional as in public policies, and attitudinal. Targeted measures may be needed in a project, for example to ensure that the disabled are not prevented from access to buildings, or using transportation

51. There may also be differences between how people self-identify, and how others identify them.

52. Gender issues are discussed in more detail in Appendix A.



Indigenous women may face greater barriers to development than men. [Cuzco, Peru, 2008]

infrastructure. A project may also provide opportunities for improving conditions for persons with disabilities, for example through improved services, education, and safety.⁵³

The social context also includes organizational structures, existing conflicts or tensions, and governance structures such as representativeness and responsiveness of government institutions and services. Understanding local communities' history as well as hopes and aspirations for the future is also important. For example, legacy issues and past conflict or discrimination, previous experiences from government interventions, private sector activities, or quality of services may determine how supportive and engaged a group is likely to be in relation to a proposed project.⁵⁴

The assessment of social context should also examine **how individuals and groups are organized**, whether through formal organizational structures such as government agencies or civil society organizations, or more informal institutions.⁵⁵ The SIA should map these out to the extent they are relevant to the project, and analyze what norms and values guide people's interaction and behaviors. Rules may be informal and even illegal, expressed through practices and behaviors. Institutions such as the market, rule of law, and civil institutions often function imperfectly. Corruption affects the poor more than the rich.⁵⁶ Mechanisms

53. International principles regarding the rights of persons with disabilities can be found in the 2006 [UN Convention on the rights of Persons with Disabilities](#). See also World Bank (2007), [Social Analysis and Disability: A Guidance Note](#).

54. Contextual risk and legacy issues are discussed in detail in Appendix A, Social Risk Factors.

55. Relevant organizations in a project setting may for example include civil society organizations active in the project area, religious institutions, unions, and other groups.

56. Transparency International https://www.transparency.org/topic/detail/poverty_and_development.

such as patronage, caste structures in South Asia, and compadrazgo in Latin America may all influence the resources people have, how they interact with each other, and how they perceive a project.⁵⁷

One of the challenges of conducting a SIA is that these **identities and institutional structures are not fixed and immutable**. Unlike the physical and biological issues studied through an Environmental Impact Assessment, the relevant social identities and relationships, and their implications for the project, are likely to vary from one local context to another. These identities, and the cultural and societal norms that shape them, also evolve and change over time. They are frequently contested, such as when an ethnic minority group mobilizes to demand equal opportunity. Identities, statuses, and relationships may change particularly during periods of conflict, and in periods of rapid change.

The SIA should provide an understanding of **relationships, power dynamics, and vested interests**. It should help those responsible for planning and implementing projects understand what the relevant formal and informal structure and rules are, and determine what incentives or constraints people may have in relation to a project.

57. Compadrazgo refers to the ritual kinship, "co-parenthood", common in Latin America. It generally entails complex ties and mutual obligations between the co-parents, often through patronage and expectations of support.

Checklist

- ☒ How do people perceive themselves, and identify with a particular social identity [self-ascribed identity]?
- ☒ How are people perceived and identified by others?
- ☒ What are the mechanisms of social exclusion? Are there systemic barriers to opportunity?
- ☒ What are the relevant organizational and institutional mechanisms in a project setting?
- ☒ In what ways do social identities and the social context make people more vulnerable or resilient to risk?
- ☒ Are there aspects of the social context that favor some groups over others when it comes to accessing project benefits or opportunities?
- ☒ What can be done to remove barriers and strengthen opportunity and social inclusion?
- ☒ How do local communities relate to government and other institutions? Is there a history of trust, or tension?



3. Conducting Stakeholder Analysis and Meaningful Engagement

Stakeholder engagement is an essential part of the SIA process, and is a cornerstone of informed decision-making and good governance. Some form of public consultation in relation to project planning, approval and implementation is required by law in most countries, and all International Finance Institutions have adopted policies and procedures to incorporate stakeholder consultation into the projects and programs they support. IFIs such as the Inter-American Development Bank (IDB), the World Bank, the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD), and the Asian Infrastructure Investment Bank (AIIB) have all strengthened and developed guidance on stakeholder engagement in recent years. The World Bank and EBRD have adopted stand-alone policy standards with requirements for consultation and stakeholder engagement. The IDB has recently (2017) published a technical note on Meaningful Stakeholder Consultation, with details on principles, content, and methodologies.⁵⁸ For in-depth guidance on stakeholder engagement the separate publication should be referred to. Below is a synthesis of key principles and elements recommended in the stakeholder engagement process.



Meaningful consultation with project stakeholders adds value to projects in different ways:

- It captures the **views and perceptions** of people who may be affected or have an interest in a development project, and provides a means to take their views into account as inputs to improved project design and implementation, thereby avoiding or reducing adverse impacts, and enhancing benefits;
- It provides an important **source of validation and verification of data** obtained elsewhere, and improves the quality of environmental and social impact assessments;
- It enables people to **understand their rights and responsibilities** in relation to a project;
- Greater transparency and involvement of stakeholders **enhances trust, project acceptance, and local ownership**, which are key to project sustainability and development outcomes;
- It is **required** by IDB and other financing institutions in complying with environmental and social policies, in projects that have the potential to cause harm to people or the environment; and
- It is essential to the **credibility and legitimacy** of implementing agencies and of International Finance Institutions such as the IDB.

58. IDB's Meaningful Stakeholder Consultation publication and brochure are available in English and Spanish. www.iadb.org/consultations

Stakeholder consultations in Colombia [2015]

The stakeholder engagement process should meet the following **ten principles**:

1. The stakeholder consultation process should be **ongoing and iterative** throughout the project cycle, starting as early as possible.
2. It should ensure that **different categories of stakeholders are represented and involved**. This may include individuals and groups, as well as formal and informal local institutions.
3. **Sufficient resources** should be allocated. This includes budgets as well as staffing and capacity, and the willingness of project authorities to take stakeholder views seriously, and to modify designs and implementation to reflect stakeholder concerns where possible. This may include the need for capacity building for affected stakeholders, to establish a level playing field for different groups to engage.
4. It should be **transparent and based on factual information**, including about the scope of consultation and ability of stakeholders to influence project decisions.
5. It should be **equitable and non-discriminatory**, and ensure that poorer or more vulnerable parts of the affected stakeholders are given a voice.
6. Stakeholders should have **prior information** about relevant aspects of the project, in a language, format, and manner that is appropriate for them. Different approaches will be appropriate for different groups and in different contexts, but at a minimum this should be conveyed in such a way that it is understandable and accessible to all.
7. Consultation events and other forums or means of engaging with stakeholders should be **respectful and free of coercion**. Stakeholders who express concerns or criticism against the project or authorities should be protected from retaliation.
8. **Confidentiality** of information and stakeholders should be ensured where appropriate.
9. To be meaningful, a consultation process should also **avoid consultation for consultation's own sake**, or excessive discussions that do not lead to anything, or that may lead to unrealistic expectations.
10. The process should be **systematically documented**, and relevant aspects of it should be **disclosed** publicly.

The 2017 IDB publication on stakeholder consultation suggests aspects and elements that should be present in the stakeholder consultation process, and embedded in the project preparation and execution.⁵⁹ These elements are not intended to be sequential or discrete. They may be partly or fully overlapping; happen in stages; and be iterative. Professional judgment and experience are needed to determine what the right approach is for each project. Addressing these issues explicitly and systematically is key to designing and undertaking a meaningful stakeholder consultation process. When projects affect or involve

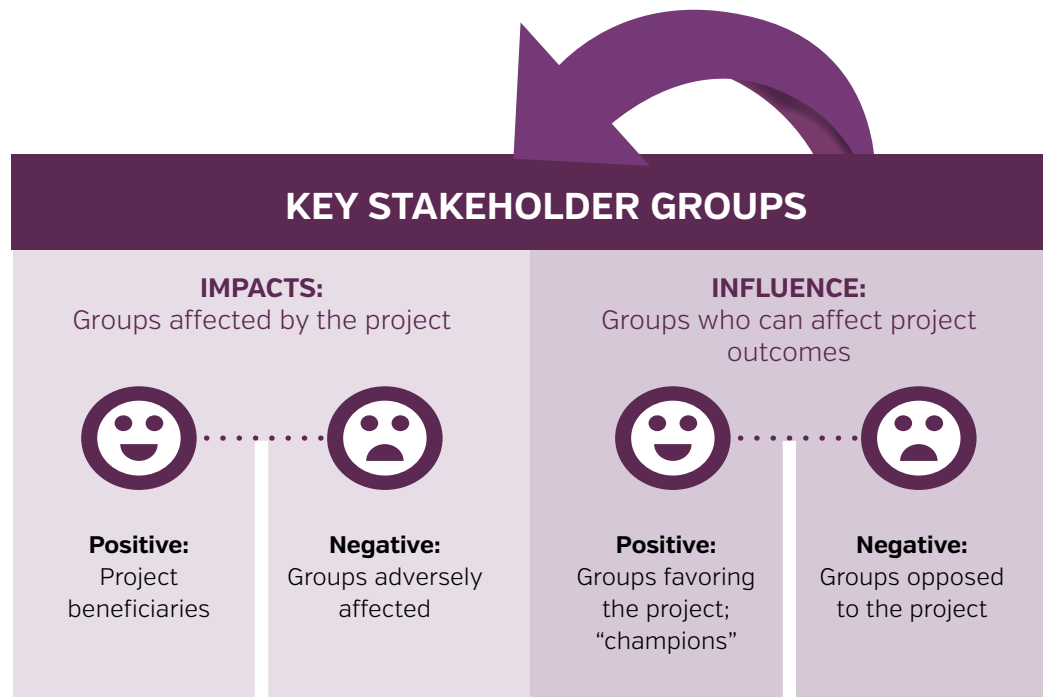


59. Several of these elements are discussed in more depth in this note. There is some degree of overlap of content between the IDB note on Meaningful Stakeholder Consultation and the current note on Social Impact Assessment. This is unavoidable since the topics are interrelated.

Indigenous Peoples, special requirements apply to ensure that the consultation process is culturally appropriate.

A key objective of conducting a stakeholder analysis is to determine how risks and benefits are likely to be distributed among different individuals and groups, and to develop a plan for how the project will engage with the different groups. As a first step to identifying relevant stakeholders, the SIA should consider both potential impacts and the degree of influence or voice groups have. While safeguards policies require consultation with groups who are potentially affected in an adverse manner, it would be a mistake to limit the consultation process only to them. A more comprehensive analysis and engagement process would identify characteristics, needs, interests and influence among project beneficiaries as well as among groups adversely affected. It would include groups supporting the project, and others who may be opposed or pose risks to successful implementation. The figure on this page illustrates these four key categories of stakeholders. Each main category should be disaggregated further, depending on the specific project type and local context.

It is good practice to use the stakeholder engagement process not only as a means of consultations and dialogue, but also as a means of obtaining and verifying data and information that may be used in the design and implementation of the project. This may include joint assessments where local communities are involved in determining risks and opportunities, and in established indicators and mechanisms for participatory monitoring.⁶⁰



As part of the consultation and engagement process, the right to remedy is crucial.⁶¹ This applies both to the project and national systems, and to the IFI.⁶² Establishing a project Grievance Redress Mechanism (GRM) is an important part of preventing and managing environmental

60. See the IDB note on Meaningful Stakeholder Consultation.

61. For a detailed discussion of this, see the IDB note on Meaningful Stakeholder Consultation.

62. Complaints that IFI may have caused harm by not following its policies and procedures, can be addressed to the IFI's independent accountability mechanism. (In the case of IDB, the [Independent Consultation and Investigation Mechanism](#)).

and social risk, and should be an integral part of the SIA process. The GRM should be part of a coherent hierarchy, which includes non-judicial as well as judicial channels.⁶³

The following two sections are focused on different types of impacts a project may have. Enhancing positive impacts is discussed in the section titled Identifying Benefits and Opportunities. Identifying potential adverse impacts is the focus of the following section, Identifying Risks.

63. These principles are laid out in the [UN Guiding Principles on Business and Human Rights](#), which require implementation of the “Protect, Respect and Remedy” Framework.

Checklist

- ☒ Identification of priority issues: What are the likely risks and opportunities arising from the project?
- ☒ Stakeholder analysis and consultation plan: Who is affected by the project, and who has an interest that can influence outcomes? How will the project engage with them?
- ☒ Prior information: How will information be provided to stakeholders prior to consultation and consultation events in a meaningful way?
- ☒ Appropriate forums and methods for the consultation process: How should consultation events be organized?
- ☒ Grievance redress mechanisms: How can stakeholders seek remedy if they feel the project is causing harm to them or the environment?
- ☒ Design and implementation decisions considering stakeholder perspectives: How will stakeholder concerns and recommendations be addressed in project decision-making and the overall management system?
- ☒ Feedback to stakeholders and transparency in decision-making: How will the stakeholders be informed about project decisions and how their views and inputs have been incorporated?
- ☒ Baseline data, action plans, and management systems: What are the action plans that the project will implement to reduce risk and enhance benefits for project stakeholders? How will the project establish and maintain a suitable management system to address environmental and social issues?
- ☒ Documentation and public disclosure: What are the mechanisms established to document and disclose relevant project information?
- ☒ Ongoing stakeholder consultation during implementation: What are the mechanisms established to ensure that stakeholders are kept informed and involved throughout project implementation?



4. Identifying Benefits and Opportunities

Development projects have the potential to generate significant local benefits and opportunities in many ways. These include:

- Opportunities for employment, or provision of goods and services to a project
- Training and capacity building
- Access to better services such as health and education, energy, and improved transport opportunities
- Support to gender equality and women's empowerment
- Benefit sharing and revenue generation from natural resources

In these and other ways, projects can contribute positively to the United Nations Sustainable Development Goals, SDGs. The 17 SDGs include food security, health, education opportunities, gender equality, access to sustainable energy, and inclusive economic growth, among others.⁶⁴

The SIA process is essential to identifying and achieving benefits. Through local consultations and an analysis of the social context, the SIA provides the basis for well-designed and sustainable investments and support that benefit local communities. Involving communities actively in defining priorities through meaningful consultations, and participating actively in project planning and implementation, contributes to well targeted and more sustainable development with local ownership. Local procurement can also contribute positively to this. Frequently, local communities either have or can be assisted in developing their own development strategies that can guide how the project supports initiatives that meet local needs. Participatory development based on analysis of social context, risks and opportunities has also proven essential in recovering from conflicts and natural disasters.⁶⁵

64. United Nations Sustainable Development Goals

65. See for example the United Nations' [Sendai Framework for Disaster Risk Reduction](#). For a case study, see J. Duyne Barenstein, "Continuity and change in housing and settlement patterns in post-earthquake Gujarat, India", *International Journal of Disaster Resilience in the Built Environment*, Vol. 6 Issue: 2, pp.140-155.



Consultations on environmental and social project impacts. Colombia, 2013.

When providing benefits to communities such as rural roads, water and sanitation, or other types of infrastructure, communities have sometimes been asked to contribute labor, land, or other resources in return. When done as part of community-driven development initiatives, this may make projects more sustainable, through local participation and improved ownership. But there are also risks involved. Local contributions may amount to a form of coercion, where it is made clear – explicitly or implicitly – to local communities that unless they contribute, there will be no project.⁶⁶ In some cases, land contributions have been made by poor people, who can ill afford the loss, while benefits have been captured by more affluent or influential members of the community. The SIA should assess these and other risks related to local development, even where at first glance the project is considered beneficial.

66. For a discussion of managing risk in local development projects, see World Bank [2015], “[How to Note on Application of Social Safeguards Policies to Community-Driven Development Projects](#)”.

The experience with seeing projects and local investments as an opportunity for local sustainable development is evolving. Many projects are more participatory in how they are designed and implemented, and involve local communities in planning and implementation. Such projects emphasize local decision-making and providing resources under more direct control of community groups. The IDB has supported community projects for citizen security, as part of efforts to reduce violence. Such projects have been seen to promote more transparency and accountability, and contribute to strengthening local capacity. Similarly, the IFC works with the private sector to strengthen how companies can invest more strategically in local communities, and align commercial investments with local development priorities. A key objective of this approach is to avoid dependency, and to create longer-term benefits.

Checklist

- ☒ Have local communities been consulted about their development priorities?
- ☒ Does the project involve local communities in planning and implementing the project, and identifying local benefits?
- ☒ Have opportunities for targeted benefits to particular groups such as women or Indigenous Peoples been identified?
- ☒ Have local people been provided with employment opportunities by the project? If not, are there plans for capacity building to help people build relevant skills?
- ☒ Are there mechanisms in place for local procurement?
- ☒ Has the project identified appropriate benefit sharing for local communities?
- ☒ Are community contributions to the project planned and implemented in a transparent, non-coercive manner?
- ☒ Are expected benefits likely to be sustainable and not lead to dependency?



5. Identifying Risks

The environmental and social standards and safeguards policies adopted by IFIs focus both on promoting sustainable and positive development, and on managing risks of adverse impacts from the project. We are concerned with both positive and negative aspects of the project, and both actual, already existing issues, and potential, future issues.

The terms 'risk' and 'impact' are sometimes using interchangeably. In this note, risk is not the same as impact. Impacts can be both positive and negative, while risks refer to potential negative impacts the project may cause or contribute to, or issues that may affect the project negatively. The table below summarizes some of these differences:

RISK	IMPACT
Potential, future	Actual, has already occurred
Negative	Both negative (adverse) and positive
Definition: Risk is the combination of the expected severity of (i) a potential adverse impact a project may cause or contribute to, or (ii) issues that may affect the project negatively; and the probability of either or both of these occurring	May refer both to benefits, and negative outcomes. Generally, impact refers to something longer term and more permanent than outputs and results.

Based on this, 'impact' is part of the definition of risk, insofar as it refers to possible future and negative impacts. By definition, once something has occurred, it is no longer a risk, it is an actual impact.

The expectation in projects financed by IFIs is that the projects should ensure that any potential or actual adverse impacts are identified. Once identified, adverse impacts should be avoided or reduced, and mitigated in different ways when they are unavoidable. Following the application of mitigation and compensation measures, affected individuals and groups should not be worse off than before.

The risks discussed in this section include risks that are addressed explicitly as well as implicitly in the safeguards policies of IDB and other IFIs. The discussion is informed both by existing requirements, and emerging case practice.⁶⁷

The effort involved in the SIA process should be proportionate to the expected level of risk in the project. Risk levels are usually categorized as high, substantial, moderate, or low.

67. See Appendix A for a more detailed discussion of various aspects of the risk factors summarized in this section.

To a large extent, social risks are a function of:

- The project's scale, complexity, and inherent sectoral risks; and
- Local conditions such as people's vulnerability, poverty levels, lack of resilience, or social exclusion

Different risks may also influence or exacerbate each other: Involuntary resettlement caused by the project is likely to constitute a higher risk when the displaced are poor and vulnerable, than when they are more affluent. The earlier discussion in this note of social context, and of the stakeholder analysis and engagement process, should address the possibility that different social groups may be affected differently by a project, and may require different support or mitigation mechanisms. Typically, projects causing displacement, and projects affecting Indigenous Peoples or other vulnerable groups, constitute high risks and require particular attention. Other characteristics, such as gender differences, age, or disability may also constitute higher risks for project-affected people.

Impacts directly attributable to a project are normally considered to be the full responsibility of the project, in terms of identifying and managing risks. But there are also other types of impacts, which may only be caused in part by the project, and where the project authorities may have limited leverage and control over outcomes. This is for example the case with cumulative impacts, where a project is one among several contributing factors.

To reflect different types of risks and their implications, it is useful to distinguish between risks **from the project**, that a project may cause or contribute to, and risks **to the project** from the operating environment and local context. The following paragraphs summarize four such categories of risks. Each of these topics may require careful attention, and in many cases IFIs and other institutions have specific policies or requirements related to them. The implications of grouping risks in these four categories will be discussed in more detail in later sections. While this section focuses on **identifying** risks, the later sections discuss how risks can be **managed** once they have been identified.

1. **Cause:** Among risks of adverse impacts a project may cause directly, and that are attributable to the project, are:⁶⁸

- **Involuntary resettlement**
- **Risks to Indigenous Peoples**
- **Gender-related impacts**
- Impacts on cultural heritage
- Risks to workers and laborers
- Risks to local communities related to health, safety, security, and impacts of labor influx and in-migration



Example of how risks of adverse impacts caused by a project can be managed: In a resettlement project in Ceará, Brazil. Improvements were made to houses, and careful attention was paid to people's preferred way of designing their homes and neighborhoods.

2. **Contribution:** These are risks that a project may contribute to adverse impacts, where other factors and third parties outside of the project's direct control are also contributing factors. This includes cumulative impacts. It may include risks related to associated facilities, or to supply chains of goods and services, such as labor conditions in the case of contractors and sub-contractors. Adverse impacts of this nature may fall outside of a project's direct area of influence, and take place at different points of time.
3. **Context:** Contextual risks refer to risks in the project setting that a project neither caused nor contributed to, but which it is associated or linked with.⁶⁹ Such risks have frequently been underestimated, since risk assessments generally focused on project-induced risk. However, contextual risks can increase the severity of adverse impacts from the project; they can affect the project's performance; and they can constitute significant reputational

68. The topics highlighted in bold font represent topics where the IDB has specific safeguards which specify relevant issues and requirements. See Section II Social Impact Assessment in Projects Supported by the IDB.

69. The UN Guiding Principles on Business and Human Rights refer to such risks as 'linkage' risks.

and financial risk to the institutions involved. A project may for example be perceived to be complicit in human rights abuses, if it is seen to benefit from abuses committed by others. Examples of contextual risks which the SIA process should consider include:

- Conflict, fragility and violence
- Human rights abuses
- Gender inequality
- Political instability
- Ethnic and religious tensions
- Legal protection and rule of law
- Potential for elite capture, opposition or distortion of project by influential stakeholders
- Corruption and weak governance
- Natural disasters and climate effects
- Legacy issues involving past history, which people perceive to be associated with the current project in one way or another, or which may affect project outcomes in various ways

- 4. Performance and capacity:** Performance-related risks have to do with the ability of the responsible agencies to plan, coordinate, and implement the various aspects of the project, including the SIA process. It involves skills, experience, resources, and commitment. Poor performance and limited capacity can jeopardize many aspects of a project, including the ability to manage adverse impacts on local populations, or to provide the necessary quality oversight and integration into project decision-making. It is therefore of relevance to the SIA process. It is important to discuss and assess issues related to capacity and resources from the early stages of project preparation, since the undertaking of the various aspects of the SIA process can contribute significantly to capacity building, and identify the need for additional support and resources if needed.

The implications of these four risk categories from a management perspective are discussed in the later section on Reflecting Social Issues in Project Design and Implementation.⁷⁰

70. See Appendix A for suggested diagnostic questions related to different risk factors.



6. Determining Indicators, Baseline, and Data Collection Methodology

Project-related data can be collected in various ways, and usually consist of both quantitative and qualitative data. Having good data is essential in a project for several reasons. The data help **inform project design and implementation**, and are essential inputs to action plans and management systems. **Baseline data** are needed to make **comparisons and evaluations** about project results and impacts. At its most fundamental level, any project should be able to answer some basic questions as part of a completion assessment: Are affected people better or worse off than before the project? Can the changes be attributed to the project, or are there other contributing factors? If there are adverse impacts from the project such as involuntary resettlement, have the mitigation mechanisms adequately compensated for such impacts, so that people at the end of the project have not experienced a net loss in their assets, livelihoods, or well-being?

While such comparisons can only be done during or even after project implementation, the baseline data and benchmarking should be established during project preparation.⁷¹ Discussions and consultations with stakeholder groups should be supplemented by more rigorous studies such as socio-economic surveys and a full census when it is clear that objective and quantifiable baseline information will be needed to identify entitlements and mitigation measures. Such studies should be done as part of the SIA process, and they should be completed before specific plans such as Resettlement Plans or an overall Environmental and Social Management Plan are finalized.

Baseline data should provide the basis for decisions about project location, design, operation, and mitigation measures. Throughout the project's lifetime, additional data will be collected through the project's monitoring system and other means. A discussion should be included about the **accuracy, reliability, and sources** of the data, any existing **uncertainties or data gaps**, and **proposed steps** to complete necessary data collection.

The data used for a point of comparison in the baseline study may in some cases be available from existing census data or other sources. In many cases, however, existing data sources will be insufficient, since they may be out of date, or not capture essential elements of what needs to be measured. Existing data will generally have to be supplemented or corrected through primary data collection and field work.

The data should be **disaggregated by relevant social groups**, as noted in the section above on the stakeholder analysis and engagement. Both adversely affected people and project beneficiaries should be disaggregated by gender and other relevant social identities, and monitoring indicators should track prevention and mitigation measures reflecting this disaggregation.

The **unit of analysis and entitlement for support** will vary depending on the context. For example, in a situation involving resettlement, the unit of analysis and entitlement may be

71. The discussion about data and methodologies in this section relates to environmental and social issues. It is not a complete discussion of data and methodologies for the project as a whole, nor does it provide detailed or specific guidance on social science research methods. For a comprehensive discussion of research methodology in development projects see Holland and Campbell (eds.) [2005], Methods in Development Research: Combining Qualitative and Quantitative Approaches.

individuals when it comes to livelihood restoration; households when it comes to replacement of house and property; and community or groups within a community when it comes to replacing things like schools, temples, or other community assets.

The process of data collection for a census and / or socio-economic survey should be used as a **supplementary method of stakeholder consultation**, allowing for discussions with household and community members. Feedback and comments from the respondents should be documented and considered among other inputs from the stakeholder consultation process. If structured interviews or surveys are used, it is important that the design includes open-ended questions and the ability for project staff to probe, to better understand concerns and priorities at the local level.

The validity and reliability of survey data and indicators selected for the baseline and subsequent studies can be greatly improved through **verification with local stakeholders**, who may also inform data collection methods such as a survey design by helping to identify important issues that are not apparent to outsiders. The data used should be as robust and replicable as possible, taking into account that local context may mean that people attach different values to issues and relationships. Consideration should be given to **developing indicators in a participatory manner**, to ensure that the analysis and future monitoring and evaluation capture variables and factors that are meaningful to local stakeholders. This should include taking people's perceptions and not just "objective" impacts and interests into account. While many impacts – positive or negative – are physical and tangible, and can be quantified, many others are qualitative in nature, and can only be understood by engaging with the people affected. Such more intangible aspects of people's well-being may include:

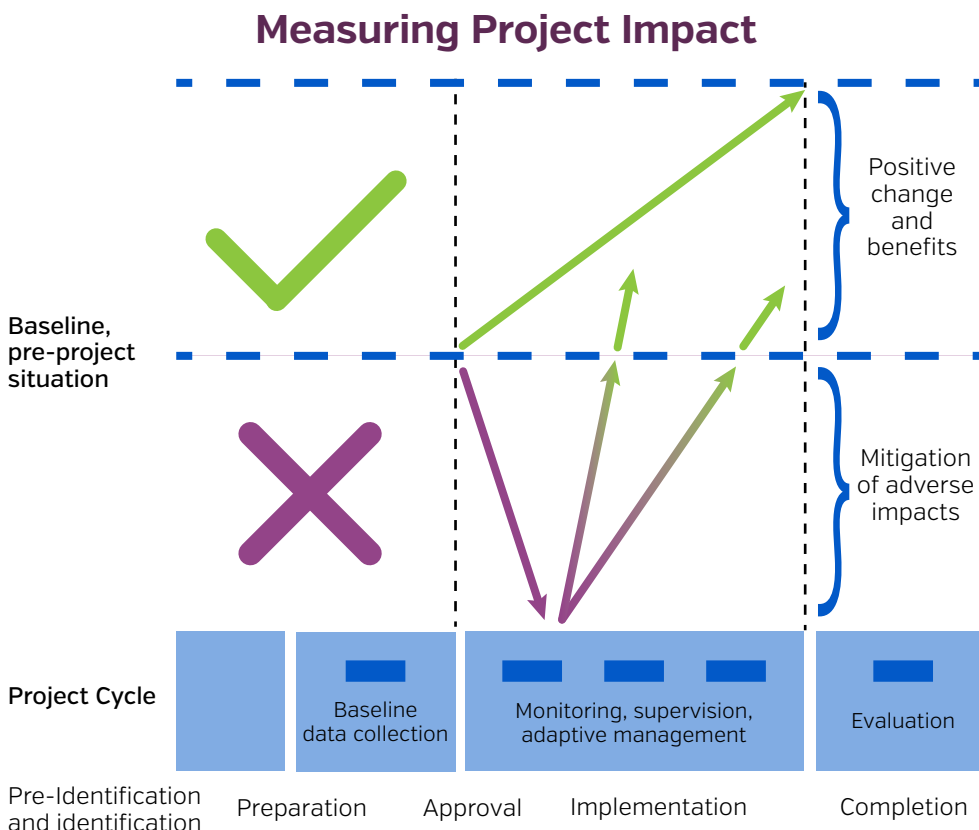
- the perceived value to people of natural habitats and ecosystems
- the importance given to tangible and intangible cultural heritage, such as traditional knowledge, and ritual or spiritual ties to a location
- how social capital provides systems of reciprocity and human security
- how patterns of inequality and social exclusion affect different groups, for example women's status in a society
- degrees of trust and confidence in local institutions

It is important to understand issues such as these, but they are difficult to capture by traditional survey methodologies and quantitative methods. A combination of methods is recommended, where qualitative data are collected through sensitive and respectful dialogue with affected people and local communities.

An overview of **typical steps related to data collection** in a project consists of:

1. Determine what the **relevant issues** are [risks, opportunities, likely project impacts, stakeholders]
2. Determine what the **indicators** should be, including through consultations with local stakeholders [more or less contextually oriented, more or less quantitative in nature]
3. Determine what the **units of analysis** should be [e.g. individuals, households, groups, communities, other]
4. Determine research **methodology** to collect data [e.g. rapid assessments, participatory analysis, ethnographic investigations and participant observation, survey questionnaires, household and health surveys]
5. Establish **baseline** [pre-project data]
6. Establish **benchmarks and target** values [comparator data and what the project expects to achieve]
7. Use relevant data sets for project **monitoring, supervision, and evaluation[s]**. This is discussed in more detail in the section below, on Monitoring, Adaptive Management, and Evaluation.

The figure below illustrates aspects of how a baseline is established along with benchmarks and targets, and how both positive and negative impacts are measured over time.



The assumption in projects financed by IFIs is that there should be no harm and preferably benefits for project affected people. As the red downward arrow in the figure indicates, adverse impacts such as displacement may take place, but they should be minimized, and affected people should be appropriately compensated and supported. **Mitigation of adverse impacts** is considered a requirement, while **net positive impact should also be sought**, including for those who are initially affected negatively (indicated by the light green arrows in the figure above). The **timeline for mitigation** of adverse impacts will depend on types of impact: Some impacts need to be mitigated immediately, such as risks to health and safety. Others may be done more gradually over time, such as livelihood restoration in cases of displacement, which may require a longer-term effort. Net positive impact is desired, but is not generally considered a requirement to comply with environmental and social standards.

The following section discusses how social issues and risk management can be reflected in the project design, by application of a risk mitigation hierarchy.



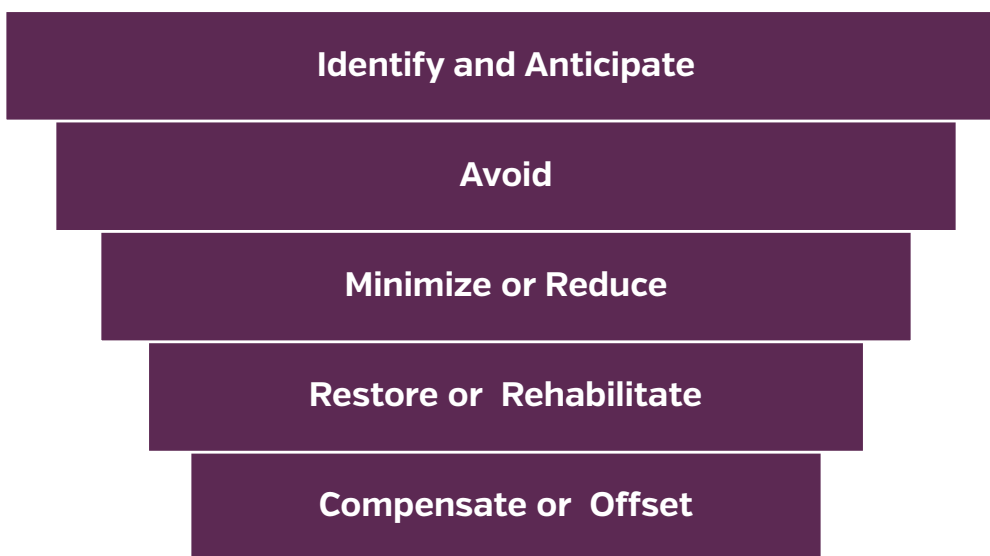


7. Reflecting Social Issues in Project Design and Implementation

Once risks have been identified, they must be managed. This is done through applying a logical sequence of steps, referred to as a mitigation hierarchy. It involves the following:⁷²

1. **Identify and anticipate** risks of potential adverse impacts, through analysis and consultation [discussed in previous sections]
2. **Avoid potential adverse impacts**, applying an alternatives analysis including a no-project scenario.
3. **Minimize or reduce the impacts**, for example by reducing the physical footprint of a project through changes in design of civil works.
4. **Restore or rehabilitate** where possible, for example by providing alternative access to water sources that have been cut off by a project.
5. **Compensate or offset** residual impacts, for example by providing resettlement assistance to displaced populations.

Going through these stages of the risk mitigation hierarchy, the risk of adverse impacts gets successively reduced.⁷³ This can be shown in an inverted pyramid, in the figure below:



72. The terminology used by different institutions to describe steps in the risk mitigation hierarchy sometimes varies, but the principles remain the same.

73. The same principles apply to potential adverse environmental impacts. In practice, applying an environmental and social risk mitigation hierarchy is increasingly done through a coordinated and integrated Environmental and Social Impact Assessment (ESIA), as noted in Section I.1.

The SIA should document how these stages are being addressed, and eventually confirm the successful compensation, assistance, or offset of any adverse impacts. Where possible, the documentation should quantify the degree to which adverse impacts have been avoided, e.g. that displacement has been reduced by 80% through alternative designs or other measures.

As discussed in Section I.1, a key principle in managing environmental and social risk is that effort and resources should be allocated to projects proportionate to the degree of risk. Higher risk projects require more thorough analysis and engagement processes integrated into project design and implementation on the part of the borrower or responsible agency, and they may require enhanced due diligence and more guidance and support to be provided to the borrower by the IFI. Higher risk projects are also likely to require more resources in terms of preparation time and budget.

As discussed earlier, the analysis and consultations conducted as part of the SIA should be sequenced and integrated into the project's decision-making process, so that consideration of social issues becomes part of overall project design and implementation. In cases of high probability of severe impacts on vulnerable populations, there should be a real option to cancel or completely redesign the overall project, or at a minimum the components with the highest risk. There are several considerations that should be made, such as:

1. How the analysis and stakeholder inputs can be reflected in revised and improved designs and implementation of the core project;
2. How the analysis and stakeholder inputs can provide the basis for additional or targeted project benefits to local communities;
3. How potential adverse impacts should be avoided, minimized, or compensated; and
4. What the most appropriate institutional and organizational mechanisms are for the project to be responsive to different stakeholders' needs and concerns.

A key aspect of managing risks is the degree of control, leverage, and responsibility a project has for different types of risks. When deciding on actions to take related to project design and implementation, it is therefore useful to consider the four risk categories discussed in the earlier section on Identifying Risks. These categories involve differentiated risk management approaches. The expectations for a project may be summarized as follows:⁷⁴

1. **Risks of adverse impacts a project may cause:** The assumption here is that impacts are fully attributable to the project, and that the project has **full responsibility** for outcomes. The mitigation hierarchy discussed above should be applied in full.
2. **Risks of adverse impacts a project may contribute to:** In this case, the project has **partial responsibility** for outcomes. Risks should be assessed, and the project should utilize **best efforts** to (i) ensure that the project's own contribution to overall adverse impacts are kept at a minimum, and (ii) collaborate with other agencies and institutions, using available and reasonable leverage and influence to minimize overall adverse impacts.

74. See Appendix A, Social Risk Factors, for a fuller discussion of management implications of different types of risk, and the differences in responsibilities between the implementing agency and lenders such as the IDB.

3. **Contextual risks:** The project has **limited or no responsibility** for the situation as such, since it has not caused or contributed directly to the situations of conflict, fragility, legacy issues, or other contextual risks. However, the project is responsible for how contextual risks are handled within the project, since the association or linkage with such risks may affect the project negatively. Contextual risks may also exacerbate adverse impacts the project is more directly responsible for. The project should therefore assess such contextual risks, and determine how they should be managed. This may include considering alternatives to project location or association with unacceptable situations.
4. **Performance and capacity related risks.** Depending on the situation, the project may have full or partial responsibility for performance-related risks. Capacity constraints and resource needs related to managing the SIA process should be considered and addressed from the earliest phases of project preparation. Where overall project performance also depends on other agencies, coordination should be established as early as possible.

Integrating social considerations in the overall design requires project teams to work closely together, and coordinate the different aspects of planning and implementation. This is an ongoing, iterative process: Based on initial plans and designs for a highway project, potential impact areas should be studied, and local communities and other stakeholders along the proposed alignment consulted. This will provide information about sensitive areas such as cultural heritage sites to be avoided where possible, and how to minimize the need for land acquisition and displacement. This information should then be considered before finalizing engineering designs. Once final designs have been done, a clear mapping of the project's direct impact area can be done, and additional consultations with affected stakeholders can be held regarding support and mitigation mechanisms for those identified as affected. Similarly, in a health project, cultural and spiritual beliefs captured as part of the SIA studies and consultations may influence how primary health care facilities are designed and operated. Understanding women's preferences for organizing their work can improve the design of water and sanitation projects. As construction and implementation take place, additional studies, consultations, and modifications of designs are likely to be needed. Moreover, many impacts and risks do not become apparent until the construction or implementation phase. Construction camps and new roads, for example, may generate commercial sex work and trafficking. The SIA process should therefore be designed in such a manner that it captures issues that may not be apparent during project preparation.



8. Producing and Disclosing Reports and Plans

During the various project stages, there will normally be **discrete milestones and decision points** related to the SIA process. These usually require specific types of **documentation**, much of which is subject to public disclosure. This reflects the nature of the SIA as a process with specific and concrete milestones, deliverables, and types of documentation. There needs to be systematic documentation of the analysis and consultations undertaken, and of the various action plans where relevant. Depending on context and likely project impacts, there may be a need to produce specific plans such as Resettlement Plans, Indigenous Peoples Plans, or Cultural Heritage Management plans. Agencies responsible for planning and implementing projects are generally required to make such information available in draft form through disclosure, to allow for feedback from the public and affected stakeholders before finalizing the documents.



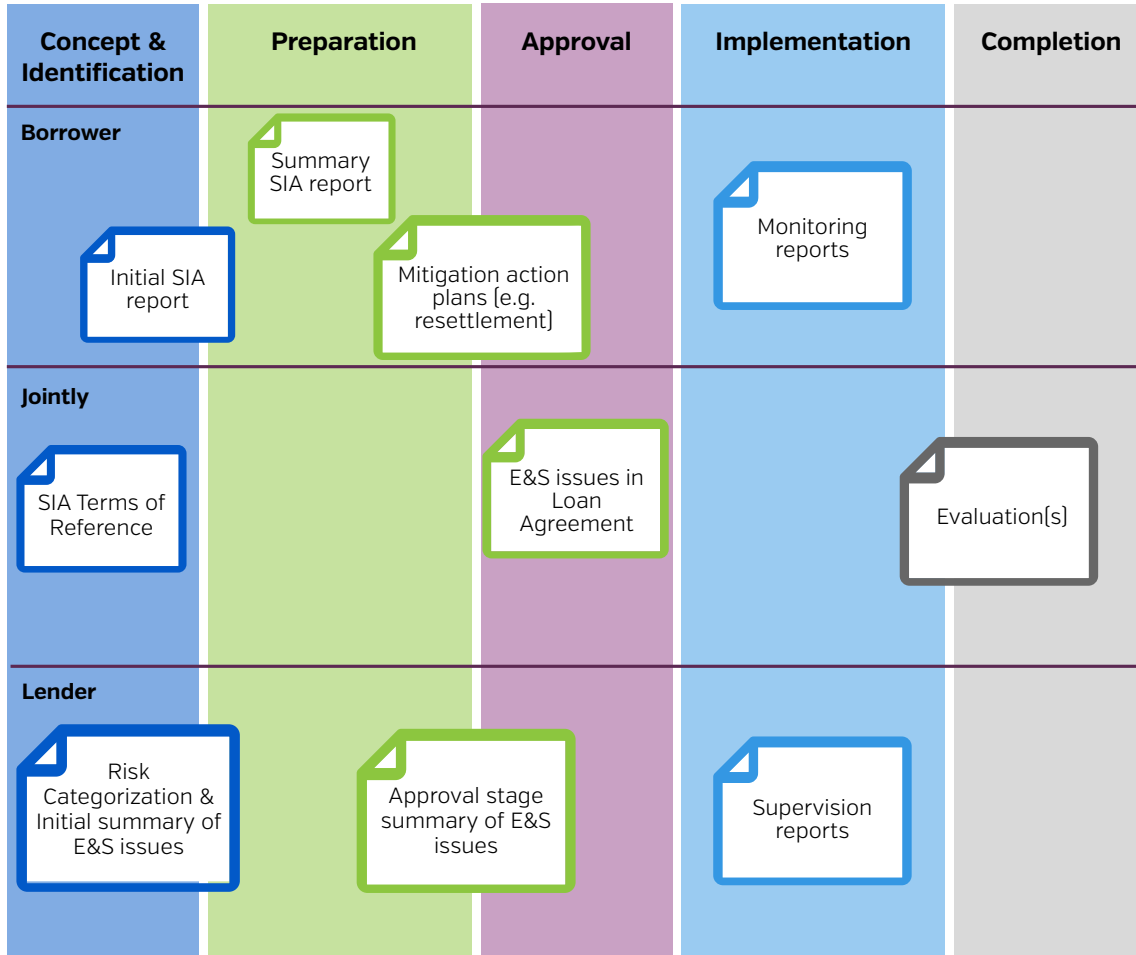
Public disclosure of relevant issues and proposed actions is also generally required for decision-making among IFIs. Disclosure usually takes place at least twice before a project is approved:

1. Following the concept or identification stage, when a decision is taken about a project's likely feasibility and project teams are authorized to proceed with preparation; and
2. Prior to approving a loan to a project, when all relevant information is submitted to management and / or the Board of the IFI.

Disclosure is not limited to the project preparation phase; other documents such as monitoring reports, ongoing feedback and information to affected communities and other stakeholders, may also be disclosed on a regular basis during project implementation.

A simplified version of typical documents expected during the SIA process is shown in the figure below, indicating responsibilities of the borrower, lender, or jointly.

Documents required during a typical SIA process





9. Embedding Social Issues Within the Project Management System

The SIA process should provide the information needed not only to produce studies and reports, but also to ensure that social issues are appropriately managed. Even the best reports and plans are meaningless if they are ignored during implementation. Environmental and social issues should therefore be **embedded in the project's overall management system**.

The recommended approach is to establish a clearly defined environmental and social management system, ESMS, which provides a clear mandate, responsibilities, and resources to implement the project's environmental and social framework and action plans. As discussed earlier, this should include both benefits and development opportunities, and risk management. A model for a risk management system for an organization or institution can be found in ISO 31000 - Risk Management. The figure below shows a simplified management framework with the relationships between leadership, principles, and the risk assessment and management process, informed by ISO 31000.⁷⁵



Assessing performance and capacity related risks and needs for the project makes it important that the SIA process explicitly include an institutional capacity analysis, and that any proposed action plans be subjected to critical review of how feasible the proposed actions are in view of existing and planned institutional setup. If necessary, a structured recruitment and training plan should be put in place.⁷⁶

⁷⁵. Note that the figure is a simplification of ISO 31000 framework.

⁷⁶. Different institutions have developed toolkits and guidelines for institutional assessment; see for example EBRD [2011] Capacity Assessment Tool, and IFC [2015] Environmental and Social Management System Self Assessment and Improvement Guide.

Ensuring integration and coordination of social issues within a project management system is not straightforward. In many cases, the lead agency for a project may not have in-house expertise related to environmental and social issues, or may not give sufficient weight to non-technical considerations. Even where individuals or teams are charged with managing environmental and social issues, their views and inputs may not be given the same importance as financial and technical considerations. The lack of experience and capacity related to environmental and social issues often results in sustainability considerations being given insufficient attention. This is one reason why it is essential that senior management in charge of overall coordination and decisions are sensitive to and familiar with these issues, have agreed on key principles and normative frameworks as discussed earlier, and can balance different views and perspectives.

The environmental and social management system will provide the structure and basis for the project's performance related to environmental and social issues. The resources and efforts allocated to this will depend on project risk and complexity. For projects of moderate, substantial or high risk, this will normally include:

1. A clearly stated **policy or statement of commitment**, with values, principles, objectives and goals that govern environmental and social performance
2. **An organizational structure** to implement environmental and social commitments, including:
 - Budget allocations
 - Staffing, roles, and responsibilities
 - Plans for capacity building and institutional strengthening as needed
 - Coordination and partnership arrangements with other agencies whose cooperation is needed for successful project implementation
3. A description of how the **ESIA process** will continue during project implementation, including application of the risk mitigation hierarchy in coordination with other project components
4. Mechanisms for **ongoing stakeholder engagement and feedback**, including management of the project's Grievance Redress Mechanism
5. How **unexpected events and issues** will be addressed; primarily through:
 - A mechanism for emergency preparedness and response, and
 - Principles of adaptive management; how the project will respond to unforeseen circumstances and new information⁷⁷
6. Mechanisms for **monitoring, review, supervision, and evaluation**

77. See the next section for a discussion of adaptive management.

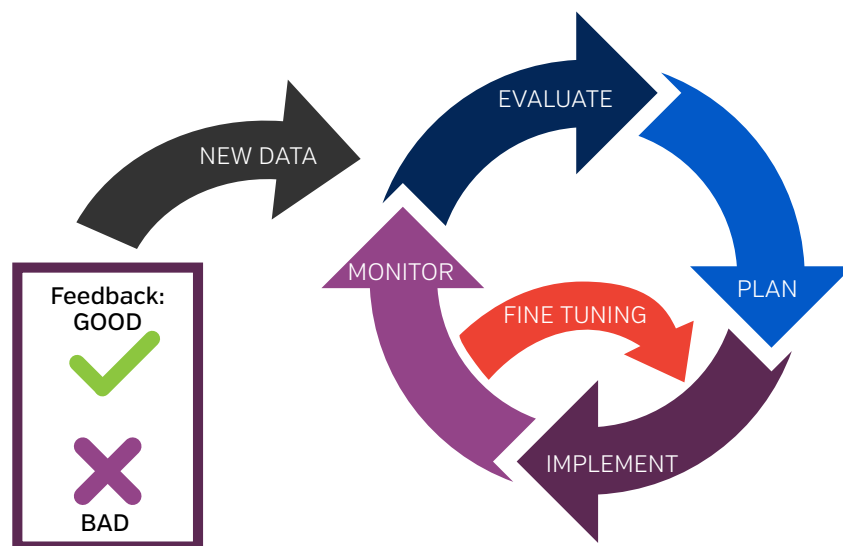


10. Monitoring, Adaptive Management, and Evaluation

A well conducted SIA process enables informed decision-making. It establishes the basis for trust and support from stakeholders, and it captures opportunities and risks that are reflected in robust management systems and action plans. However, having good plans is necessary, but it is not sufficient. Managing social performance does not lend itself to the same “blueprint approach” as for example engineering designs. There will always be unknown variables, including related to people’s behavior and responses to a project. Plans get delayed, circumstances change, opposition arises, and other unanticipated problems occur. **It is therefore important not to confuse plans with outcomes and results.** Rather, plans should be considered as living documents that need to be revised and updated in response to changing circumstances.

A good environmental and social management system can reduce but not eliminate risk. An essential measure of performance is therefore how efficiently and effectively a project responds to unforeseen circumstances. This is done through **adaptive management**, whereby a project establishes a flexible system for learning and adapting. It should be noted that this is not always easy to put in place. In many settings, project officials and staff may not have the authority to make changes to how a project document is to be followed, and “improvisation” may be perceived by them and their superiors as contrary to the rules of how they should work. In some cases, people may be worried about punishment if they do not follow project plans to the letter. It is therefore important to discuss and agree on the need for adaptive management up front, and to explicitly define the parameters for the approach in the project documentation and legal agreement.

An adaptive management approach requires systematic monitoring of the project’s environmental and social performance and results, and ongoing consultations with key stakeholder groups. The indicators used for the monitoring should be based on the project’s baseline data, as discussed in the earlier section on indicators, baseline, and data collection methodology. The indicators used should be objectively verifiable to the extent possible, and may be based on both quantitative and qualitative data.



Monitoring, supervision and evaluation have different purposes, and will generally use different types and levels of indicators, benchmarks, and targets:

- **Monitoring** is part of a management system, and is normally the responsibility of the implementing agency as an ongoing process. It focuses on the social aspects of project activities, and immediate outputs.
- **Supervision** is generally undertaken by the supporting IFI, or local institutions with a responsibility for oversight. It is done on a regular basis, and serves to verify project performance and results.
- **Evaluation** is typically done mid-way through a project's implementation period, and again prior to project completion and closure. It should focus on quality and sustainability of higher level outcomes and impacts, and whether the project has reached its goals. It is typically carried out by evaluators who are independent from the project. It may be commissioned by the responsible agency, the lender, or both in collaboration.

This may be summarized in the table below:

MONITORING, SUPERVISION, AND EVALUATION		
Monitoring	Supervision	Evaluation
Borrower/implementing agency responsibility; may include participatory monitoring and use of independent experts	Lender responsibility	Joint borrower/lender responsibility; use of independent experts recommended
Ongoing as basis for adaptive management	Intermittent	Typically at project mid-term and completion
Focus on inputs and immediate outputs, using Objectively Verifiable Indicators	Focus on performance and results, verification of monitoring	Focus on higher level outcomes, impacts, and sustainability

A monitoring, supervision and evaluation framework should include information about the following:

- Indicators
- Baseline data
- Target data
- Data sources
- Frequency and method of data collection
- Responsibility
- Reporting formats

In many projects, it will be appropriate to involve affected communities and other stakeholders in the monitoring process, through **participatory monitoring**. This can both inform the quality of data and decision-making, and contribute to better understanding and support for the project locally. If participatory monitoring is part of the project, it may be necessary to provide guidance and training to those involved. **Independent, third-party experts** may also be part of a project's monitoring system. A rule of thumb is that the greater the project risk and complexity, the more important it is to involve independent third parties for their advice or involvement in planning and monitoring.

Normally, the project's monitoring and supervision system will produce regular reports. The frequency of reporting will depend on the project's level of risk and complexity. Reports should serve a purpose; they should not be placed on a shelf and forgotten about. There are three typical objectives to producing monitoring and supervision reports, and to analyzing their findings:

1. They should serve as a basis for **decision-making** in the process of adaptive management. Ideally, there should be clear guidelines about which level of the organization or agency involved will need to take action. The principle of **subsidiarity** should be applied, where matters are handled by the smallest, lowest or least centralized competent authority. However, there should be clarity on how matters may need to be **escalated** for information, consultation, or decisions at higher levels of the institution, proportionate to risk and importance.⁷⁸
2. They provide the documentation needed to demonstrate **accountability** to stakeholders.
3. They should serve as a basis for **knowledge and learning**, both at the individual and institutional level. This should involve quality control and feedback mechanisms. In program-oriented projects with multiple phases or sub-projects, or learning by an IFI supporting large numbers of projects, this will include not only learning from each activity or individual project, but also from the aggregate through analyzing trends and more systemic issues.

Section II of this note contains an overview of IDB's requirements, linked with a typical project cycle. It provides guidance to IDB environmental and social specialists, and to other staff in IDB. While this part makes reference to IDB's safeguards policies and approach, it also reflects more general approaches and general issues in the SIA process. The content in Section II may therefore serve as examples that may be modified to fit other institutions' requirements as appropriate.

78. Internal information and decision structures often follow what is known as a RACI matrix, which outlines who is Responsible, who is Accountable, who should be Consulted, and who needs to be Informed.

SECTION TWO:

Social Impact Assessment In Projects Supported by the IDB



PART ONE:

SIA IN IDB PROJECT CYCLE



Overview of SIA Requirements for IDB Operations

Section I of this note summarized key principles and elements of a Social Impact Assessment process, based on international good practice. Section II contains more specific requirements of the Inter-American Development Bank related to the SIA process. This part has been structured in accordance with the IDB policy requirements and procedures, and focuses particularly on IDB's project cycle and document requirements. It is informed by formal requirements as well as comprehensive discussions and feedback received from different parts of the IDB. As discussed in Section I, judgment should still be applied in the SIA process. Project circumstances vary a great deal, and the following sections are not intended to be applied in a mechanical manner or as a rigid blueprint. They aim to provide specific yet flexible guidance to address challenges at different times during project preparation and implementation.

Section II contains two main parts:

- Practical guidance for showing how SIA is embedded in IDB's project cycle; and
- A summary of relevant IDB policies and instruments

The principles and approach described in this note are not new to IDB operations. The 2006 Environment and Safeguards Compliance Policy (OP-703) requires attention to social issues. The policy's chapter B.5, Environmental Assessment requirements, clarifies that the EIA should identify potential significant environmental and social impacts, propose solutions to manage such impacts, and design selected measures that will avoid, mitigate, or compensate for significant negative impacts while enhancing positive ones.

In terms of reporting and documentation of the SIA process, the IDB safeguard policies do not require a stand-alone SIA report. For reporting purposes, social issues are expected to be reflected in the ESIA report.⁷⁹ OP-703, B.5., states that the Environmental and Social Management Plan (ESMP) includes all mitigation and compensation measures, and is an integral part of the EIA report. IDB considers that the social aspects of OP-703 B.5 are fulfilled when the SIA properly assesses the expected social impacts of a project; meaningful consultations with the affected stakeholders have been carried out; and appropriate social mitigation measures are included in the ESMP. The preparation and implementations of those documents are the responsibility of the borrower, and should be documented and archived in a proper manner during the whole process. IDB's environmental and social safeguards specialists in ESG provide technical support to the borrower.

While the general requirements related to assessing and managing social issues through the SIA and ESMP process are described in OP-703, other policies include more specific social requirements:

- OP-710 on Involuntary Resettlement;
- OP-765 on Indigenous Peoples; and
- OP-761 on Gender Equality in Development.

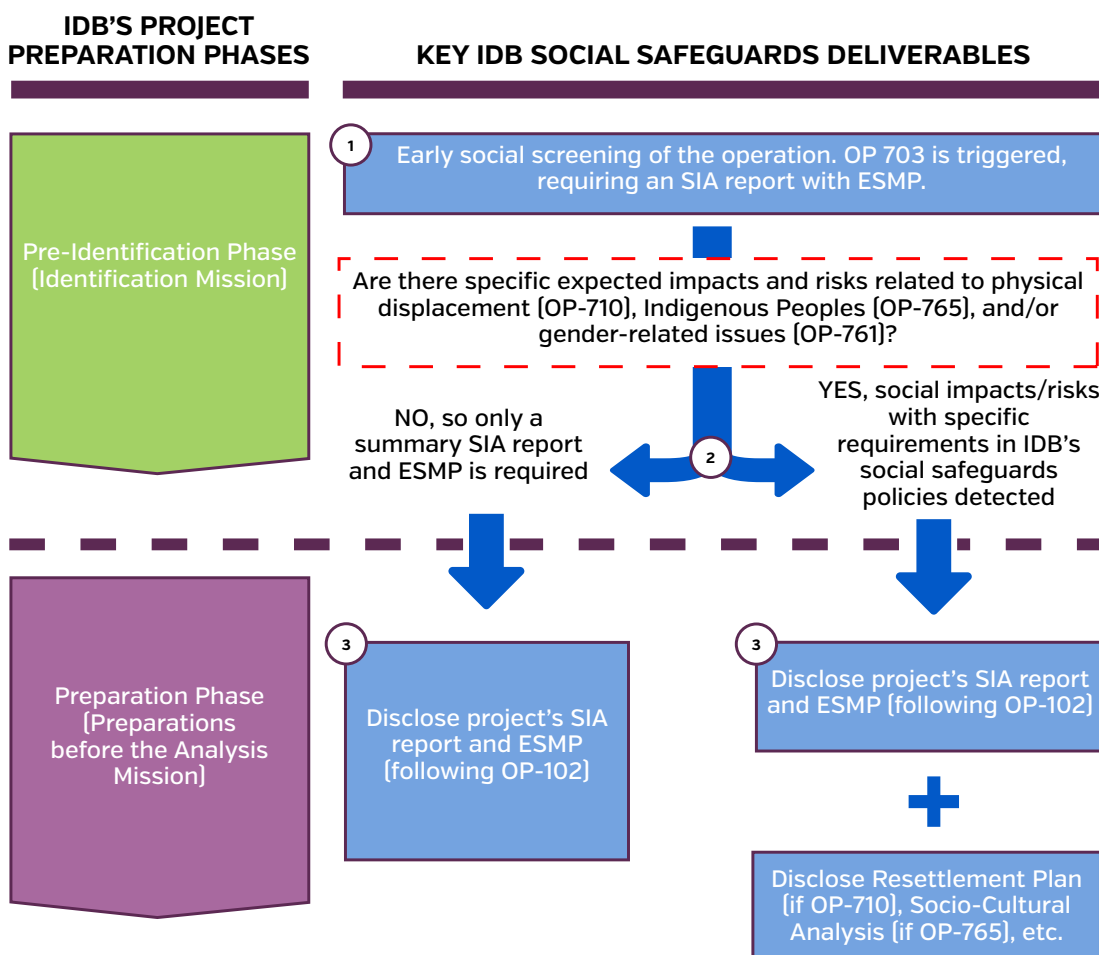
79. See the section on Social Impact Assessment as Part of ESIA, in Section 1.

The various safeguards policies are closely linked, and complement each other. They should be read and applied together. However, they may require different types of activities and documents. Screening and scoping during the early parts of the SIA process should identify whether any of the specific policy requirements are likely to apply in the project. Based on this, specific safeguards instruments may be required within the SIA process. This may include:

1. **Specific studies or assessments:** e.g. Socio-cultural Analysis, if OP-765 has been triggered, or if there are more general social impacts, as described in OP-703;
2. **Plans:** e.g. Resettlement Plan, if OP-710 is triggered; and
3. **Targeted consultations:** e.g. with project-affected women, if OP-761 applies; Indigenous leaders, for OP-765; or affected families of physical displacement, for OP-761.

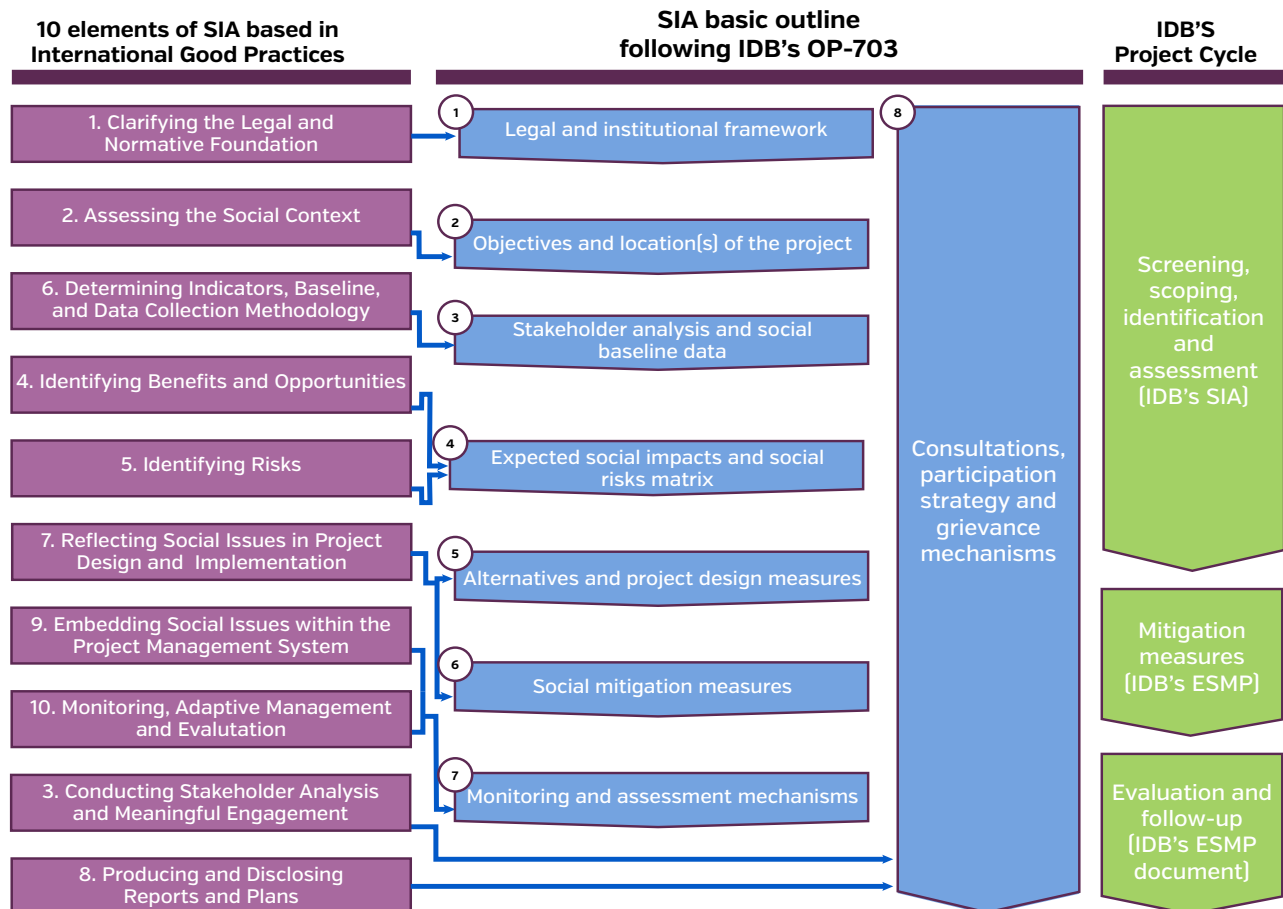
During the project's preparation phase, timing is critical. OP-703 requires that SIA and ESMP documents (plus other relevant social safeguards reports, assessments and plans) are ready and shared with the public early during the project preparation process: "An EIA report must be prepared with its ESMP and disclosed to the public prior to the analysis mission, consistent with the Disclosure of Information Policy" [OP-102].

The diagram below summarizes how the preparation of the SIA and ESMP's documents are linked with other IDB's social safeguard policies, including the preparation of specific documents and the respective documentation and disclosure at early stages of the project cycle:



Reflecting SIA Good Practice in IDB

The ten good practice elements of the SIA process discussed in Part 1 of this note are consistent with IDB's requirements and approach. The diagram below provides a simplified illustration of how the ten SIA elements correspond to different aspects of IDB's SIA requirements in a typical project cycle.⁸⁰



⁸⁰ An outline for an SIA document following IDB's minimum requirements can be found in Appendix B.

Main Steps And Milestones

As discussed earlier, undertaking the SIA process with preparation and implementation of the SIA report, ESMP, meaningful consultation and proper documentation including additional IDB's social safeguards requirements are responsibility of the borrower, with the technical advice and assistance from IDB's project team.⁸¹ There will normally be discrete milestones, decision points and public disclosure requirements related to the SIA process during the various project stages. While the requirements for the borrower and IDB are different, they complement each other. As OP-703 B.5. states, the impact assessment considers the entire project cycle from the design stage to construction, operation and completion.

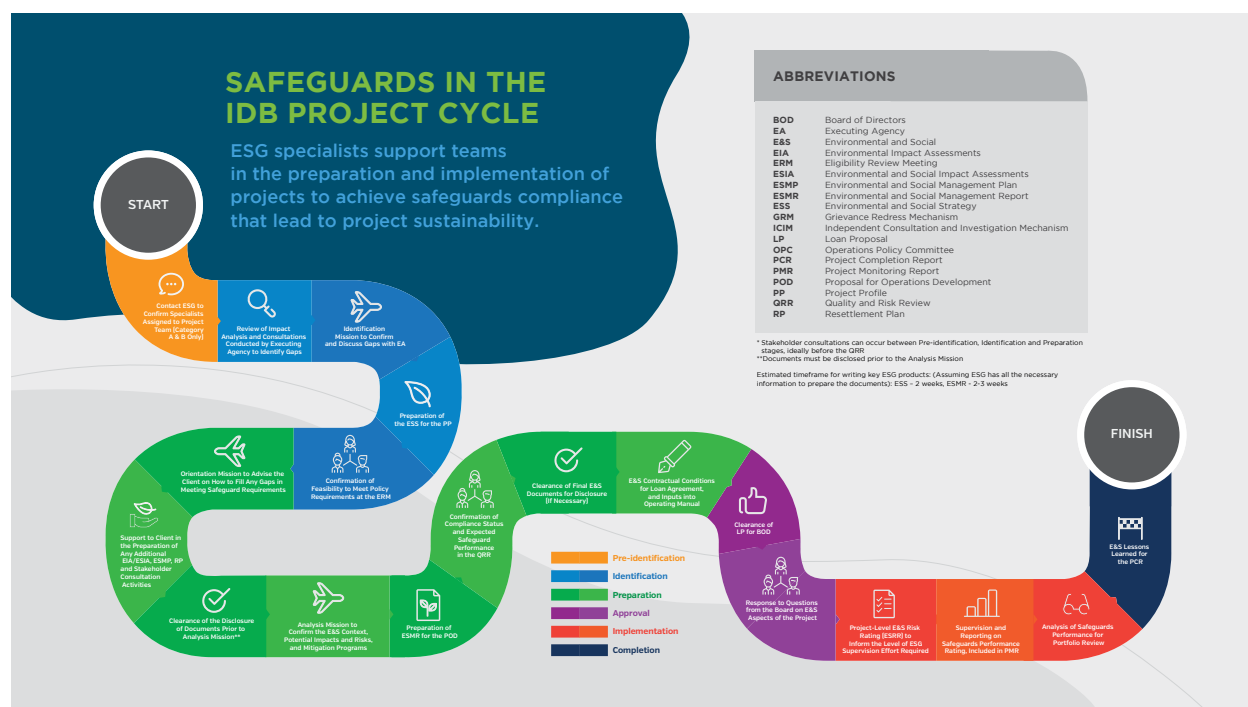
IDB's project cycle includes multiple phases which incorporate the different aspects of the SIA process. This can be summarized as follows:

1. **Pre-Identification and Identification Stages** [Project Profile's Environmental and Social Strategy]: Understand the main social issues of the operation through initial scoping; determine if additional or specific social assessments and plans are required (e.g. Resettlement Plan, Socio-Cultural Analysis, etc. Preparation and finalization of IDB's Environmental and Social Strategy (ESS) to be included in the Project Profile;
2. **Preparation and Approval Stages** [Proposal for Operation Development's Environmental and Social Management Report]: Assess likely social risks and impacts; identify and consult with affected people and other key stakeholders; develop social mitigation measures in the Environmental and Social Management Plan. Provide inputs to the Loan Proposal, finalizing the disclosure of plans; reflect social issues in legal agreements and the project's operation manual. Preparation and finalization of Environmental and Social Management Report (ESMR) for IDB's Proposal for Operation Development;
3. **Implementation Stage** [Supervision Activities]: Implement supervision actions related to social issues; monitor and make corrections as needed;
4. **Completion Stage** [Inputs to the Completion Report and lessons learned]: Project closure, end of project evaluation, identification of lessons learned.



81 See the section on Responsibilities in Section I.

The diagram below shows the main milestones in IDB's safeguards during the different phases of the project cycle:



Throughout these project stages, stakeholder engagement should be undertaken as an ongoing process based on stakeholder analysis and mapping, and including the preparation of a Grievance Redress Mechanism.⁸² While those participatory activities are carried out throughout the lifetime of the project, evidence of meaningful consultation should be included in project documentation prior to approving an IDB project.⁸³

The following sections discuss some of these aspects of the IDB's project cycle in more detail.

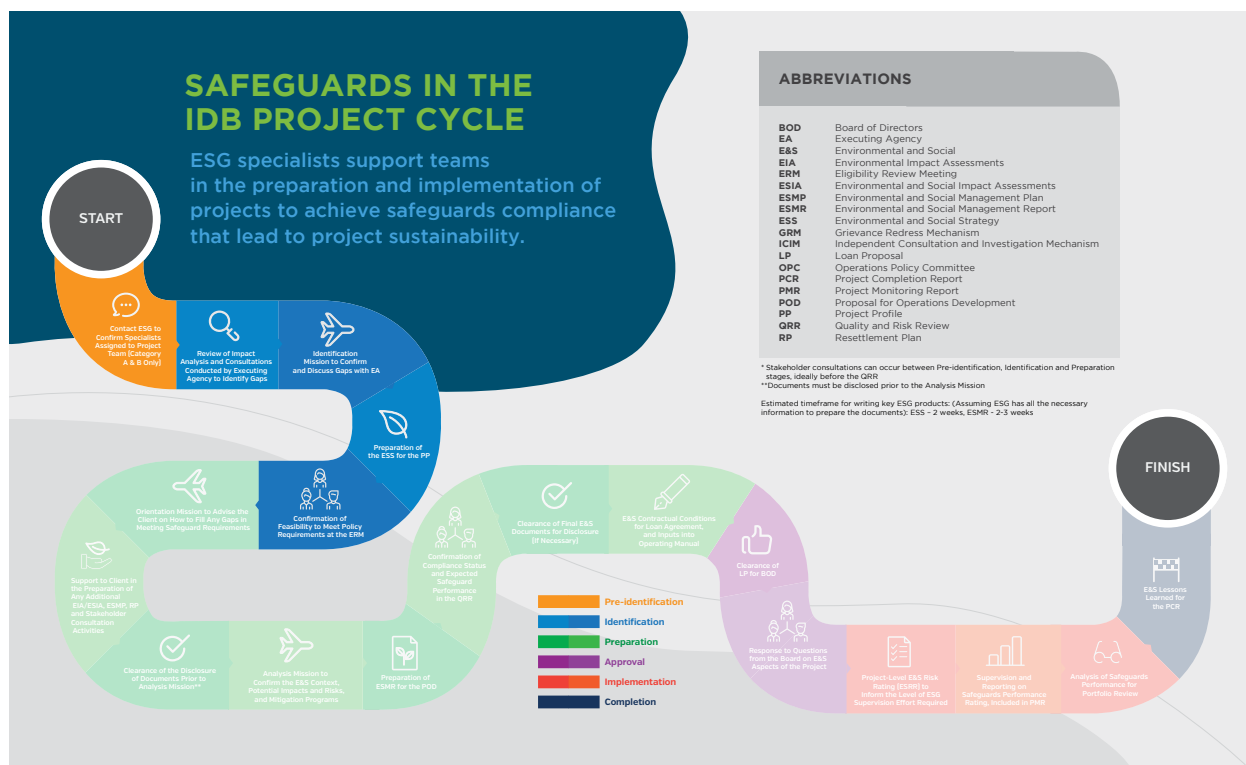
Pre-Identification and Identification Stages: Rapid Assessment

Environmental and social specialists will be assigned to support the borrower in carrying out the SIA process, and the IDB project team will normally carry out one or more project missions including field site visits to assess project feasibility [identification mission]. The SIA process, as part of the ESIA, should start during this early stage, with scoping of what the social issues relevant to the project are likely to be.

As a result of the initial review of information, interviews with the Borrower, field visits and, sometimes, early engagement activities with affected stakeholders, IDB's project team will

82. For a discussion of GRM, see the section in Part 1 on Stakeholder Analysis and Meaningful Engagement.

83. Consultation reports must be publicly disclosed, and their main contents included in the final versions of the operation's ESIA and ESMP, before IDB's Operations Policy Committee [OPC] meets.



prepare the Environmental and Social Strategy (ESS). This will be included as a chapter of the Project Profile. The ESS will be discussed in an internal IDB decision meeting (Eligibility Review Meeting, ERM) to confirm if the project is moving ahead, and it is expected to meet the safeguard policies requirements, including the identification of all required safeguards instruments.

At this early stage, relevant social data may be collected. Information gaps should be detected in order to make the screening and scoping for potential project-related impacts as clear and comprehensive as possible. This will include:

- An early assessment of the likely area of influence of the project;
- Identification of communities and groups that may be affected by the project, including Indigenous Peoples and other vulnerable groups; and
- Initial estimates of potential social risks and benefits related to the project.

IDB's OP-703 clarifies that this "screening process will consider potential negative environmental impacts whether direct, indirect, regional or cumulative in nature, including environmentally related social and cultural impacts, of the operation and of its associated facilities". Additionally, the project team must propose actions to confirm this preliminary assessment of social impacts and risks, and the necessary mitigation measures.

Checklist

Quick Guidance for Social and Environmental Specialists for preparing SIA during Pre-Identification and Identification Stages

- ✓ **Do your homework before the first field visit:** Review previous SIAs done by IDB (or other IFIs/academic institutions/NGOs) in the project area, review legacy issues from previous projects, use mapping tools to check if there are Indigenous lands, protected areas, or risk of involuntary resettlement in the project area;
- ✓ **Early identification of safeguards counterparts:** The Borrower and IDB's project team should work together as a team from the beginning, to enhance the quality of project design and mitigate social impacts and risks as much as possible;
- ✓ **Use both technical evidence and local perceptions:** Meet with key potentially affected stakeholders as soon as possible, to discuss their priorities and concerns, and to verify the quality of the existing technical data. Based on the available data and the consultations, do an initial assessment of the main expected social impacts and risks of the operation. This should include the potential of adverse impacts the project may cause or contribute to, as well as contextual risks and risks related to performance and capacity.

If it is determined that the project may cause adverse impacts, agreement should be reached at this stage about how to structure the SIA process going forward, including any specialized studies and required mitigation plans. For example, if physical displacement of residences cannot be avoided, IDB's OP-710 on "Involuntary Resettlement" will be triggered, and a Resettlement Plan should be prepared, consulted on, and disclosed during project preparation and prior to OPC. If Indigenous communities could be affected by the project activities, IDB's OP-765 on Indigenous Peoples will be triggered. In that case, a Socio-Cultural Analysis should be prepared early on, to establish possible actions to avoid, reduce or mitigate the expected significant negative socio-cultural impacts.

The scoping may be based on existing data sources and work done earlier, since it is unlikely there will be much time for in-depth field work or primary data collection at this stage. The content of the SIA may also be informed by existing partnerships between the borrower and the IDB, for example as part of an overall strategy of support to projects in a country, where some general priorities may have been pre-identified before specific projects have been discussed. Having a clear technical counterpart for social aspects at the borrower side is essential, since the borrower is responsible for undertaking the SIA process, and integrating findings into project design and implementation. Experience have shown that early involvement of local social specialists in the SIA is a key success element for the entire process.

The table below summarizes typical aspects of the SIA process in the first stages of IDB's project cycle.

SIA IN THE PROJECT PRE-IDENTIFICATION AND IDENTIFICATION STAGES		
<ul style="list-style-type: none"> • This summary reflects a standard screening and scoping process of social impacts and risks applicable when IDB is considering funding to a project. See also Section II.2, for an overview of IDB policy requirements. • The likely scope and approach of the SIA will be determined during the project's pre-identification and identification stages. Work related to most of the SIA elements discussed in Section I will be initiated now, but a large part of the work will be done during the Preparation and Implementation phases. • If additional specialized studies are required, preparations should start at this stage: e.g. Terms of Reference for a Resettlement Plan if IDB's OP-710 has been triggered, or a Socio-Cultural Analysis if OP-765 is triggered. • Data sources at this stage will mainly be existing, secondary data sources. A determination will be made of issues to be studied and consulted on further during the next phases of the SIA. This will be based on initial analysis of the nature of the project, context, risks and opportunities, and stakeholders, doing a gap analysis between existing data and information, and identifying any need for additional information. • Establishing clear technical counterpart[s] responsible for social aspects on the borrower's side is highly recommended at this early stage. 		
Main Steps	Borrower / Implementing Agency Responsibility	IDB Responsibility
1. Objectives and location of the project, including early screening and scoping of affected peoples	Joint responsibility before and after the Identification Mission. Initial review of relevant project's data and local social information, internal screening interviews between the Borrower and IDB's project team, field visits and, sometimes, early engagement activities with affected stakeholders.	
2. Agreement on Legal, Normative and Policy Foundation	Joint responsibility, reflecting both borrower and IDB's priorities and requirements on environmental and social safeguard standards.	
3. Rapid assessment or scoping of social issues	May be done jointly. Capture and document key issues for decisions about project eligibility for preparation and potential funding. IDB to advise and assist as needed, and verify quality and relevance of borrower's initial assessment of social issues.	

Main Steps		Borrower / Implementing Agency Responsibility	IDB Responsibility
4.	Documentation for review meeting (IDB: Environmental and Social Strategy, ESS)		<p>IDB, with the support of the Borrower, prepares the Environmental and Social Strategy (ESS) for IDB's Eligibility Review Meeting (ERM), which summarizes (i) the preliminary assessment of the potential key direct, indirect, regional or cumulative environmental and environmentally related social and cultural impacts and/or risk of the operation and of its associated facilities if relevant; (ii) the information gaps and strategy for analysis and management of environmental and social impacts and risks (i.e. actions the project proposes to take to confirm the preliminary assessment of impacts and risks, and the necessary mitigation/monitoring measures)</p> <p>The ESS will clarify if additional specific studies are required, besides the SIA, such as Resettlement Plans, Socio-Cultural Analysis, etc.</p>
5.	Terms of Reference (TOR) for Preparation Phase (if additional SIA work is needed beyond initial rapid assessment)	<p>TOR to be prepared if the initial scoping/assessment determines there is a need to continue with more systematic SIA (most of the times integrated in an ESIA). In principle, the borrower should prepare TOR. In practice, this may be done jointly, or as an exception prepared by the IDB's project team. Builds on initial scoping; outlines planned analysis, consultation process, and project planning during the period up to and including project approval. Should identify required studies, reports and plans that will be needed prior to project approval.</p>	

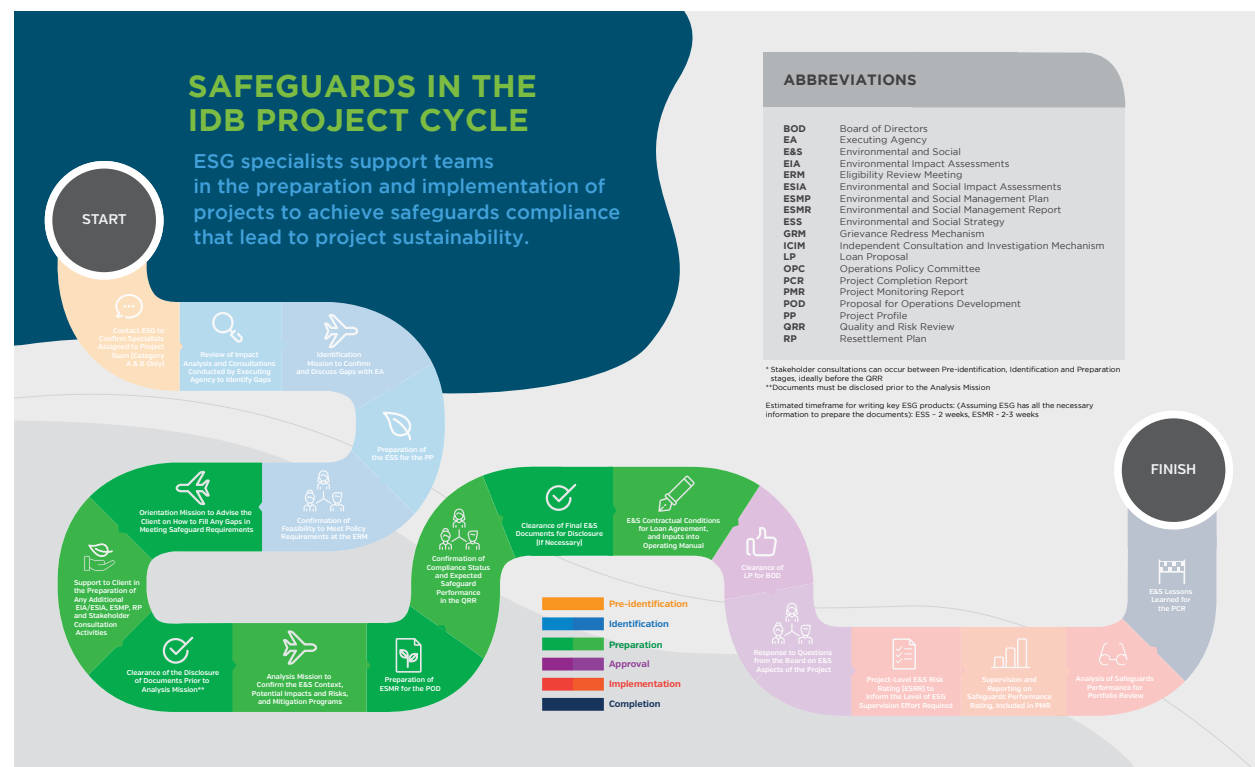
Questions that should be answered and confirmed as minimum requirements for an initial scoping of social issues during the pre-identification and identification stages of an IDB project include:

Checklist

- ✓ Have the potential affected groups been identified?
- ✓ Has an assessment been made of potential impacts to affected groups? Which are the current main social information gaps?
- ✓ Are the potential risks likely to be of low impact or severity?
- ✓ Is it likely that potential risks will involve resettlement, Indigenous Peoples, or other vulnerable groups? Any of them requires additional specific assessments and plans (i.e. Resettlement Plan, Socio-cultural Analysis, etc)?
- ✓ Is there a technical counterpart for social aspects at the Borrower side?
- ✓ Is there transparent access to information and ongoing opportunities for concerned stakeholders to engage with the project?

Project Preparation and Approval Stages

At this critical stage of the project design, the borrower with the support of IDB's project team must ensure that SIA summary document clearly reports the main impacts and risks, and the respective mitigation measures that will be integrated as part of the Environmental and Social Management Plan [ESMP]. The SIA report should include documentation of meaningful consultations. It should be publicly disclosed, at the appropriate time.⁸⁴ At this time, the ESMR must be finalized and included in the POD.⁸⁵



84. IDB's OP-703 B6 requires, at least, for Category A operations two rounds of meaningful consultations with affected and interested stakeholders and, for Category B operations, one round with affected stakeholders. Additional requirements on participation are required when IDB's OP-710 on Involuntary Resettlement, or OP-765 on Indigenous Peoples, are triggered.

85. For IDB, the preparation phase normally ends with submission of a proposal with relevant documentation for formal approval by the institution's Board of Directors, including the Environmental and Social Management Report [ESMR] as part of the Proposal for Operation Development [POD].

IDB's project team undertakes an analysis mission before project approval. Before this mission, the following key questions must be clearly answered:

Checklist

- ✓ Has the social, legal and institutional framework been analyzed, including potential gaps between the borrower's and IDB's requirements?
- ✓ Are the stakeholder map and social baseline data of the SIA adequate based on relevant primary and secondary data? Do they reflect the project's location and impact area?
- ✓ Have the expected social impacts and social risks matrix been properly analyzed? This should include direct, indirect, and cumulative impacts, as well as contextual and performance-related risks. Risks of a permanent as well as permanent nature should be analyzed, during the construction, operation and closing phases?
- ✓ Once the risk mitigation hierarchy has been applied, have social mitigation measures been clearly defined, including responsibilities, costs and timing?
- ✓ Have the results of meaningful public consultations have been included in the final version of the preparation-stage SIA report and any required mitigation action plans?

The expectation is that the findings from the analytical and participatory parts of the SIA process should be operationalized and managed, by reflecting them in project designs and implementation. This may for example be done by modifying physical designs to enhance benefits and avoid or minimize risk. Residual risk needs to be managed through specific plans for offsets or compensation, for example through additional transit and pedestrian information and safety measures in the case of changes in the traffic patterns during the construction phase; compensation for lost land for the right-of-way in case of a new transmission line; or specific mitigation measures for avoiding and addressing gender-based risks (e.g. risks that the project may introduce unequal access to economic opportunities and benefits).

IDB requires [OP-703, B.5.] that an Environmental and Social Management Plan (ESMP) is prepared for the project's implementation phase. This should be based on the main social impacts and risks identified through the SIA process during the project preparation. The ESMP must have adequate resources and staffing, and clearly designated responsibilities for different actions. In accordance with IDB's Access to Information Policy [OP-102], key environmental and social documents need to be disclosed and updated to reflect feedback from stakeholders before they are finalized. The borrower, with the support of IDB's team, has to ensure that relevant project information will reach the affected stakeholders, taking into account aspects such as language, literacy, and access to internet. This may mean that special arrangements will have to be made to provide access to people with limited or no access to the Internet, or that documents may have to be translated into local Indigenous languages.

Quick guidance for issues to address in the SIA during IDB's Project Preparation and Approval Stages

- Clarify, if besides a SIA report [OP-703], other **safeguard** instruments [related to OP-710, OP-765 or OP-761] should be finalized before the analysis mission. Based on an initial assessment of the existing information gaps and local institutional capacities on social safeguards, review carefully and ensure that all the documents have been finalized and disclosed on time with the required quality. In some specific cases where additional support from external social consultants are required, Terms of Reference might be necessary.
- **Meaningful consultations.** Stakeholder engagement undertaken by the borrower and meeting IDB's standards should be undertaken as an ongoing process during the entire project cycle. Make sure that the borrower and IDB's project team are on the same page when talking about consultations.
- Ensure that social impacts, risks and mitigation measures are reflected in **operational language and concrete commitments**. Clear and logical consistency is needed between the impacts summarized in the SIA report, and mitigation measures included in the ESMP. This should include clear costing and responsibilities. A high quality ESMR should be prepared, confirming that all social and environmental requirements are met. Social conditions should be included in the Loan Agreement, and relevant actions related to social issues should be reflected in the project's Operating Manual.

Once all the previous documents are delivered and meaningful consultations have been carried out, IDB's project team should summarize its main conclusions and recommendations in the Environment and Social Management Report (ESMR). This document is an integral part of the Proposal for Operation Development (POD), which is discussed internally at IDB's Quality and Risk Review (QRR) meeting. Based on the contents of the ESMR, the Borrower and IDB will agree on the specific environmental and social conditions to be included in the final version of the Loan Agreement before project approval. At this stage, it may also be appropriate to formalize agreements with communities on development opportunities and benefit sharing.

It is important to recognize that project teams both on the borrower's and IDB's side may face tight deadlines when it comes to preparing a project, and to bring the necessary documentation to the formal decision meeting of the IDB Board of Directors. The preparation phase is therefore a period where good coordination and communication between the SIA process and related aspects of project planning and documentation (such as a Resettlement Plan if needed, or a Socio-cultural Analysis). This includes coordination with environmental, technical, and other aspects of the project preparation. Consideration may be given to sequencing elements of the SIA, so they can be undertaken during project implementation. This may apply to aspects of the SIA process that are not necessary conditions for project approval, subject to procedural requirements of the borrower and IDB.

Some typical aspects of the SIA process during IDB's project preparation and approval stages are summarized in the table below.

SIA IN THE PROJECT PREPARATION AND APPROVAL STAGES			
<p>During the project preparation stage, more in-depth studies and consultations will be undertaken, assessing benefits and risks disaggregated by stakeholder group, and continuing with the consultation process.</p> <ul style="list-style-type: none"> • A key aspect of this stage is to ensure that project designs and implementation plans are modified to maximize social benefits, and avoid or minimize potential adverse impacts. • If required, specific assessments and plans should be completed, such as Resettlement Plans (if IDB's OP-710 is triggered) and Socio-cultural Analysis (if OP-765 is triggered). • The Environmental and Social Management Report (ESMR) is an internal IDB document, designed to integrate attention to social issues during implementation. It is based on the social impacts and risks identified during the preparation stage. • Reports and action plans are public disclosed before IDB's analysis mission. • The main outcomes of meaningful consultations should be included in the final versions of the SIA summary report and mitigation plans (ESMP), before the project's approval. • The project management system is designed to integrate attention to social issues during implementation. • Social issues are reflected in formal agreements such as loan documents during the approval stage. 			
Main Steps (Continued From Previous Stage)		Borrower / Implementing Agency Responsibility	IDB's Responsibility
6.	IDB's Project Classification	-	IDB's project team determines an initial environmental and social impact categorization of the operation (it will be updated during the project's cycle), which will determine some relevant issues about the SIA process like the number of meaningful consultations required or the timing for the public disclosure of the assessment documents. ⁸⁶

86. Following IDB's OP-703 B3, Category "A" operations are likely to cause significant negative environmental and associated social impacts, or have profound implications affecting natural resources. Category "B" operations are likely to cause mostly local and short-term negative environmental and associated social impacts for which effective mitigation measures are readily available.

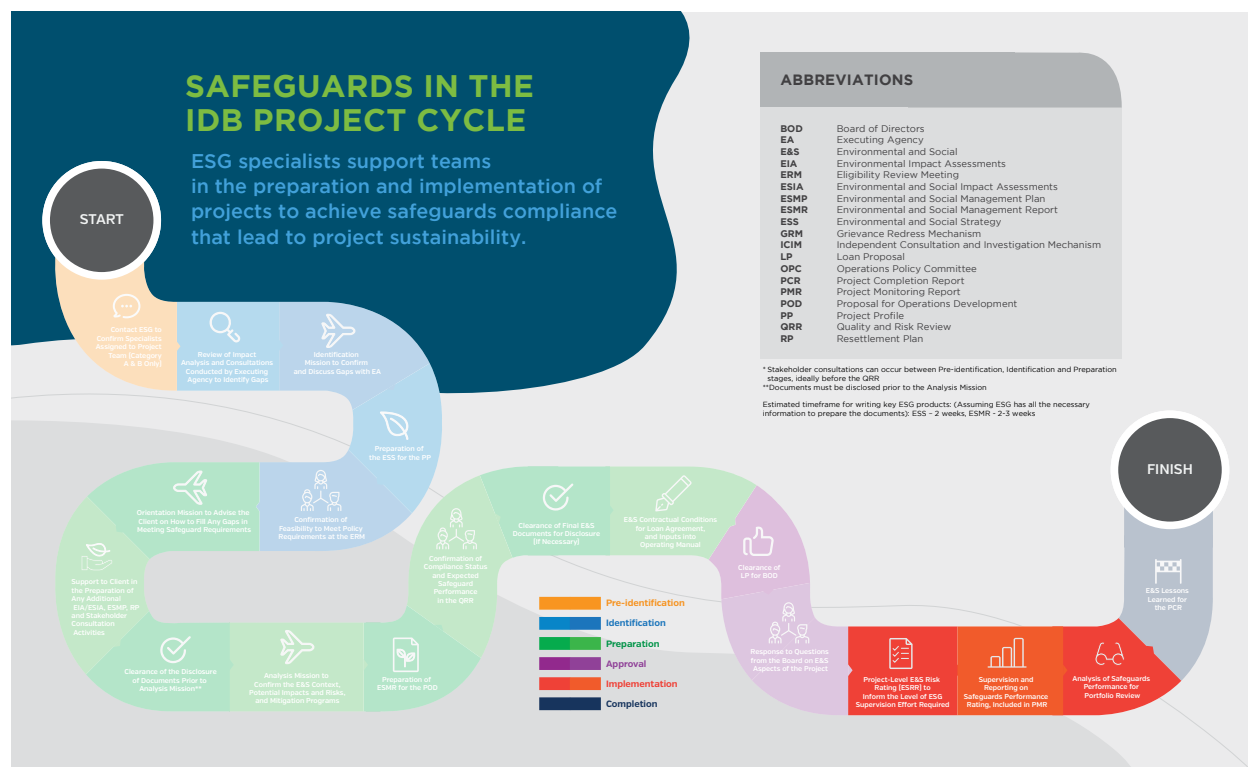
Main Steps (continued from previous stage)		Borrower / Implementing Agency Responsibility	IDB's Responsibility
7. & 8.	Preparation and Public Disclosure of SIA report and Environmental and Social Management Plan (ESMP)	<p>Prepare report(s), including of meaningful consultation(s) with affected stakeholders</p> <p>Prepare (if necessary) related studies and plans: e.g. Resettlement Plan, Indigenous Plan</p> <p>Public disclosure of the documents before the analysis mission in format, language and locations accessible to stakeholder groups. Incorporation of stakeholder feedback in final versions.</p>	<p>Advise, assist as needed. Verify quality and relevance of report(s), provide feedback on drafts to SIA report, ESMP and related studies. IDB will make sure that the final versions of the documents include, at least, the following: (a) a presentation of the key direct and indirect social impacts and risks of the proposed operation; including socio-cultural impacts and contextual risks; (b) the design of the proposed social measures to avoid, minimize, compensate and/or mitigate the key direct and indirect impacts and risks; the institutional responsibilities; (c) the meaningful consultation and participation plan agreed for the operation; and (d) the framework for the monitoring of social impacts and risks throughout the execution of the operation, including clearly defined indicators, monitoring schedules, responsibilities and costs.</p> <p>Public disclosure of the documents [SIA, ESMP and, if necessary, others related studies] required before the analysis mission, usually through website.</p> <p>Incorporation of stakeholder feedback in final versions</p>
9.	IDB's preparation of the Environmental and Social Management Report (ESMR)⁸⁷ for IDB's Quality and Risk Review (QRR) meeting	-	<p>IDB, with the support of the Borrower, prepares the Environmental and Social Management Report (ESMR) for the IDB's Quality and Risk Review (QRR) meeting. This document summarizes the main findings of the SIA report, Mitigation Action Plans, Consultations Reports and other related studies (i.e. Resettlement Plan, Indigenous Plan)</p>
10.	Environmental and social conditions and inputs in Loan Agreement and Operation Manual	<p>Joint preparation and agreement on loan documents, stipulating environmental and social contractual conditions for project implementation, referring to plan(s), framework(s), and other relevant documentation. Joint responsibility and agreement between borrower and IDB. Inputs and integration of social issues into project Operations Manual where appropriate.</p>	

87. IDB requires that the Environmental and Social Management Report (ESMR) is made available to the public with the Loan Proposal.

Project Implementation Stage

Once a project is approved, it enters into the implementation stage. The length of the implementation stage will vary, but projects supported by IDB typically have a life-span of four to six years. Complex projects may require more time.

IDB typically supports the construction or expansion of major infrastructure, such as an urban transport project.⁸⁸ Ongoing operation, maintenance and management of the infrastructure will normally be done as part of the recurring budget and management of the responsible agencies, generally without further support from IDB.



The transition period between when a project is approved and when it enters into full effectiveness may pose risks of discontinuity in decision making, particularly when there is turnover in political leadership and administrations, or when the project team responsible for implementing the project is different from the team that prepared it. From the perspective of the SIA with its accompanying action plans and frameworks, it is important to be aware of such risks, and to ensure that momentum is not lost during this period, and that the resources and organizational capacity to implement the project's risk management system are put in place. There should be good documentation and document management, especially related to all agreements reached. The risk of discontinuity or delayed effectiveness in managing environmental and social issues may be particularly high when safeguards policies or other requirements from IDB are broader or more demanding than national law and practice.⁸⁹ New

88. Construction of built infrastructure such as roads, power plants, and port expansion are frequently referred to as either "greenfield" (construction of new infrastructure facilities) or "brownfield" (expansion or upgrading of existing facilities).

89. See Section I on Clarifying the Legal and Normative Foundation. Differences between international and national standards are not just in relation to environmental and social policies and standards. They may also exist in requirements for financial management, procurement, and technical standards.

people in leadership positions may not have been part of negotiating and agreeing on the project's policy principles. If IDB requirements are more demanding than national standards [for example for Involuntary Resettlement], project officials frequently worry that they may be held liable for going against the national law, or incurring greater expenditures than authorized. There is often a need for renewed dialogue around these issues, and for IDB to provide training and capacity building during this early part of the project implementation stage.

During the project implementation stage, the action plans prepared as part of the SIA process will be implemented. Good practice involves having a practical management system [included in the Environmental and Social Management Plan] that sequences and coordinates different project activities, for example by ensuring that civil works do not start in a location before affected populations have been consulted, assisted appropriately, and compensated for lost assets prior to economic displacement where relevant.

The borrower prepares periodic [depending on the Loan Agreement conditions] Execution Reports for the entire project. These reports should be properly filed in the project document management system. The relevant documents should include a specific chapter about the implementation of environmental and social commitments. Additionally, IDB undertakes periodic safeguard supervision visits, to review compliance with its policies. Supervision reports are prepared by the IDB specialist, and approved by management and disclosed internally in Convergence.⁹⁰ The supervision reviews implementation of the project's ESMR, and ensures that environmental and social clauses of the Loan Agreement and Operation Manual are met. In case partial compliance or non-compliance, an Action Plan is agreed on for the borrower to implement.

During the course of implementation, it is essential to have a system of adaptive management.⁹¹ Social issues need to be monitored, additional studies may be required, and stakeholders should be consulted and provided feedback on a regular basis. The project's Grievance Redress Mechanism should be easily accessible to all concerned, and inputs from stakeholders as well as from ongoing monitoring should be taken into consideration. If necessary, adjustments to project design and other components should be made on an ongoing basis.

90. Convergence is the IDB document management system.

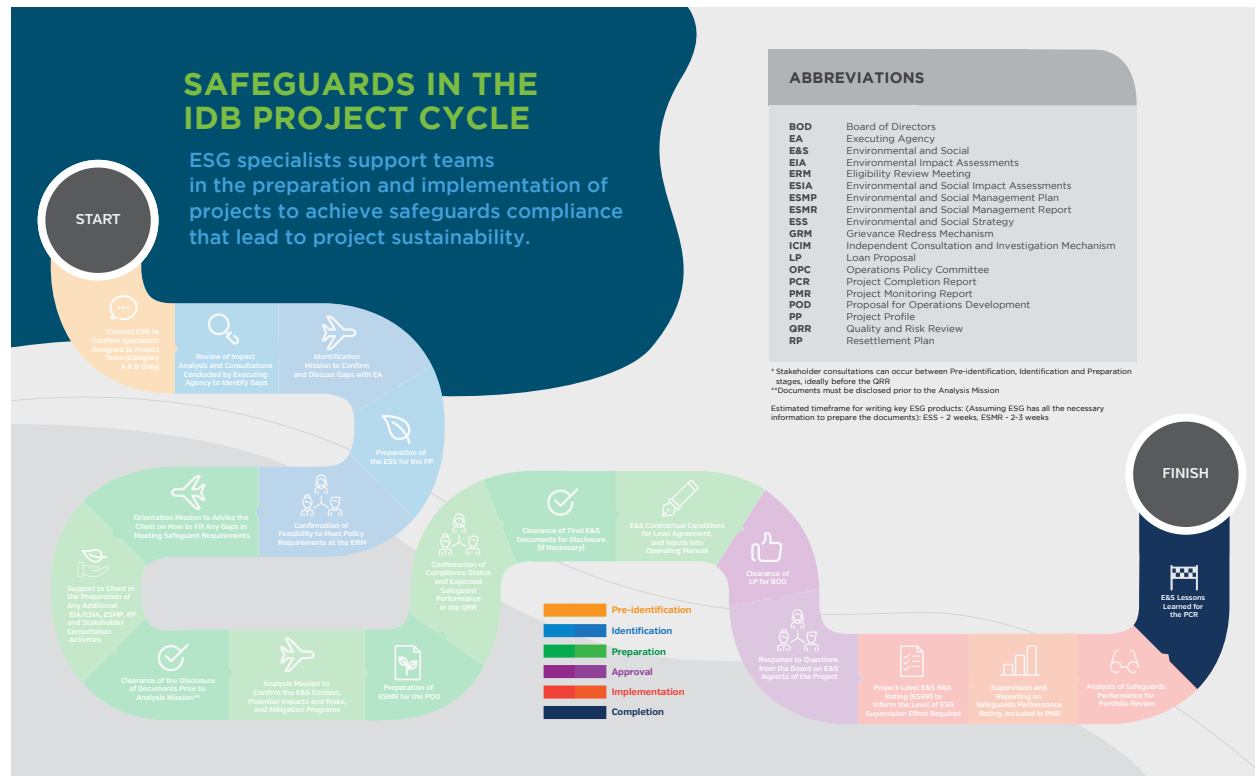
91. See the section in Section 1 on Monitoring, Adaptive Management, and Evaluation.

The table below summarizes some aspects of the SIA process as it relates to the IDB's project implementation stage.

SIA IN THE PROJECT IMPLEMENTATION STAGE			
<ul style="list-style-type: none"> Implementation of SIA, ESMP, ESMR and environmental and social components of the Loan Agreement within overall management system, including mitigation measures included in the Operation Manual. May include updated plans and readiness evidence prior to project effectiveness or disbursement. Updating of analytical work and continued stakeholder engagement and feedback, including information disclosure. Monitoring, adjustments to implementation as needed (adaptive management); independent evaluation(s) as agreed. 			
Main Steps (continued from preparation and approval stages)		Borrower / Implementing Agency Responsibility	IDB Responsibility
11.	Implementation and updating as needed of social mitigation measures throughout project execution phase.	Coordination and implementation, preparation of additional studies, manuals and new and updated plans as needed.	Advise and assist as needed, including support to training and capacity building where required. May include review of readiness for effectiveness. Regular supervision to verify inputs, outputs, results, overall project performance including Implementing Agency capacity for implementing the social safeguards instruments.
12.	Ongoing stakeholder engagement and feedback, including information disclosure	Consultations and feedback, including management of transparent Grievance Redress Mechanism(s). Obtaining agreement / consent where required.	Based on the approved consultation plan, advise and assist as needed. Regular supervision to verify quality of stakeholder engagement, degree of support or opposition to project. Public disclosure of the new/ updated relevant documents (Consultation Reports, updated versions of the SIA, etc).
13.	Safeguards supervision and adaptive management	Monitoring of social issues within overall project management system. Borrower prepares periodic (depending on the Loan Agreement condition) Execution Reports for the entire project. It includes a specific chapter about the implementation of its environmental and social aspects Adaptive management; responsiveness to changes, delays, unforeseen circumstances. Updating of action plan(s) and framework(s) as needed.	Advise and assist as needed. Reflect monitoring reports in supervision; verify content and quality, and management performance. IDB does periodic safeguard supervision visits to review compliance with its the policies. Supervision report is prepared by the specialist, approved by management, and disclosed internally in Convergence.
14.	Independent evaluation(s)	Joint responsibility: Commissioning of independent evaluation(s), focusing on project outcomes and likely impacts. Typically done at least twice: Mid-way through implementation, and in preparation of project completion and closing.	

Project Completion Stage

It is important to plan for proper completion of a project. Frequently, the end of what has been defined as a project is really a transition, such as from the construction of new infrastructure (which may take a few years) to operation of the infrastructure (which may go on for decades).



In many cases, local communities have gained benefits from a project, for example employment during a construction phase, or through provision of services. Many projects use a large workforce during construction, which may often be recruited among unskilled and semi-skilled laborers. However, operations of the infrastructure generally require a much smaller workforce of more skilled laborers. In closing a project, impacts on stakeholders should therefore be considered and consulted on, and appropriate transition plans drawn up with clear responsibilities. This will include completing all aspects of a resettlement plan, and ensuring that grievances submitted to the project's Grievance Redress Mechanism have been addressed.

IDB prepares Project Completion Reports. In this report, lessons learned from the SIA process and application of social safeguards should be reflected, to inform design and implementation of future projects.

A summary of some SIA related aspects during the project completion stage is provided in the table below.

SIA IN THE PROJECT COMPLETION STAGE			
<ul style="list-style-type: none"> Consider changes in workforce [e.g. reduction of need for laborers as project shifts from construction to operation], community impacts, changes in access to benefits and services, transition of responsibility [e.g. from project to local authorities], and impacts on communities. Closure may entail dramatic changes, and should be consulted with local communities and other stakeholders. Consider for example site rehabilitation, community involvement in longer term environmental management, etc. Consider whether additional support may be needed to mitigate adverse impacts beyond project closing, e.g. livelihood restoration in cases of involuntary resettlement, which may take a long time to achieve. Confirm that grievances have been appropriately addressed, and that project outcomes have been documented and communicated. 			
Main Steps (continued from project implementation stage)		Borrower / Implementing Agency Responsibility	IDB Responsibility
15.	Consultation on closure with affected stakeholders	Undertake consultations.	Advise and assist as needed. Verify quality and transparency of process.
16.	Plan(s) for transition and closure	Prepare plan, incorporating consultation feedback.	Advise and assist as needed. Verify quality and relevance of plan(s).
17.	Orderly transition and transfer of responsibilities as needed	Handover and support to relevant agencies and authorities during transition and closure.	Advise and assist as needed. Verify content and quality, and viability of future arrangements including community benefits, employment opportunities, and risk management if needed.
18.	Implementation Completion Report	As required.	As required.

PART TWO:

IDB SOCIAL SAFEGUARDS AND INSTRUMENTS



The content of this section refers primarily to the main social safeguards instruments IDB requires under OP-710, OP-765, and OP-761. They are included here to provide guidance to IDB environmental and social specialists, and to other staff in IDB.

Involuntary Resettlement Operational Policy (OP-710)

The guiding principles for policy compliance with IDB safeguards policies are: stricter standards can be applied in relation to what a policy determines, but not the other way around. Under the current policy language in OP-710, the policy applies to situations involving physical displacement.⁹² However, other changes in land use or access to resources causing economic displacement without requiring physical relocation are also covered by the IDB policies: According to OP-703, directive B.5, potential impacts must be properly evaluated and mitigated and managed. In such cases, a standalone Compensation and Livelihood Restoration Plan (CLRP) might be the most adequate instrument.

In cases of physical displacement, the IDB Operational Policy on Involuntary Resettlement and accompanying Principles and Guidelines define the instruments to be used in cases where operations supported by the IDB physically displace people. This policy covers any involuntary physical displacement caused by an IDB project.

Attention must be given to socio-cultural considerations, such as the cultural or religious significance of the land, the vulnerability of the affected population, and the availability of in-kind replacement for assets, especially when they have important intangible implications.

GUIDANCE TABLE ⁹³		
	OP-710	OP-703
Physical Displacement	Resettlement Plan {RP}	
Economic Displacement (including loss of livelihood) that potentially leads to Physical Displacement	Resettlement Plan {RP}	
Loss of income (not land-based activities, even if location-based) including Expropriation of immovable assets - when not under 1 or 2		Compensation and Livelihood Restoration Plan (CLRP)

92. Among IFIs, resettlement is generally defined more broadly within their resettlement policies as covering both physical and economic displacement. For a more general discussion of issues related to resettlement, see the section on resettlement in Appendix A, Social Risk Factors.

93. In projects where the borrower uses expropriation as the means to acquire land or structures for public benefit, the valuation guidelines in OP-710 related to covering replacement value and transaction costs should also be applied under OP-703, as part of a compensation and livelihood restoration plan.

In IDB-supported projects in which borrowers use expropriation as the means to acquire land or structures for public benefit, OP 710 valuations guidelines (replacement and transactional cost) should be applied also under OP 703. This should be part of the compensation and livelihood restoration plan.

Relevant definitions for the situations highlighted above are:

- **Physical Displacement.** Involuntary resettlement of people affecting their residence and requiring physical relocation.
- **Displacement of land-based economic activity.** Significant displacement of economic activity by land acquisition or by limitations of land use that eventually will cause physical displacement of people.
- **Loss of income/loss of livelihood.** Includes temporary or permanent, absolute or partial when it is not directly related to land take for project implementation, even if location-based. Loss of other immovable assets. Could include land belonging to a person but not used for economic activity or place of residence.

When OP-710 applies in an IDBs operation, the essential components of a Preliminary Resettlement Plan are:

- Identification of project impacts and affected populations;
- A legal framework for land acquisition and compensation;
- A detailed entitlement matrix, identifying categories of affected people, with corresponding compensation and assistance measures such as livelihood restoration;
- A description of how the RP will be implemented, with schedule, budget, and organizational responsibilities;
- A framework for public consultation, participation, and development planning;
- A description of provisions for redress of grievances; and
- An initial framework for monitoring, evaluation, and reporting.

The main components to be included in the final version of the Resettlement Plan need to be adapted to a specific project context. The proposed detailed outline included in Appendix B is indicative only, and should be used as general guidance.

When only OP-703 applies because there is economic (but not physical) displacement, the essential components of the Compensation and Livelihood Restoration Plan (CLRP) are the following:

Checklist

- ✓ Identification of project impacts and affected economic activities (temporary, permanently; direct and indirect expected impacts; current legal situation of the activity;
- ✓ A legal framework for economic compensation; Entitlement matrix, identifying categories of affected economic activities (including illegal ones)
- ✓ A description of how the CLRP will be implemented, with schedule, budget, and organizational responsibilities;
- ✓ A framework for public consultation, participation, and development planning;
- ✓ A description of provisions for redress of grievances; and
- ✓ An initial framework for monitoring, evaluation, and reporting

Operational Policy on Indigenous Peoples (OP-765)

Safeguarding Indigenous Peoples and their rights against adverse impacts and exclusion in IDB funded development projects is one of the main objectives of the Bank. IDB's OP-765 defines Indigenous Peoples as those who meet the following three criteria:

1. They are descendants of populations inhabiting Latin America and the Caribbean at the time of conquest or colonization;
2. Irrespective of their legal status or current residence, they retain some or all of their original social, economic, political, linguistic, and cultural institutions and practices; and
3. They recognize themselves as belonging to Indigenous or pre-colonial cultures or peoples.

When OP-765 is triggered or applicable, an Indigenous Peoples Plan (IPP) is required to prevent or mitigate direct or indirect adverse impacts on Indigenous Peoples or their individual or collective rights or assets. This should at a minimum describe the following:

- Sociocultural impact evaluations (SCA); This will inform the activation of OP 765;
- Culturally appropriately consultation processes (all adverse impacts);
- Plan for mitigation measures, monitoring, and fair compensation (all adverse impacts);
- Good faith negotiation processes (moderate and significant adverse impacts); and
- Agreements (significant adverse impacts).

CRITERIA FOR TRIGGERING OP-765 ⁹⁴		
Criteria	Op 765	Op 703
Ancestry: the descendants of populations inhabiting areas in LAC at the time of conquest or colonization.	Apply when it meets the three Criteria	
Culture: people who retain some or all their own social, economic, political, linguistic and cultural institutions and practices, irrespective of their legal status or current residence.		
Self-identification: they recognize themselves as belonging to Indigenous or pre-colonial cultures or peoples		
Other Vulnerable Groups (Afro descendants and others)		Apply. Specific evaluations, mitigation and consultation measures should be applied (see below).

Other Vulnerable Groups⁹⁵

OP-703, directive B.5 states that any potential impacts must be properly evaluated, mitigated and managed. Preparation of proper Environmental and Social Assessments and associated management plans are required during the project design for vulnerable groups. Within the SIA process, this may include:

⁹⁴ In some countries, Afro-Descendants are accorded the same status as Indigenous Peoples, while in other countries, this is not the case. Afro-Descendants are not covered by IDB's OP-765.

⁹⁵ It is important to identify any groups that are particularly at risk. Afro-Descendants, who are present in countries such as Honduras, Nicaragua, Colombia, and Peru, are frequently vulnerable. Some countries use particular terms for these groups, such as traditional communities or Quilombolas in Brazil.

1. Analysis of social issues

- Screening and scoping for impacts; sociocultural analysis (SCA) and timely and adequate consultation and information dissemination process; examination of alternatives including a no project scenario.
- Economic analysis of project alternatives and, as applicable, by economic cost-benefit assessments of the project's social impacts and/or the associated measures for the protection of vulnerable groups.

2. For mitigation measures, the plan must include:

- A presentation of the key direct and indirect social impacts and risks of the proposed operation; including socio-cultural impacts to vulnerable groups;
- The design of the proposed social/environmental measures to avoid, minimize, compensate and/or mitigate the key direct and indirect impacts and risks; the institutional responsibilities;
- The meaningful consultation and participation plan agreed for the operation; and
- The framework for the monitoring of social impacts and risks throughout the execution of the operation, including clearly defined indicators, monitoring schedules, responsibilities and costs.

3. **Meaningful Consultations with Vulnerable Groups** will be an integral part the environmental and social assessment process, Category “A” and “B” operations will require socio-culturally appropriately consultations with affected vulnerable groups to incorporate their views and concerns.

Content of a Socio-Cultural Analysis

The Socio-Cultural Analysis (SCA) is an instrument established by the Environmental Safeguards Compliance Policy (OP-703, directive B5), as a kind of social and environmental evaluation, and also is established in the Indigenous Peoples Policy of IDB (OP-765, Section IV, Safeguards [a]). This is an evaluation established to manage socio-cultural impacts, as a key instrument to manage the potentially adverse impacts and the risks of a project on Indigenous Peoples, although its use is not only for Indigenous Peoples. The Socio-Cultural Analysis can be part of an environmental analysis (and integrated into the Environmental and Social Management Plan – ESMP) or prepared as an independent document. The complexity of the Socio-Cultural Analysis should be proportional to the type and magnitude of the potentially adverse impacts and risks of an operation, as well as to the vulnerability of the population.

When OP-765 applies in an operation supported by IDB, three main components should be summarized in an SCA. Below are examples of issues to include.

1. Baseline studies

Analysis of the legal framework related to Indigenous Peoples; characterization of the Indigenous communities; community structure and institutional functioning (norms, values, rules, customs, behaviors, and decision-making mechanisms); gender aspects; analysis of symbolic aspects (characterization of values, norms, traditions, customs, beliefs, aspirations and attitudes of local communities in relation to the project).

Prepare a social vulnerability analysis (socio-economic vulnerability and potential risk of exclusion from expected project benefits); people's expectations, aspirations, perceptions and attitudes towards the project; sources of livelihood.

2. Socio-cultural impact assessment

Existing liabilities and contextual risk; analysis of the risks to physical, territorial, or cultural integrity of the affected populations (including natural resources, food security, rights, economy, identity, etc.); analyze the possible impacts generated by the presence of construction workers; cultural changes and generational disruption potentially generated as a result of the project; analysis of risk of conflict.

Analysis of potential indirect impacts related to tenancy and use of lands; analysis of other risks and possible adverse social impacts (including direct, indirect, and accumulative, induced or residual impacts on Indigenous communities). Mitigation measures to manage the potential social risks and impacts.

3. Culturally appropriate consultations

Public consultations with Indigenous Peoples. These measures would be additional to the consultation activities to be carried out in the context of the ones required by OP-703. These consultations should be socio-culturally appropriate, preferably using one or more Indigenous facilitators, ensuring that those people who don't speak the mainstream language have the opportunity to pose questions and express their opinions and concerns; that consultation events are held at times and in spaces that are accessible to the local Indigenous population, and that they respect the decision-making mechanisms of the Indigenous groups.

Operational Policy on Gender Equality in Development (OP-761)⁹⁶

IDB's 2010 Policy on Gender Equality in development is related not only to promoting greater gender equality and development opportunities, but also to safeguards-related issues concerning risks of adverse impacts that may affect men and women differently. Given existing inequalities and women's more limited access to resources and authority, a gender responsive approach means that the focus should be on enhancing women's opportunities and access, and to ensure that any adverse impacts the project may cause or contribute to do not fall disproportionately on women.

96. For a more general discussion related to gender issues, see the section in Section I on Assessing the Social Context, and the section on gender in Appendix A, Social Risk Factors.

OP-761 states that IDB will assess adverse impacts on gender equality beginning in the initial stage of preparation. In case gender-based impacts are identified, a gender analysis will be included into the operation's social impact and risk assessments, generally as a chapter of the SIA report. Among others, such risks may include:

- Introducing unequal requirements for access to project economic opportunities and benefits;
- Disregarding the right of women to inherit and own land, homes, and other assets or natural resources;
- Introducing unpaid work unevenly;
- Introducing conditions that restrict the participation of women or men in project activities and benefits based on pregnancy, maternity/paternity leave, or marital status;
- Increasing the risks of gender-based violence, including sexual exploitation, human trafficking, and sexually transmitted diseases, including HIV/AIDS.

Where the gender analysis included in the SIA so indicates, specific mitigation measures will be included in the Environmental and Social Management Plan to prevent, avoid, or mitigate the potential gender-based risks and/or impacts, and will monitor those measures.

For specific IDB operations where the SIA finds a potential risk of Sexual Exploitation and Abuse (SEA) and/or Sexual Intimidation (SI) [e.g. projects involving influx of workers into small communities], specific and clear prevention and monitoring measures must be included at the ESMP to prevent and address gender-based violence.

Besides the establishment of a project-level grievance mechanism (GRM), it is key to ensure that national laws and regulations against gender-based violence are fulfilled during the lifecycle of the project [following OP-703 B2]. Additional measures should be implemented such as: communication and awareness campaigns, development of community prevention plans, health services, and surveillance systems. Additionally, if the project will require construction works during the construction phase, a workers' code of conduct must be established as part of the contractual conditions for the companies responsible for the civil works. The borrower and the IDB will properly monitor the compliance of the above-mentioned measures.

For more guidance on content to be including in the SIA report and ESMP in operations supported by IDB when gender-based risks have been identified, see Appendix B.

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APPENDIX A:

SOCIAL RISK FACTORS

- Different Risk Levels
- Social Risk Factors
- Identifying Risk to Different Stakeholders
- Risks of Adverse Impacts a Project may Cause
 - Involuntary Resettlement
 - Indigenous Peoples
 - Gender Related Risks
 - Cultural Heritage
 - Labor and Working Conditions
- Influx of Workers and Other Types of In-Migration
 - Health and Safety
 - Security Forces
- Risks of Adverse Impacts a Project may Contribute to
- Contextual Risks
 - Conflict, Fragility, and Violence
 - Legacy Issues
- Risks Related to Performance and Capacity

SOCIAL RISK FACTORS⁹⁷

Different Risk Levels

In Section I.1, we discussed the need for proportionality, arguing that projects of substantial or high risk and complexity may require significantly greater effort in terms of time, resources, and oversight, than projects of low to moderate risk. It is therefore important to be clear about how we define different risk levels. To a large extent, social risks are a function of a project's expected 'footprint'; its scale, complexity, and inherent sectoral risks, seen in the context of local conditions such as people's vulnerability, poverty levels, lack of resilience, or social exclusion. The table below summarizes some of these aspects.

SOCIAL RISK LEVELS		
Risk Level	Description	Examples
High	The nature and magnitude of the potential or actual social risks and impacts of a project may cause severe adverse impacts on project-affected people. Unless appropriately managed, the impacts may be irreversible.	<ul style="list-style-type: none"> • Involuntary resettlement of vulnerable groups • Commercial exploitation of Indigenous Peoples' cultural heritage • Typical high-risk sectors: Extractive industries, large dams
Substantial	The nature and magnitude of the potential or actual social risks and impacts are significant and challenging. While probability of risk occurring may be low, high severity of impact indicates overall substantial risk.	<ul style="list-style-type: none"> • Systemic discrimination may preclude some groups from accessing project benefits • The project may exacerbate existing tensions and conflict • Typical substantial risk sector: Transport
Moderate	While not significant, the risks and operational challenges still warrant attention. Adverse impacts may be limited and few in number, and readily addressed through mitigation measures.	<ul style="list-style-type: none"> • Consultation process may fail to capture views and perspectives of some groups • Potential for elite capture of a disproportionate share of project benefits • Typical moderate risk sectors: Health, education related infrastructure
Low	Project activities with minimal or no expected adverse social risks or impacts. No specific mitigation measures are required.	<ul style="list-style-type: none"> • Typical low risk sectors: Telecommunications, education and health sector reform

97. This appendix provides a more in-depth discussion of the risk factors summarized in the earlier section on Identifying Risks, in Section I.2. The appendix does not contain specific requirements of IDB or other institutions, but summarizes aspects of lessons learned more generally related to social risks. Increasingly, IFIs are incorporating most if not all of the topics discussed in this appendix into their environmental and social standards. Note that the discussion of the various topics in this appendix does not represent a full or complete treatment of the different issues. Rather, it is intended to highlight some common challenges experienced in development projects. For more in-depth guidance, additional sources and material such as academic publications should be consulted.

Many environmental and social policies, including at the IDB, refer to significant risk. This is not easy to define, since it depends on many factors. For simplicity's sake, one way to look at significant risk is to include risks that are above the mid-point in the table above, i.e. substantial and high risk. Different institutions have different definitions of how to determine different levels or types of risk, and the corresponding requirements.⁹⁸

Social Risk Factors

The SIA should identify two broad categories of risk related to people:

1. **Risk from the project:** The risk of a project causing harm to people. This includes both risks of adverse impacts directly caused by a project, and more indirect and cumulative risks of contribution.
2. **Risk to the project:** Risk from the social context may be linked with a project and its operation, and may jeopardize the project's meeting its objectives. This includes contextual risk such as conflict, fragility, and violence; history and legacy issues; governance and corruption.

These two categories are not independent of each other. Each may influence the other. For example, contextual risk such as prevalence of conflict or violence, or pervasive corruption, may exacerbate the harm caused by a project to people, and it may make it more difficult to implement mitigation measures. Conversely, strong social capital and effective service delivery may ameliorate project-induced adverse impacts. This can be illustrated as in the figure below:

- **Cause**

Adverse impacts directly caused by the project

- **Contribution**

Adverse impacts a project may contribute to, such as induced and indirect impacts, cumulative impacts, third party actions, associated facilities, and supply chain risks

- **Context**

Linkage or association of a project with per-existing conditions that constitute risk, such as existing vulnerabilities and social exclusion, fragility and conflict, corruption and governance, and historical legacy issues

- **Performance**

Risks related to capacity and organization, commitment, and resources

• Risks **from** the project to people or the environment

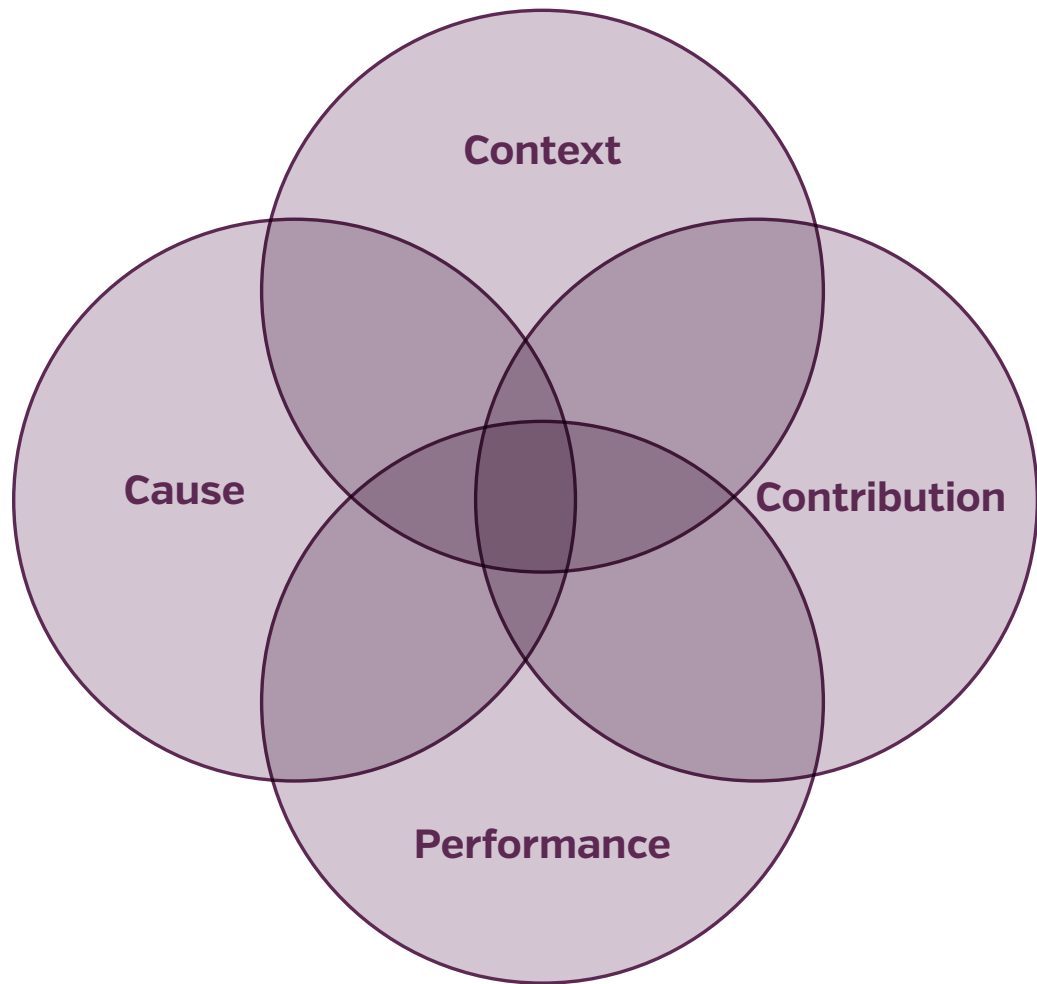


• Risks **to** the project

• May exacerbate or ameliorate risks from the project

98. Traditionally, risks have been classified using a three-point scale, e.g. A, B, and C, or High, Medium, and Low. Increasingly, institutions are moving to a four-point scale as indicated in the table in this section.

The four different risk categories in the figure above do not operate independently of each other. The analysis done in the SIA process should consider how different risks and risk categories may influence each other; how this may make the probability of an adverse impact more likely; and what the consequences are for the potential severity of the impact. Risks may exacerbate each other and act as “risk multipliers”, where the total risk could be higher than the sum of the individual parts. This is illustrated in the figure below:



In designing the project's mitigation measures and management system related to risk, these four different categories of risk have different implications. Some of those implications are related to whether adverse impacts may be directly attributable to the project, or whether they are impacts where the project is one of several contributing factors. The project may have different degrees of leverage and control depending on the nature of the risk.⁹⁹

99. This is discussed in the section on Reflecting Social Issues in Project Design and Implementation, in Section 1.2.

Identifying Risk to Different Stakeholders

The SIA should provide the basis for determining the degree of risk posed to affected populations. In doing so, the process should assess how project activities and impacts may affect different stakeholder groups differently. Risks should be disaggregated by stakeholder groups to the extent possible. The analysis should take into account that different groups will be affected differently by the same project activities, depending on their degree of vulnerability and other factors.

An example of how risks affect different stakeholder groups differently is provided in the table below. The table uses the high, substantial, moderate, and low risk categories described above.

RISK LEVELS BY STAKEHOLDER GROUPS: EXAMPLES (SIMPLIFIED)					
Project activity	Urban, prosperous property owners and business owners	Subsistence agriculturalists with recognized land occupancy	Informal land occupants and landless day laborers	Women	Children and the elderly
Land acquisition and resettlement	Loss of partial value of land and houses. No direct threat to economic viability. Risk: Moderate	Loss of land as only source of livelihood. Risk: Substantial	Loss of access to employment, no legal recourse for compensation. Risk: High	Potential loss of access to economic activity, legal tenure uncertain. Risk: Substantial	Depends on overall situation of household. Risk: Moderate to substantial
Increase in traffic volume	Potential increase in traffic accidents. Risk: Moderate	Potential increase in traffic accidents. Risk: Moderate	Potential increase in traffic accidents. Risk: Moderate	Potential increase in traffic accidents. Risk: Moderate	Potential increase in traffic accidents. Risk: High
Reduced access to water and natural resources	Minimal use of natural resources; availability of piped or purchased water. Risk: Low	Loss of important resources. Risk: Substantial	Loss of resources they depend fully on. Risk: High	Frequently responsible for providing water. Risk: High	Children and the elderly often gather firewood and collect water. Risk: High
Urban development and new traffic patterns	May constitute loss of customers and reduced livelihoods. Risk: Substantial to High	Does not affect them directly. Risk: Low	May constitute loss of day employment. Risk: Potentially substantial.	Depending on occupation and location. For urban women shopkeepers, Risk: Potentially substantial	Unlikely to affect them directly. Risk: Low to Moderate



Children are often involved in collecting natural resources.
[Bangladesh, 1991]

This table illustrates an important point: Risk levels, and people's vulnerability to risk, depend on local context. There can easily be scenarios where the suggested risk levels in this table turn out to be very different. Resettlement may affect urban property owners more dramatically than first estimated; day laborers may not depend on urban employers at all; and children may be significantly affected by new traffic patterns in an urban context, for example if it makes getting to school difficult.

While the degree of vulnerability and risk is contextual, there are some social identities and groups that are likely to be more vulnerable to adverse project impacts across different sectors, settings, and countries. Indigenous Peoples may be at particular risk, as may women in some contexts, or the elderly. The SIA should pay particular attention to such groups in the analysis and consultation process. It should ask what assets people have, what their existing risk coping mechanisms are, and how strong social networks and support mechanisms are. As noted earlier, the project mitigation or support mechanisms may need to be targeted specifically to respond to such groups' needs.

When identifying individuals or groups who may be more likely to be adversely impacted by project impacts, or be more limited than others in accessing benefits, the following characteristics may be relevant in a particular project context:

- Age
- Gender
- Ethnicity
- Migration status
- Religion
- Physical, mental, or other disability
- Health status
- Sexual orientation
- Poverty levels
- Landlessness
- Dependency on natural resources
-

The analysis done as part of the SIA should identify relevant vulnerable groups; ensure that their concerns are captured through the consultation process; and design appropriate measures to minimize risk and maximize benefits.

The following sections discuss risks a project may cause, contribute to, or be associated with. The final section of this appendix discusses risks related to performance and capacity.

Risks of Adverse Impacts a Project May Cause

Risks caused by a project are risks of adverse impacts directly attributable to the project. Factors to consider in the SIA include the nature, size and scope of the project and its social “footprint”. As discussed earlier, risks are higher where the affected population is more vulnerable. Examples of impacts caused by the project include displacement caused by land acquisition, pollution causing health risks, or damage to a cultural site. A project may also cause harm if workers are not allowed to organize or have access to grievance redress and remedy.

In cases where the exact location or impact area is unknown at the time of the initial risk assessment done under the SIA, inherent sectoral risk should be considered. A mining project or a large dam is likely to have a much higher potential for adverse impacts than a health or education project. When there is insufficient information available about a particular project or project component, inherent sectoral risk is a good first indication of likely risks of a direct nature. Depending on severity and context, impacts caused by a project may be of high, substantial, or moderate risk.

It is important to consider timing and sequencing of project components. Some projects are done in a programmatic manner, with multiple sub-projects or activities. In such projects, it is not unusual that the site-specific planning for individual components, such as school centers, is only done after the overall project has been approved. In such cases, a sample – including of likely sites – may be studied in more detail prior to project approval, but it is not realistic to expect detailed plans for all aspects of the project up front. Rather, the SIA process should be designed to continue to assess, consult on, and manage localized impacts.

The amount of effort and detail in the SIA process should be proportionate to likely risks and impacts, as discussed in an earlier section.¹⁰⁰ Programmatic projects involving infrastructure development generally have more significant risks than for example a social sector project.

The following sections discuss some common themes that constitute risks of adverse social impacts caused by projects. These are meant to highlight some key issues and challenges that should be addressed through the SIA process. The first three sections, on Involuntary Resettlement, Indigenous Peoples, and Gender are more comprehensive than the other topics discussed. This is in part because IFIs such as the IDB, the ADB, and the AIIB have specific policies related to some or all of these issues, and also because these topics frequently pose significant challenges or relate to vulnerabilities and social exclusion that should be addressed systematically.

Involuntary Resettlement

The need for land acquisition or changes in land use is common, particularly in infrastructure projects. This may result in physical or economic displacement of affected populations, potentially leading to impoverishment or other significant adverse impacts.¹⁰¹ It can also lead to environmental damage. Resettlement is considered involuntary when affected persons or communities do not have the right to refuse land acquisition or restrictions on land use that result in displacement. Involuntary resettlement should be avoided whenever possible. If it cannot be avoided, it should be minimized through alternative designs. People affected should be compensated for any losses, and assisted with restoration of livelihoods. Both temporary and permanent losses should be addressed.¹⁰²

Even with the best project planning and implementation, involuntary resettlement is nearly always traumatic to those affected, and it is particularly important to engage with potentially affected groups in a sensitive and transparent manner. Some of the topics to pay particular attention to are summarized below.¹⁰³

100. See the section on Coordination, Communication, and Proportionality, in Section I.1.

101. IDB's current policy on Involuntary Resettlement, OP-710 (1998), covers physical displacement. Economic displacement is addressed with reference to OP-703, Environmental and Safeguards Compliance Policy.

102. For a more comprehensive discussion on different risks and opportunities related to displacement, see Michael Cernea (1995), *Understanding and Preventing Impoverishment from Displacement: Reflections on the State of Knowledge*, Journal of Refugee Studies, Vol. 8, No. 3, and Frank Vanclay (2017) *Project Induced Displacement and Resettlement: From Impoverishment Risks to an Opportunity for Development?*

103. For a recent, comprehensive overview of IFI practices related to resettlement, see EBRD's (2017) *Resettlement Guidance and Good Practice*.

Experience shows that there are three key areas where gaps are common between national law and practice in most countries, and the requirements of IDB and other International Finance Institutions. The SIA process should identify such gaps where they may occur, and provide recommendations as to how this is to be managed in the project. The three areas are:

1. **Full compensation for lost assets:** Compensation levels are frequently insufficient to replace the lost assets. The valuation of assets such as land and houses may be based on outdated records, under-reporting of value, or be insufficient for other reasons. A more accurate accounting of value reflecting full replacement cost should be done.¹⁰⁴
2. **Livelihood losses:** Loss of land and land-related resources may lead to loss of livelihood and earning opportunity, particularly for agriculturalists and peasants. The consultation process should include a discussion about current livelihood strategies, how those may be affected by the project, and what alternatives may be viable. Vulnerable groups are likely to have far less resilience to shocks than people who have resources, and may need targeted, additional support to ensure that they can recover from displacement.
3. **Tenure and eligibility:** Most national legislation recognizes the right to compensation in cases of expropriation for individual property owners who have formal title to property. However, there are many affected people who do not fall into this category, and who still have a right to compensation or support. This may include people who have recognized but not formal rights to land, for example through traditional or customary claims; people who have collective ownership of the land, as in the case of many Indigenous communities; tenants; migrants; and people who are informal occupants of land, for example in urban slums.¹⁰⁵ The safeguards policies of IDB and other IFIs require appropriate levels of support to different categories of people, but security of tenure should be provided in all cases regardless of pre-existing property rights.

Other aspects that should be covered within the SIA process as part of the analysis, consultation and planning related to resettlement include:

- Design alternatives. The analysis should assess feasible alternative project designs to avoid or minimize displacement, and stakeholder should be consulted on their views about the proposed designs.
- Stakeholders should be consulted on the timing of relocation, compensation and assistance mechanisms. As a general rule, people should not be made to relocate before they (a) have received full compensation for the value of lost land and other assets, and (b) a resettlement site is ready for occupancy.¹⁰⁶



Landless laborers planting corn in Mexico [1981]. Land acquisition may lead to displacement and loss of income generating opportunities, and those without formal title to land are particularly vulnerable.

104. Replacement cost is compensation sufficient to replace assets at their real value, plus necessary transaction costs.

105. It is common for informal land occupants to be given tacit rights of occupancy, to have services such as water and electricity provided, and to pay taxes or other municipal services – only to be evicted when the land is needed for a project. IFIs such as the IDB have maintained that people displaced in connection with projects supported by them have a right to support and security.

106. This underlines the importance of having project teams and authorities work in a coordinated manner where civil works are sequenced taking environmental and social considerations into account.

- People should be given options and choices of different types of compensation and assistance. Involving people in first defining, and then choosing the appropriate mechanisms of support and compensation will contribute to a greater sense of involvement and ownership, and reduce the perception of victimhood among those affected.
- Consideration of social capital and networks. When relocating people from a local community, there is a high risk of rupturing mutual support mechanisms or other forms of social capital. Cultural links, social relationships, and other issues related to the original community should be considered as part of the SIA process and resettlement planning.
- For people depending on land for their livelihoods, such as rural peasants, displaced persons should be provided with replacement land of equal or better quality, unless it can be documented that replacement land is unavailable. In such cases alternative support mechanisms should be provided. This may include training, seed capital for new investments, temporary or longer-term employment, and cash compensation. It is important to monitor the situations of affected persons, and to provide additional support if needed.
- In discussing options and choices, including for livelihood opportunities, it is important to consider intra-household dynamics. Men and women may have different livelihood practices, and they may have different preferences when it comes to the most appropriate support mechanisms. For example, it is not unusual that men state they would like a cash settlement, while women may have a better understanding of the risks associated with cash compensation, and may prefer support in kind.
- When discussing different options for assistance and compensation, the consultation process should include an assessment of risks and benefits associated with different approaches, and this should be discussed with stakeholders. In general, vulnerable groups should be warned against choosing higher risk options, such as cash compensation, and be provided with opportunities for longer term security.
- Many projects are done in stages or using a programmatic approach, where the overall or preliminary design may be completed before project approval, but where detailed designs or even choice of project components or areas are only determined during project implementation. In such cases, the resettlement planning within the SIA process should reflect this, and may be done in stages. An initial resettlement plan can take the form of a framework or master plan, generally referred to as a Resettlement Planning Framework, RPF. This will then be used as the basis for more site-specific Resettlement Action Plans as project designs advance. For example, minor changes in the alignment of a road can mean the difference between having to demolish a family's home, or not. The consultation about options and approaches with the individual groups would be very different in those two circumstances. The initial plan should be as comprehensive and complete as possible, using all available information, and then making adjustments as needed during project implementation. It is also important to ensure that a framework approach is not used to simplify the planning when sufficient information can be made available to prepare a more robust and detailed Resettlement Action Plan.¹⁰⁷
- When relocating families or communities, it is essential to study likely impacts on the location people move to. This includes having a structured consultation process also with host communities; i.e. people who are currently living in the area where project

107. A simplified RPF may be seen as attractive, since it can speed up processing and approval times. Caution should be applied to ensure that this approach is used judiciously; there have been instances where a simplified Resettlement Planning Framework has been submitted prior to project approval, even though a full Resettlement Plan should have been prepared.

affected people are being relocated. An influx of new people can lead to strains on local resources and infrastructure, and can cause tensions and conflict. Addressing such issues in a systematic and transparent manner is critical. A good way to engage with host communities is to ensure that they also benefit from new infrastructure, livelihood opportunities, and improved services.

- In cases where the land transfer is voluntary [willing buyer, willing seller], the consultation process should discuss with the people selling or contributing their land to ensure that this is in fact being done voluntarily; that they have the option to say no, and that they have not been put under pressure or coercion. Otherwise the change in land ownership and usage should be considered involuntary, and the safeguards policy requirements would apply.
- Resettlement affecting Indigenous Peoples carries high risks. Generally, a process of obtaining Free, Prior, and Informed Consent (FPIC) is required.¹⁰⁸
- Specific issues related to resettlement should also be discussed in relation to the establishment of a Grievance Redress Mechanism for the project, to ensure that all aspects of the resettlement process can be discussed and addressed through the Grievance Redress Mechanism.¹⁰⁹ It may be necessary to make special arrangements to ensure that poorer or marginal groups have full access to the mechanism.

Indigenous Peoples

In assessing social context and defining risk through the SIA process, the presence of Indigenous Peoples in the project area should be determined early in the process. This may be done through reference to existing ethnographic literature,

government data including maps, other sources such as UN documents, and interviews with key resource persons such as academics familiar with the setting. Depending on the nature of the project and the situation of Indigenous Peoples, there may be both risks and opportunities for development as the project relates to these groups. The SIA process should assess these risks and opportunities; ensure that consultations with Indigenous Peoples are done in a respectful and culturally appropriate manner; and ensure that project design and implementation take account of the special circumstances related to Indigenous Peoples.

Indigenous Peoples are social and cultural groups which are often among the most vulnerable and poorest segments of the population. Historically,



108. Specific requirements and interpretation of FPIC vary somewhat across institutions. See the next section on Indigenous Peoples for a more detailed discussion of FPIC, and Section II.2. for IDB's requirements related to Indigenous Peoples.

109. See the IDB note on Meaningful Stakeholder Consultation for a detailed discussion of GRM.

many of them have been subject to systematic human rights abuses and marginalization. In spite of progress and increased recognition of their rights, they remain among the most vulnerable in the development process. Their resources and overall cultural identity are frequently threatened by development projects, especially if there is potential for land acquisition or restriction on the use of natural resources in a project. Their status may also restrict their ability to participate in and benefit from development projects. Within Indigenous communities, women and children may be further marginalized from decision-making or access to resources.

Recognizing the need for targeted measures of support, many IFIs and other institutions have adopted specific policies related to Indigenous Peoples. Some of the relevant policies, frameworks and guidance in chronological order include ILO Convention 169 on Indigenous and Tribal Peoples (1989); the Convention on Biological Diversity (2004, particularly Article 8 (j)) Akwé: Kon Voluntary guidelines for the conduct of cultural, environmental and social impact assessments regarding developments proposed to take place on, or which are likely to impact on, sacred sites and on lands and waters traditionally occupied or used by indigenous and local communities; the IDB (2006) Operational Policy on Indigenous Peoples; the United Nations (2007) Declaration on the Rights of Indigenous Peoples (UNDRIP); the IFC (2012) Performance Standard and Guidance Note 7; and the World Bank (2016) Environmental and Social Standard 7.

The objectives of these various policies and frameworks include:

- Ensuring that the development process fosters full respect for the identity, culture and human rights of Indigenous Peoples
- Acknowledging Indigenous Peoples' right to self-determination
- Promoting sustainable development benefits for Indigenous Peoples while protecting the integrity of their culture
- Taking into account traditional knowledge, innovations and practices of Indigenous peoples
- Avoiding adverse impacts on Indigenous Peoples
- Ensuring meaningful and culturally appropriate consultation processes with Indigenous Peoples, including a process aimed at obtaining the Free, Prior, and Informed Consent in specific circumstances

While there is increasing agreement on core principles, the specifics of national frameworks and approaches to Indigenous Peoples' development opportunity vary, as do IFI policies. The discussion below is not specific to a single institution's policies, but seeks to synthesize some aspects of good practice as it applies to managing risk and opportunity of Indigenous Peoples within the SIA process. Some of these aspects are controversial or contested: For example, Indigenous Peoples' rights or claims to self-determination may be perceived to be at odds with governments' sovereignty. For the SIA process, it is therefore particularly important to be clear about which normative principles to apply, as discussed earlier.¹¹⁰

In some situations, a project may affect remote groups with limited or no previous contact with outsiders, and who live in voluntary isolation. The project should respect and protect their situation, and seek to avoid undesired contact with such groups.

110. See the section on Clarifying the Legal and Normative Foundation, in Section I.2.

Identity and Eligibility

Engaging with Indigenous Peoples may involve several dilemmas and challenges. The first of these is the question of eligibility: Who is considered Indigenous in a specific project context? While this may be obvious in some settings, other situations require consultations and professional judgment to determine who is Indigenous and not, and how to apply policies and good practice.¹¹¹ The UN Declaration of 2007 stresses self-identification as the key criterion for who should be considered Indigenous. This approach is simple, but carries dilemmas: In some cases, discrimination has led to either forced or self-applied assimilation, where people identify with a different group, usually the majority culture, to avoid stigma and discrimination.¹¹² The issue of identity can also lead to tensions or conflicts in countries where there are differences in views between the government's official position and the view of Indigenous groups, or where recognition is still in process.

In Latin America and the Caribbean, approaches vary somewhat from country to country. In some countries, Afro-Descendants are accorded the same status as Indigenous Peoples, while in other countries this is not the case.¹¹³ The approach to Indigenous Peoples has also changed over time: While many countries had explicit or implicit assimilation policies until fairly recently, it has become more and more common that countries recognize cultural and ethnic diversity. Perhaps the clearest example of this is Bolivia, where the official name of the country as established in the 2009 constitution is “the Plurinational State of Bolivia”, recognizing the multiethnic nature of the country. Similarly, recognition of Indigenous customary law, *usos y costumbres*, is increasingly being reflected in the Constitutions and legal frameworks of various countries.¹¹⁴

While details and criteria vary, some points to keep in mind include:

- A key question to ask is whether a particular group of people may be more vulnerable to adverse impacts, or be disadvantaged in the development process, on the basis of their ethnic or cultural status, compared with more mainstream or dominant groups in a society.
- In Latin America and the Caribbean (unlike in some other parts of the world, especially Sub-Saharan Africa and parts of Asia), Indigenous Peoples are generally considered those who are descended from the original inhabitants of the region prior to colonization.
- Indigenous identity is not a racial characteristic, but a socio-cultural identity. As such, it can and does change over time: Assimilation into Mestizo or white society is not uncommon, especially at the level of individuals. Cultures are not bounded or rigid entities, and distinctions between ethnic groups may best be described based on the interface and interaction between groups, which inform the collective identity.¹¹⁵

111. The IDB policy uses three criteria: (i) they are descendants from populations inhabiting Latin America and the Caribbean at the time of the conquest or colonization; (ii) irrespective of their legal status or current residence, they retain some or all of their own social, economic, political, linguistic and cultural institutions and practices; and (iii) they recognize themselves as belonging to Indigenous or pre-colonial cultures or peoples.

112. In India, the opposite is not uncommon: Non-Indigenous groups lobby to be reclassified as Indigenous (“Scheduled Tribes”) to receive greater public benefits and avoid some of the discrimination in the caste hierarchy.

113. Afro-Descendants are not covered by IDB's policy on Indigenous Peoples, OP-765.

114. See for example Mexico and Colombia.

115. In a seminal work on ethnicity, *Ethnic Groups and Boundaries* (1969), the anthropologist Fredrik Barth and his collaborators stated that “categorical ethnic distinctions do not depend on an absence of mobility, contact and information, but do entail social processes of exclusion and incorporation whereby categories are maintained despite changing participation and membership in the course of individual life histories”.

- The implication of applying this perspective of exclusion and group identities is that the main emphasis should be on the community and on collective rights. Indigenous communities are more prevalent in rural areas, but Indigenous groups, households, and individuals may also found in urban settings. The identity question should primarily be seen from the perspective of a collective identity [is there an Indigenous group that may be affected by the project?], rather than in terms of individual identities.
- In some countries, groups who consider themselves Indigenous are not recognized by the State. This is less of a problem in Latin-America and the Caribbean than in some other parts of the world, but it highlights the importance of a thorough understanding of local context, as described the earlier section on Assessing the Social Context.



Different types of information including maps of Indigenous groups and communities are available.¹¹⁶ Note that such maps should be used judiciously, since the presence or not of Indigenous groups is contested or unknown in some cases.

116. Map source: LandmarkMap.org, a global platform of Indigenous and Community Lands.

Development Opportunities

In conducting the SIA, both potential adverse impacts and development opportunities should be considered. There are many ways in which a project may benefit Indigenous Peoples, both through ensuring suitable and equitable access to overall project benefits, and by targeted initiatives. These may include:

- Strengthening of land security and access to resources
- Capacity building
- Activities to enhance food security
- Improved access to labor markets and services such as health and education
- Management of cultural heritage
- Environmental services

Engaging with Local Institutions

The IDB policy on Indigenous Peoples requires projects *“to identify the indigenous peoples affected and their legitimate representatives and internal decision-making procedures.”* Such internal decision-making procedures may take many different forms. The SIA process identifying issues and stakeholders should contain an analysis of formal and informal institutional mechanisms for decision-making among Indigenous Groups potentially affected by a project. The process should involve Indigenous Peoples’ representative bodies and organizations where they exist. These may include community assemblies, local representation through a chief or council of elders, and other organizational structures at the community, sub-national, and national levels. Generally, decisions are not made in workshops the way project planners often prefer, but through less formal settings that frequently are ceremonial in nature.



Young Nahua girls near Alamo, in northern Veracruz, Mexico [1982]

Internal decision-making processes are generally but not always collective in nature. Communities of Indigenous Peoples are not necessarily homogeneous; there are often divergent views and opinions within communities, and governance systems vary. Traditional leadership may be challenged by some: Young community members may see the dominance by elders as undemocratic, and there may be disagreements between different factions within the community. Traditional decision-making processes may also be dominated by men, with women having less voice and authority. New migrants to a community may have fewer rights than more established members, and the landless may be at a disadvantage compared with those who have security of land tenure. The analysis and consultation process should be sensitive to such dynamics and allow sufficient time for internal decision-making processes to engage with different groups and reach conclusions that are considered legitimate by the majority of the concerned participants, and that can be validated by the traditional systems. To the extent possible, the needs of less powerful members of the community should be considered, documented, and addressed.

Culturally Appropriate Consultations

It is recommended that, when engaging with Indigenous communities, the first step should be to develop an agreement with community authorities on how the consultation process should proceed, which will serve as a protocol. This protocol should include agreement on how impacts are to be defined, as discussed above, and how benefits and resource sharing, where appropriate, are to be defined. Establishing such a protocol can be a valuable means of strengthening trust in the project and the engagement process, since it is not unusual that local communities fear or distrust people coming from the outside. Often, they have had bad experiences in the past, and may expect manipulation, intimidation, or deceit. Unless there is confidence and trust, people will not give candid information or participate fully in the consultation process.

Information should be provided in formats and languages that are meaningful to Indigenous Peoples affected by a project. This may mean translating key documents into a local language, or making more use of visual information. Various forms of information sharing and outreach may be considered, such as use of local radio. Members of the community should be consulted not only about the project, but about relevant issues in the local context such as how traditional beliefs and systems of knowledge may be considered.

Project impacts may have different meanings to local people than to project planners. These may include social, cultural, and spiritual impacts. While a new road may be perceived by project authorities and the government to bring benefits in terms of growth and access to services and markets, local communities may be worried that it may also bring labor influx, disease, or other threats to the community.

An important aspect of consulting with Indigenous Peoples is the time dimension. A mistake that is commonly made is to not start the engagement process early enough in the project cycle, and to provide insufficient time for the consultations. Sufficient time must be given to allow communities to discuss the issues internally; to resolve differences of opinion; and to reach conclusions about the projects that are endorsed by the majority. The project authorities need to be flexible about this: Local leaders may need time to consult internally to reach an agreement. There may also be a need to have several consultation events, and to build support and agreement on solutions incrementally through negotiations. While the immediate transactional aspects of project discussions are important, Indigenous communities frequently place a high value on longer term relationships based on trust and mutual respect.

Language is another consideration. Translations between the dominant language such as Spanish and local languages may miss nuances. If interpreters are to be used, they should be people who know the local context and are trusted by the community. To the extent possible, they should be recruited from among local bilingual community members.

Reaching Agreement: Free, Prior and Informed Consent

The principle of Free, Prior and Informed Consent (FPIC) has been adopted by an increasing number of institutions since the UN adopted the 2007 Declaration on the Rights of Indigenous Peoples, UNDRIP. UNDRIP contains reference to FPIC as a requirement in several circumstances affecting or relating to Indigenous Peoples, including:

- Relocation and land acquisition
- Customary use of natural resources
- Cultural, intellectual, religious, and spiritual property
- Legislative or administrative measures that may affect Indigenous Peoples
- Taking of land, territories and resources
- Storage or disposal of hazardous materials

UNDRIP does not establish that FPIC should be applied to all aspects of projects, but that it should be a requirement in the specific, higher risk circumstances indicated above. Seeking consistency with this approach, IFIs that have adopted the principle of FPIC specify the circumstances where FPIC is a requirement in projects supported by them.¹¹⁷ As an example, IFC's 2012 Performance Standards require FPIC to be applied in:

- Impacts on lands and natural resources subject to traditional ownership or under customary use;
- Relocation of Indigenous People from lands and natural resources subject to traditional ownership or under customary use; and
- Projects affecting critical cultural heritage

The approach taken by IFIs generally applies FPIC to those aspects, activities, and components of the project that affect the Indigenous Peoples directly, rather than to the project as a whole. The requirement for FPIC or agreement focuses primarily on **collective impacts and rights**, rather than impacts on individual households or people.¹¹⁸ Reaching a collective agreement is to be done through a process of **good faith negotiation**. The FPIC process should be viewed as a process that allows and facilitates affected communities of Indigenous Peoples to build and agree upon a collective position regarding the process. Agreement, or consent, is a **collective**

117. In the case of IDB, OP-765 requires good faith negotiation. Agreement should be reached with Indigenous Peoples in "cases of particularly significant potential adverse impacts that carry a high degree of risk to the physical, territorial or cultural integrity of the affected Indigenous peoples or groups".

118. Different IFIs generally have largely consistent approaches to how FPIC is interpreted and applied in projects, although specific language and requirements may vary. For example, the Asian Infrastructure Investment Bank (AIIB) requires Free, Prior, and Informed Consultation (rather than Consent).

expression of support. It should be consistent with customary laws and practices of the communities involved. A legitimate agreement may be achieved even if some individuals or sub-groups disagree, since it is unrealistic to expect unanimous support from all community members for a project proposal. FPIC captures and reflects broad agreement not only on the outcome and decisions reached, but also on the **legitimacy of the engagement process itself.**

It is important to document the agreement reached, to make sure that all parties understand it and consider it legitimate, and to disclose the content of the procedures and agreement in a transparent manner. While such agreement can be recorded in different ways, it is recommended to do so in writing, to avoid future misunderstandings or risk of protest including legal action.

It is worth noting that **this remains a controversial topic.** There may be perceived or actual differences in how ILO 169, UNDRIP, national law, and IFI requirements should be reconciled and applied. This needs to be clarified early on, as part of agreeing on the project's legal and normative foundation as discussed in an earlier section.

Many would argue that FPIC should be applied to all aspects of all projects involving Indigenous Peoples or taking place on their territories. From a good practice perspective, the views of Indigenous Peoples should be considered carefully before a project proceeds, and FPIC should be a goal in all projects involving Indigenous Peoples, whether it is a formal requirement or not. Regardless of whether FPIC is a requirement or more of an aspirational goal in some cases, the analysis and engagement done as part of the SIA process should clearly indicate whether there is broad support for a project or not among Indigenous Peoples (and for that matter, other local communities). If there is opposition, even from individuals or sub-groups, it may be an indication that the project may cause or be perceived to cause harm, which should be addressed.

Checklist

- ✓ Are Indigenous Peoples present in the project area?
- ✓ What are their economic, social and cultural characteristics?
- ✓ What are their organizational and institutional mechanisms?
- ✓ Are there historical or legacy issues that should be considered in relation to the project?
- ✓ Are Indigenous groups vulnerable to adverse impacts, or constraints on accessing project benefits?
- ✓ What potential does the project have for providing development opportunities?
- ✓ How should a meaningful and culturally appropriate consultation process be conducted?
- ✓ Does the project require Free, Prior, and Informed Consent? If so, what are the legitimate decision-making bodies or institutions among the Indigenous Peoples? How does the project intend to deal with dissent?

Woman carrying water. Chicontepec region, Veracruz, Mexico. [1986]

As with other aspects of project planning and implementation, engaging in a process of securing the Free, Prior, and Informed Consent of Indigenous Peoples is the responsibility of the borrower through the project implementing agency or other responsible agencies.¹¹⁹ Given the sensitivities and political and operational challenges involved, this is a topic where it is particularly important to establish and agree on key principles as early as possible in the SIA process.

Gender Related Risks

The SIA process should provide an understanding of the local project context as it applies to gender relations, keeping in mind that gender roles and values placed on roles, power dynamics, and expected behaviors all reflect social constructs which vary across cultures and time. The project should identify ways to promote gender equality and development opportunities, as well as identify potential adverse impacts that may affect men and women differently.¹²⁰ Addressing gender issues in project design and implementation is a requirement among IFIs, whether they stress it as a cross-cutting theme across different policies, or have a stand-alone policy as in the case of IDB, in its Operational Policy on Gender Equality in Development (2010).



Where relevant in a project context, differences in sexual identities [e.g. lesbian, gay, bisexual, transgender] should be considered and addressed. Gender and sexual identity may affect project impacts [positive and negative] in several ways, and the assessment and consultation process should consider these and reflect them in project design and implementation decisions. Examples are:

- **Enhancing benefits.** IDB's gender policy states that the project should seek to strengthen how "gender equality and the needs of women and men [may] be heard and addressed in the design, implementation, monitoring, and evaluation" of the project.¹²¹ This may be done in different ways, for example by having specific project components targeted at benefiting women, or by ensuring that the project overall is responsive to women's needs.
- **Avoiding inequality or violence.** A project that is designed to provide benefits to the public at large, such as a health or education project, may inadvertently cause or exacerbate gender inequalities, or contribute to gender based violence. For example, health clinics may be located in towns, and there may be more restrictions on women's mobility than on men. In practice, this can lead to men's health improving while women's health remains stagnant, and the project may thereby inadvertently increase inequality between men and women. Even projects that are targeted to strengthen women's position, for example through income-earning opportunities, may lead to resentment and a sense of powerlessness among men, and cause increased domestic violence.¹²² Influx of workers in connection with a project may increase gender-based violence and human trafficking.¹²³

119. In some countries, such as in Colombia with its Ley de Consulta Previa, there are dedicated government agencies responsible for engaging with communities and securing project agreement through an appropriate process. In Brazil, it is the responsibility of the National Indian Foundation FUNAI to engage with Indigenous Peoples.

120. In principle, a gender responsive approach to project planning and implementation considers both men's and women's needs, and the relationship – including power dynamics – between the sexes. In practice, given existing inequalities and women's more limited access to resources and authority, a gender responsive approach means that the focus should be on enhancing women's opportunities and access, and to ensure that any adverse impacts the project may cause or contribute to do not fall disproportionately on women.

121. See Section II.2. for more detail on IDB's Operational Policy on Gender Equality in Development.

122. Gender based violence is widespread in Latin America and the Caribbean: One in three women has suffered or suffers physical abuse at the hands of their partner, and violence against women outside the home also continues to be widespread. Altogether, it is estimated that 12 women per day lose their lives because of gender violence in the region. [Source: Communication from IDB President to staff, November 22, 2017].

123. See section below on 'Influx of workers and other types of in-migration'.

- **Avoiding adverse impacts falling disproportionately on women.** A project may cause negative impacts, such as a road cutting off access to a local water source. If women are the ones primarily responsible for collecting water, the project impact may lead to longer time and more drudgery for women in getting water. Another example of adverse impacts is if displacement causes loss of livelihood opportunities for both men and women, but only men are offered employment as compensation.
- **Ensuring that the consultation process reflects women's and men's concerns.** There may be differences in women's and men's voice and ability to influence decision-making, that may disadvantage women in the consultation process. Women may be less able to speak in public settings, or mobility constraints such as caring for children or the elderly may prevent them from attending consultation events held in locations that are some distance away from their homes. Women may also have different perceptions than men when it comes to how benefits or risks should be assessed, or how different things are valued.

The identification of priority issues through the SIA process should consider whether and how any of the examples described above, or other aspects related to gender, are relevant in the project context. The project should take actions to promote gender-appropriate benefits and opportunities, as well as to avoid or mitigate any potential adverse impacts. The project should analyze relevant **gender-specific roles and responsibilities, social norms, time use, and other aspects** that may affect women and men differently. Particular emphasis should be placed on understanding **vulnerability and social exclusion**, for example in situations where female-headed households, widows, or divorced women have less access to land or other resources than other groups.

Issues of vulnerability and differentiated impacts are likely to vary from sector to sector. For example, transportation needs are frequently very different for women and men, as are water priorities; collection and use of natural resources; and health risks. Some women may be dependent on commercial sex work for survival, and more susceptible to contracting STDs. Migration patterns may also vary considerably between women and men. Migration may increase women's participation in the labor market in positive ways, but male out-migration can also lead to increased drudgery among women remaining in the local community.

Gender-equitable consultation requires that both women and men are active participants in identifying project benefits and risks, and contribute to design and implementation. A combination of consultation methods will generally be required: If joint public consultation meetings are unlikely to capture men's and women's views equally, consideration should be given to holding separate focus group discussions or other methods to engage with women. Other methods may include awareness campaigns, and targeted capacity building. Depending on where and how consultation events are organized, it may be necessary to provide food, childcare, and transportation. For women, informal settings may be more acceptable for consultation processes. For example, women may interact through doing laundry together or collecting water, and such settings may provide opportunities to discuss the project.



Community discussions related to proposed oil and gas pipeline. Colombia, 2015

Project related design and implementation decisions should take account of gender differentiated needs and opportunities, and document and disclose how the project is expected to benefit men and women in an equitable manner. In designing the project's Grievance Redress Mechanism, it is important that women as well as men can participate, and that they are able to hold the project accountable when needed.

Cultural Heritage

Latin America and the Caribbean is a region with an exceptionally rich cultural heritage, which should be considered in project planning and implementation. This should be done both in order to protect cultural heritage from any adverse impacts, and to enhance the recognition and support to cultural heritage as an integral part of sustainable development.¹²⁴ This should involve meaningful consultation with local communities and other stakeholders about cultural heritage, and promote local opportunities and equitable benefit sharing from the use of cultural heritage.



Both physical artifacts and natural features can constitute tangible cultural heritage. [Buddha head, Thailand, 2001]

Cultural heritage may be a source of local development and income, for example from tourism. A project can also provide positive benefits by positively supporting the protection and restoration of cultural heritage. But a project may also pose risks of adverse impacts to cultural heritage. Such opportunities and risks should be considered as early as possible during the Environmental and Social Impact Assessment process.¹²⁵ Relevant aspects and methods to address cultural heritage may include consultations with relevant stakeholder groups including responsible authorities, analysis of the legal and regulatory frameworks, maps and surveys, and consideration of internationally recognized cultural heritage sites.¹²⁶

Cultural heritage encompasses both tangible, or physical, and intangible heritage:

- **Tangible cultural heritage** includes built heritage, objects, and sites that have archaeological, historical, religious or other cultural value and significance. It can include natural features and landscapes, such as sacred groves or mountains.
- **Intangible cultural heritage** refers to practices and expressions that groups value as part of their identity and culture. It may include expressions and knowledge, art forms, oral history, rituals, or other elements that are inherited from one generation to the next.¹²⁷

Infrastructure projects in particular pose risks to cultural heritage, through excavations or other work changing the landscape of the project area. Most countries **have comprehensive legal frameworks**, and national authorities responsible for cultural heritage. Risk management in the context of an ESIA may therefore in many cases focus on ensuring that national law is followed and using the country's own systems. In some cases, this may need to be supplemented by IFI requirements and guidance as needed.

124. Several IFIs have policies and requirements related to cultural heritage. At the IDB, protecting and strengthening cultural heritage is an integral part for example of the Indigenous Peoples policy, and required by the Environment and Safeguards Compliance Policy, OP-703, B.9.

125. Cultural heritage is a cross-cutting topic that is both environmental and social in nature. It would normally be studied and consulted on as part of an integrated ESIA process.

126. See in particular [UNESCO's World Heritage List](#), and the International Council on Monuments and Sites (2011) [Guidance on Heritage Impact Assessments for Cultural World Heritage Properties](#).

127. See UNESCO (2003), [Convention for the Safeguarding of the Intangible Cultural Heritage](#).

In some cases, cultural heritage **may not be sufficiently recognized or protected**. This may for example be the case when local communities consider a site or intangible aspects of cultural heritage to be important, without it being legally recognized and protected. In some cases, sites, objects or rituals may be considered not only sacred but also secret, and their location or content should not be divulged to outsiders, but managed by religious or traditional authorities. It is therefore important to ensure that the consultation process with local stakeholders considers such a possibility, and in a tactful and respectful manner discusses what aspects of cultural heritage are considered important by local communities. The ESIA process should consider both direct, indirect, and cumulative potential impacts on cultural heritage. For archaeological material, the need for documentation should be considered, and whether items or artifacts can be conserved in place, or will require transfer to a new location.

A particular risk related to cultural heritage relates to projects that may use aspects of cultural heritage for **commercial purposes**, or that may exploit local knowledge and practices of communities. This may include tourism projects that bring visitors to cultural sites, commercial use of traditional knowledge, or commercialization of traditional medicine. Local communities should be actively involved in determining and defining any such commercial use of cultural heritage. In some cases, the cultural heritage, whether tangible or intangible, is so important for example to an Indigenous community, that any exploitation of it may endanger community cohesion and identity.

A **chance finds procedure**, which is a project procedure to be followed if previously unknown cultural heritage is encountered during project activities, should be included in all civil works contracts to ensure that national law and international requirements are followed when artifacts are uncovered.

Checklist

- ✓ What is the national and international legal and institutional framework applicable to cultural heritage?
- ✓ What are the types of tangible or intangible cultural heritage likely to be present in the project setting?
- ✓ What are the characteristics, roles, and responsibilities of different stakeholders and institutions involved or affected?
- ✓ How can the mitigation hierarchy identify and manage potential adverse impacts on cultural heritage?
- ✓ How are affected and involved stakeholders going to be consulted about cultural heritage?
- ✓ Is there a risk of harm to stakeholders or to the cultural heritage itself if information about it is disclosed publicly?
- ✓ If the project temporarily restricts access to cultural heritage, what alternative means of access can be found for communities and other stakeholders?
- ✓ Has a chance finds procedures been included in contracts related to project excavations, earth movement, flooding, or other changes to the physical environment?

Labor and Working Conditions



Workers at
a power plant.
Near Sylhet,
Bangladesh [2015]

Increasingly, both private sector companies and governments have adopted policies and laws that guarantee standards for workers, consistent with the International Labor Organization (ILO) labor standards. Core among those standards is the 1998 Declaration on Fundamental Principles and Rights at Work, which commits member states to respect principles and rights in four categories:¹²⁸

1. Freedom of association and the effective recognition of the right to collective bargaining;
2. The elimination of forced or compulsory labor;¹²⁹
3. The abolition of child labor;¹³⁰ and
4. The elimination of discrimination in respect of employment and occupation.

These standards are based on the aspiration for social justice, and are part of the core international human rights architecture. The ILO conventions have been signed and ratified by most countries in the world.¹³¹

Increasingly, International Finance Institutions are also adopting core labor standards among their environmental and social standards. In addition to the four categories of rights mentioned above, other objectives include promotion of fair pay, and of safety and health at work.¹³²

The SIA should analyze the situation of workers engaged with the project; consult with them and project authorities about their conditions; and recommend improvements to the overall project management system where warranted. Project workers include men and women employed directly by the project or the responsible agency, as well as workers engaged through third parties (e.g. contractors and sub-contractors) and primary suppliers of goods and services to perform work related to core aspects of the project.

Children helping out on the family farm.
This is an acceptable form of children's work, as long
as it does not involve hazardous circumstances
or interfere with their education. [Mexico, 2005]



¹²⁸ ILO Declaration on Fundamental Principles and Rights at Work

¹²⁹ Forced labor consists of work or services not performed voluntarily, under threat of force or penalty. This covers situations such as bonded and indentured labor.

¹³⁰ Children under 14 should not be engaged in work under any circumstances. Children between 14 and 18 may be engaged with a project as long as the work is not hazardous, harmful to the child's development, or interfering with the child's education.

¹³¹ ILO has extensive guidance on application of its labor standards, and also offers [training on international labor standards](#).

¹³² See the section below on Health and Safety.

The SIA should consider whether there are instances of discrimination in hiring or working opportunities. Employment should be based on the principle of equal opportunity and fair treatment, including in access to wages and benefits, training opportunities, and promotions. Sexual harassment is a persistent problem in many work places, and the SIA should assess whether there are sufficiently robust mechanisms to prevent and address harassment or intimidation.

The analysis and consultation carried out as part of the SIA process should assess whether the project causes, contributes to, or is linked with poor working conditions, as defined by international standards.¹³³

Checklist

- ✓ How is the work organized?
- ✓ Who are the workers contracted by, and who controls their contracts and working conditions?
- ✓ Is the work performed specifically for the project in question?
- ✓ Are workers privately contracted, or are they government employees?
- ✓ Are there opportunities for local employment generation in connection with the project? If so, what type of labor is involved [temporary / longer term, skilled / unskilled or semi-skilled, men /women]
- ✓ Are there sufficiently robust mechanisms to prevent and address sexual harassment?
- ✓ What are the working hours?
- ✓ Are health and safety issues appropriately addressed?
- ✓ Does the project provide housing facilities? If so, what are the provisions and standards?
- ✓ Is anyone being required to work against their will?
- ✓ Are children being used as workers?
- ✓ Does the remuneration meet national law and minimum standards?
- ✓ Is there opportunity for collective bargaining?
- ✓ Is there availability of facilities and opportunities for leisure time and recreation?
- ✓ What are the available grievance procedures? Are workers adequately protected from retaliation in cases of complaints about working conditions?

133. See also Inter-American Development Bank (IDB). 2006. Managing labor issues in Infrastructure Projects

Influx of Workers and Other Types of In-Migration

Projects may bring growth and economic opportunity. In many cases, this leads to an influx of workers and others seeking to take advantage of the new situation. For example, the opening up of Mexico's oil fields in the late 1800s and early 1900s contributed to large-scale migration into the coastal areas in Mexico's Gulf Coast states, not just of people seeking employment in the oil fields, but others establishing businesses and services.

In-migration may pose particular risks in projects.¹³⁴ This is particularly the case with infrastructure projects. Construction of civil works often involves laborers being brought in from outside the project area. This is particularly the case with projects in rural settings, since it is easier to find qualified workers in an urban or peri-urban setting. This rapid in-migration of workers and others who see opportunities for enhanced earnings, for example by selling goods and services, can cause friction and conflict with local communities, and various other problems. It can lead to price increases, increased competition for services, and a sense of marginalization among the local population. It can also lead to sex trafficking and gender based violence.¹³⁵ In some cases, the contrast between project workers' accommodation and services and the opportunities available to local people is stark, and can fuel increased resentment. There are also frequent environmental impacts caused by labor influx, such as reduced access to water, increased waste and pollution, and ecosystem degradation.

In order to reduce the risks related to labor influx, the first principle should be to recruit workers locally. This adds to community benefits and local support for the project, and reduces the adverse impacts of workers coming from the outside. Local recruitment needs to be carefully planned; there may be a need for skills training in local communities, so that they have the necessary skills for project employment or business opportunities.

It is also important to ensure that contracts for civil works clearly spell out environmental and social considerations and requirements, including security related issues.¹³⁶

The SIA should consider potential risks related to labor influx during early scoping and screening. However, risks may not be apparent until construction has started and contractors are in place, so the situation also needs to be carefully monitored throughout the project cycle.

134. For more detailed discussion of this topic, see World Bank (2016), Managing the Risks of Adverse Impacts on Communities from Temporary Project Induced Labor Influx, and IFC (2009), Projects and People: A Handbook for Addressing Project-Induced In-Migration.

135. For a stark example of problems related to labor influx, see the Uganda Transport Sector Development Project.

136. See the section below on Security Forces.

Key **steps to follow** are:

1. **Assess potential risks** related to labor influx through analysis and consultation as part of the SIA process.
2. Develop **appropriate measures to minimize or offset risks** as part of the overall project action plan and management system, ensuring clear responsibilities and allocation of resources.
3. Consider opportunities for **local employment and procurement**.¹³⁷
4. Consider **gender-differentiated** impacts and opportunities in connection with labor influx.
5. Ensure that the project's **Grievance Redress Mechanism** is equipped to deal with complaints from workers and host communities.
6. Include **requirements for contractors and sub-contractors** in bidding documents and contracts, to ensure a clear code of conduct and behavior for their workers related to potential social, environmental, health, and safety issues.
7. Ensure **transparency and disclosure** of arrangements and issues related to labor influx.
8. Ensure **ongoing stakeholder engagement**, discussing impacts related to labor influx with key stakeholder groups throughout.
9. Ensure that issues related to labor influx are systematically **monitored and supervised**, and that management actions are taken to respond to any incidence that may occur.

Checklist

- ✓ Is the project likely to bring workers in from the outside, temporarily or on a more permanent basis? How many workers, with what skill set, and for what period?
- ✓ If local workers lack the necessary skills, is there potential for training to meet project requirements?
- ✓ How will workers be accommodated?
- ✓ Are local communities vulnerable to the types of impacts commonly occurring in situations of labor influx?
- ✓ Are there potential ethnic, religious, cultural or other contrasts between local communities and incoming workers that may lead to tensions?
- ✓ Are there existing tensions or mistrust against outsiders that may flare up if workers are brought in from the outside?
- ✓ What is the absorptive capacity of the local area with regards to availability of resources?

¹³⁷ See for example Esteves & Barclay (2012), Enhancing the benefits of local content: [integrating social and economic impact assessment into procurement strategies](#).

Health and Safety

Health and safety issues should be considered from both an environmental and a social perspective. IDB and other IFIs require that this be part of the analysis of project risk and impacts. Project activities can cause or contribute to increased exposure to health and safety risks, and existing risks such as those related to climate change and natural disasters can be exacerbated through project activities. It is therefore important to consider these issues through the ESIA process of analysis, consultation, and improved project designs and management systems.

Projects are encouraged to use international good practice standards to address hazards and risks in projects.¹³⁸ These should be identified as early as possible in the project cycle, and appropriate technologies and safety measures should be applied in site selection, engineering designs and work. The general norm in applying Environmental, Health and Safety Guidelines is that they are considered to be achievable in new facilities at reasonable costs, by utilizing existing and available technology.

Guidelines to address environmental health and safety include the following:

- General guidelines
- Environmental guidelines [e.g. air quality, energy conservation, water conservation, waste management, noise]
- Occupational health and safety [e.g. physical, chemical, biological, and radiological hazards, and personal protective equipment]
- Community health and safety [e.g. water quality and availability, structural safety of project infrastructure, traffic safety, and emergency preparedness and response]
- Construction and decommissioning

Addressing Environmental Health and Safety issues through the SIA should be done in close coordination with the Environmental Impact Assessment, since the risks are both environmental and social in nature. Consultations with key stakeholders, for example, needs to be done from both a social and an environmental perspective when discussing likely community impacts, workers' safety issues, and access to natural resources such as water. Quality and safety should be essential considerations in the design and construction of infrastructure, and in the project preparation and management process itself. For example, project vehicles should meet safety standards such as enforced compliance with speed limits, use of seat belts, and helmets for motorcycle riders.

A sector which may cause community impacts from a health and safety perspective is transport. Improved roads and highways bring benefits, but also risks such as traffic safety concerns or increased incidence of communicable



Worker in a port development project near Cartagena, Colombia [2014]

138. IDB and other institutions refer to the [World Bank Group's Environmental, Health and Safety Guidelines](#). See also the [US Government Occupational Safety and Health Administration](#).

diseases. When assessing impacts on local communities, the social context (discussed in Section 1.2) may mean that some groups such as children, women, or the elderly are more vulnerable to increased health and safety risks. Poverty and economic disadvantage may also mean that some groups are more vulnerable to health risks from project activities.

There may also be differentiated opportunities among different groups to access project benefits: People with disabilities may be prevented from accessing improved transport facilities or new buildings and structures, unless the concept of universal access is integrated into project design and construction.¹³⁹ Some infrastructure projects, such as construction of dams, pose particular risks. International good practice standards on safety of dams and infrastructure should be applied.

Security Forces

Security considerations apply to all projects, whether it is protection against burglary to security of personnel in conflict settings.¹⁴⁰ In many situations, a project may be required to have security personnel and various arrangements to protect employees, facilities, and operations. The range of measures taken to ensure security will range from simple fencing or sign-posting, to hiring security personnel. Both in the public and private sector this may entail a combination of watchmen or other personnel hired directly by the project, and use of more specialized security forces where the risks are deemed to be high. This may include collaboration with public security forces such as police or military personnel.



Border Security Force, Punjab, India [2017]

While the main purpose of security forces is to protect the project and its employees from outside threats, including damage and theft, experience has shown that the presence of security forces can cause adverse impacts on local communities.¹⁴¹ This is particularly the case in situations where there is a history of tensions or conflict, or human rights abuses. Several IFIs have therefore adopted policies that require projects to assess risks posed by security arrangements. Principles related to security and human rights have also been adopted by governments, civil society organizations, and companies.¹⁴²

For the SIA process, a recommended approach includes the following steps:

1. Identify potential security risks, whether from political, economic, civil or social factors.
2. Assess the potential for violence.
3. Consider human rights records of key stakeholders, especially security forces and local law enforcement.

139. This may include ramps for wheelchair users, safe sidewalks, clear and visible signs, and easily accessible emergency exits.

140. For a more detailed discussion on conflict, fragility, and violence, see the discussion on contextual risks and linkage in Appendix A.

141. For a detailed discussion and guidance on use of security forces, see IFC [2017], Good Practice Handbook: Use of Security Forces: Assessing and Managing Risks and Impacts.

142. See the Voluntary Principles on Security and Human Rights [2000].

4. Ensure that the stakeholder and community engagement process fosters mutual respect and understanding between the project and local communities.
5. Assess accountability mechanisms, such as respect for the rule of law, including the judiciary's independence, oversight and ability to hold individuals and groups responsible for violence accountable. This should also include ensuring that the project's Grievance Redress Mechanism is capable of dealing with concerns related to security.
6. Understand root causes of conflict.
7. Ensure that responsible personnel are familiar with and apply principles of proportional responses, using force for defensive and preventive purposes only.

The figure below summarizes five good practice principles related to security forces and their relationship with local communities:¹⁴³

No use of force, either by direct or contracted workers or others providing support to a project, should be approved except for preventive and defensive purposes. Security arrangements should be disclosed to the public, unless such disclosure in itself poses a security risk. A principle of proportionality applies, wherein the intensity of any security response should correspond to the nature and gravity of the threat or offense. This should prioritize appropriate conduct and respectful behavior and non-lethal weapons. Lethal force is acceptable only to protect human life. A simplified illustration of such proportionality can be seen in the figure below:¹⁴⁴



143. Source: IFC [2017], op.cit.

144. Source: IFC [2017], op.cit.



Checklist

Diagnostic Questions related to Security Forces:

- ✓ What are potential security risks to the projects and to local communities?
- ✓ Can it be verified that security personnel are not implicated in past abuses?
- ✓ Have security forces been appropriately trained, or will they be trained, in the proportionate use of force and appropriate conduct towards and the rights of project workers, local communities, and others?
- ✓ Does the project Grievance Redress Mechanism capture, investigate, and respond to any allegations of unlawful or inappropriate acts by security personnel?

Risks of Adverse Impacts a Project may Contribute to

A project may contribute to indirect or cumulative impacts, especially where the project is one among several interventions potentially causing adverse impacts, and where other factors and third parties outside of the direct control of the project are contributing factors.¹⁴⁵ Cumulative impacts can be defined as environmental and social changes that are the result of an incremental impact caused by actions in combination with other past, present and future actions. Such risks may include local inflation; lack of availability of housing; pressure on community services; reduced income for local merchants if a road is rerouted; or increased pollution in a watershed where there are many other sources of pollution. A typical example is

a small run-of-the-river hydro plant. Seen in isolation, such a project may have low impact. However, when seen in the context of many similar projects in the same river or watershed, it may contribute to increased downstream sedimentation, erosion, and impacts on fisheries, and the combined or cumulative risk may be high. Issues related to supply chains of goods and services, such as labor conditions in the case of contractors and sub-contractors, would be another example. Other examples include immigration of people, increases in traffic accidents or incidence of disease, and depletion of forests or natural resources as a result of multiple concessions and users.



Development and growth related to projects may lead to increases in traffic accidents. Singrauli, India [2001]

While impacts may take place in a particular location or moment in time, consequences may be felt in a different geographical area, or occur later in time. In assessing risk of indirect and cumulative impact, the SIA should consider that such impacts may fall outside of a direct area of project influence. Both geographical boundaries and time scales may need to be expanded to assess potential impacts, and to determine appropriate efforts to manage such risks. This includes associated facilities, which are facilities or activities that are not directly funded by the project, but which are (i) directly related to the project, (ii) carried out at the same time as the project, and (iii) necessary for the project to be viable. The last point means that the associated facility would not have been constructed or expanded if the project did not exist.

145. For guidance on Cumulative Impact Assessment, see in particular IFC [2013], [Cumulative Impact Assessment and Management: Guidance for the Private Sector in Emerging Markets](#).

Contextual Risks

Contextual risks refer to risks in the project setting that a project neither caused nor contributed to, but which it is associated or linked with.¹⁴⁶ In the past, such risks were often underestimated, since risk assessments generally focused on project-induced risk. However, the severity of any adverse impact also depends on the setting in which the project takes place, as discussed in the earlier section on Assessing the Social Context.

An important part of assessing contextual risks in the SIA is to understand the vulnerability of affected groups and individuals, since adverse impacts may be far more severe when they occur in a situation of vulnerability. The SIA should consider whether a project may exacerbate existing vulnerabilities, or whether groups or individuals who have not previously been vulnerable may become vulnerable due to impacts caused or contributed to by a project. A common example is impoverishment due to land acquisition and displacement, such as when farmers become landless. Landless groups frequently have to depend on casual manual labor for a livelihood, and they are far more vulnerable to impoverishment. A project that provides benefits to men and not to women may cause greater gender inequality, as discussed in the earlier section on Gender Related Risks.

Examples of contextual risks include:

- Conflict, fragility and violence¹⁴⁷
- Gender inequality
- Political instability
- Ethnic and religious tensions
- Legal protection and rule of law
- Potential for elite capture, opposition or distortion of project by influential stakeholders
- Corruption and weak governance
- Natural disasters and climate effects

Natural disasters affect poor people the worst. Haiti, shortly after the 2010 earthquake.



In some circumstances, a project may be complicit in human rights abuses, even when it has not caused them. This could for example happen if the project and the responsible parties are seen to benefit from abuses committed by others, such as when it makes use of goods or services with forced labor or child labor in the supply chain. It could also be if the project makes use of security forces that have committed human rights abuses in other settings. While there may not be legal

¹⁴⁶ The 2011 UN Guiding Principles on Business and Human Rights refers to contextual risks from a human rights perspective as “linkage risks”, noting that enterprises should “Seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts.”

¹⁴⁷ This is discussed in more detail in the next section.

liability involved in such linkages, the association with unacceptable practices can be deeply damaging to the project and the institutions involved. The SIA and due diligence process should identify such contextual risks, and take measures to disassociate the project from the situation where possible, for example by seeking alternative suppliers of goods and services.

Even if a project has neither caused nor contributed to these risks, the SIA should take contextual risk into account. Where possible, and within the scope of influence of the project, measures should be taken to minimize how such risks affect project outcomes, or cause harm to people.

Conflict, Fragility, and Violence

Conflict, fragility, and violence are both a cause of, and a result of, poverty and inequality. In many countries around the world, there is a cycle of violence, poverty, and weak governance. Worldwide, over 1.5 billion people live in areas affected by fragility, conflict, or large-scale, organized criminal violence.¹⁴⁸ Violence between groups include conflicts based on economic interests, electoral violence, ethnic and religious strife, gang-based violence, and organized crime, and in many cases a combination of causes. And while civil war and interstate war are declining globally, gang-related violence and drug trafficking are increasing.

In Latin America and the Caribbean, conflict and violence are prevalent in many countries, whether due to civil war, drug production and trafficking, conflicts over land, gang violence, or other causes. High levels of violence have been cited as one of the most serious problems in the region. With the exception of Cuba, every country in the Caribbean has homicide levels above 10 per 100,000. Colombia has been characterized by decades of violence and civil conflict, made worse by social and economic inequality and the drug trade.

Risks related to violence are heightened by weak institutions and poor governance. People are more vulnerable to violence in fragile situations when institutions lack legitimacy or capacity to mediate relations among groups, and between citizens and the state.

Typical characteristics of conflict affected countries and regions include:

- Social exclusion and high degrees of vulnerability
- Human rights abuses
- Weak administrative capacity
- Absence of the rule of law
- Lack of accountability
- Higher risks of corruption and elite capture

These traits affect the poor and vulnerable the most, and are likely to exacerbate any adverse impacts the project may cause. And while both men and women are affected by conflict and violence, there are **gender-differentiated impacts**. Women have a higher likelihood of being internally displaced than men, and are affected more by sexual and gender-based violence such as rape, higher incidence of domestic violence, and trafficking. Areas affected by conflict

148. Source: [World Bank 2011 World Development Report: Conflict, Fragility, and Development](#).



also have a higher risk of large-scale, severe or systematic human rights abuses. The state may lack effective control over an area, or not be willing or able to protect and respect human rights.¹⁴⁹ Development projects can also lead to conflict, or contribute to making existing tensions flare up.

The SIA should therefore take these factors into account, when assessing risks and mitigation measures. It will likely require field work and discussions with key informants, to obtain current information that may not be available through secondary sources. Field work and direct engagement is also likely to strengthen the project's stakeholder engagement process, and to highlight issues that should be built into design, implementation, and access to remedy.

Some key issues to consider as part of the SIA are:

Weak governance and corruption can pose serious contextual risks for a project. Kenya, 2002.

1. What is the **context and history of fragility, conflict and violence** in the project setting?

This includes the geographical context, main political and economic features, and a history of the fragility, conflict or violence. It may include information on armed conflict and forced displacement, or relevant institutions and agencies, both internal and external. In looking at context and history, an assessment should also take account of the legal context, and the role of external actors such as neighbor states, humanitarian agencies, and Development Finance Institutions. The SIA should also consider relevant aspects of international humanitarian law, which is the law that regulates the conduct of war and seeks to limit the effects of armed conflict. International humanitarian law seeks both to regulate the means and methods of warfare, and to protect persons who are not participating in hostilities.¹⁵⁰

2. What are the **causes and drivers** of fragility, conflict, and violence?

This question would examine systems, institutional structures, and power relations. The causes and drivers can be both internal and external. They can include spillover of violence from neighboring countries, international drug trafficking networks, or global economic shocks. Corruption and elite capture may make a country more prone to violence, and to weak institutions that are ineffective in helping poor people respond to shocks. Armed violence may cause forced displacement, which again can become a source of further conflict. Ethnic and religious tensions may in extreme cases lead to ethnic cleansing and genocide. Human rights abuses such as arbitrary detention, torture, and disappearances increase the risk of civil war. Abusive and oppressive labor conditions can be a key motive for violent protest. An assessment should look at the characteristics of these different factors, as well as the relationships and dynamics among key stakeholder groups.

Conflict and tensions may be **pre-existing as a contextual risk, but may also be caused or exacerbated by a project**. In the infrastructure sector alone, it is estimated that more than 400 projects are affected by serious conflicts in the Latin America and Caribbean region. To a large extent, these conflicts involve communities protesting against the environmental degradation, reduced access to resources, and social costs of projects. The map below shows some of these conflicts, sorted by sector. The key drivers in these conflicts include

149. For a discussion of this, see for example United Nations (2014), [Frequently Asked Questions about the Guiding Principles on Business and Human Rights](#).

150. See for example the International Committee of Red Cross (2004), [What is International Humanitarian Law?](#)

deficient planning, reduced access to resources, lack of community benefits, and lack of adequate consultation.¹⁵¹ In Latin America, conflicts affecting projects are most prevalent in Colombia, Brazil, Peru, Chile, and Argentina. Involuntary displacement of people accounted for conflict in one third of all the conflict-affected projects.

The map shows some conflict areas and sources of conflict in Latin America and the Caribbean.

Some common themes that can lead to or aggravate conflict, and which should be considered when looking at risk in the SIA, include:



- **Land related conflicts.** This is among the most common sources of conflict in Latin American and the Caribbean. This may include lack of clarity around land tenure, competition between large land owners such as cattle ranchers and small-scale agriculturalists; transition from subsistence agriculture to plantations, population pressures, environmental degradation, and climate change. These types of conflicts can flare up and become worse when a project is seen to contribute to land grabs or displaces people without due process and adequate support and compensation.
- **Gender inequality.** All SIAs should assess how benefits and risks from the development process affect men and women differently. Exaggerated notions of masculinity, such as machismo in Latin America and the Caribbean, may lead to increases in violence against women, and may affect how a conflict situation affect men and women differently.
- **Industrial expansion.** In several countries in Latin America and the Caribbean, conflicts have occurred as a result of community clashes with state or private companies over access to national resources. The issue of local benefit sharing is controversial particularly in the extractive industries sectors (e.g. oil, gas, mining).

151. Source: IDB (2017), [Lessons from Four Decades of Infrastructure Project-Related Conflicts in Latin America and the Caribbean](#).

- **Labor influx.** Industrial expansion and construction of infrastructure may also lead to a temporary or permanent influx of workers from outside the local area. This may lead to different types of conflict, such as local resentment that jobs go to outsiders, pressures on land, infrastructure, housing and local services, and increases in incidence of communicable diseases. Measures to address labor influx include (i) reducing the need for it by tapping into the local workforce, thereby providing employment and benefits locally; (ii) include issues related to labor influx explicitly as part of the SIA process, with mitigation plans that address risk factors; and (iii) incorporation of mitigation measures into contracts for contractors and subcontractors.¹⁵²
- **Corruption and rent-seeking.** If governance structures are weak and there is limited opportunity for voice and accountability mechanisms, corruption and rent-seeking are more likely to be prevalent. This may lead to mistrust in the state and public institutions, and constitute serious risks to a project.
- **Lack of opportunity for youth for jobs and political participation.** In Latin America and the Caribbean, as in other parts of the world, youth unemployment and underemployment are problems that may cause local tensions and conflict. This may include inter-generational conflict, as when community organizations and decision-making bodies are dominated by elders. In parts of the world, youth disempowerment has been a strong contributing factor to violence, including toward recruitment for terrorist networks.

3. What are the relevant dimensions of **resilience and institutional capability**?

At the societal and community levels, resilience depends to a large degree on social relationships, and the cohesion of different groups, both within groups [bonding social capital] and between groups [bridging social capital]. Institutional arrangements that allow coexistence and resolution of disputes through social and political means strengthen resilience and reduce the likelihood of conflict and violence. Strong solidarity and social networks help individuals and groups cope with shocks such as adverse impacts that a project may cause or contribute to, and should be considered as part of an overall risk assessment. The presence of effective, legitimate, and accountable institutions that are respected by the population is essential. These institutions can be government, civil society, or private sector groups.

Analyzing and consulting on issues related to conflict, fragility, and violence should be done as part of understanding risk in the SIA process. However, studying and understanding these complex issues may be both sensitive and time consuming, and require special skills and expertise. It is not likely that every project will have the time and resources to undertake a detailed assessment of systemic and structural risks related to conflict, fragility, and violence. To the extent possible, the SIA should therefore draw upon existing studies and data to make an informed judgment about these types of risks. Some data sources may include existing studies of a sector, country-wide or regional nature; media coverage of conflict and violence; and interviews with key informants. Such background information should provide sufficient data to be able to identify any gaps in knowledge, where additional studies or consultations may be needed in the specific project context. There are also commercial providers of information related to environmental and social risks.¹⁵³

¹⁵² See the earlier section in this appendix on labor influx as a risk a project may contribute to.

¹⁵³ See for example [RepRisk](#), and [Maplecroft](#).

4. Is there a risk of **retaliation or violence** against people in relation to the project?

An important principle of stakeholder engagement in a project context is the need to ensure that there is no coercion, retaliation, or violence against individuals or groups. People who oppose the project should be respected and heard, without fear of retaliation. The SIA should explicitly consider and document any such risks in relation to a project. Such risks are not unlikely in many project settings. Latin America has seen frequent violence and even killings of people who have opposed projects, particularly in the extractive industries and agribusiness. Many of these tensions are focused in the Amazon region; Brazil alone had 46 killings in 2017. Worldwide, almost four environmental and human rights defenders were killed every week in 2017.¹⁵⁴

Legacy Issues

In assessing contextual risks and the project's linkage with them, it is important to consider history and legacy issues. Past experiences may have profoundly affected the relationship between the government and local communities, or among different stakeholder groups, to the point that there is an atmosphere of mistrust and tension. While the project has neither caused nor contributed to such problems, people may see it as associated with and even complicit in past abuses, especially if the project is seen to benefit from abuses committed by others in the past.

The principle that should be followed in situations of high risk due to legacy issues or other contextual aspects should be one of enhanced risk management and due diligence. Efforts that should be considered include:

- Be aware of the **historical context**, particularly related to land tenure situations
- Look carefully at **claims to ownership** of land and other assets, and recognize that people who have been displaced or suffered other abuses in the past may not possess legal title to their old property
- Conduct **in-depth stakeholder analysis and consultations**, including with community members, elders, and others who can contribute information related to legacy issues
- Where relevant, conduct an assessment of issues related to **conflict and violence**
- Establish **good community relationships and robust Grievance Redress Mechanisms**



Members of the Nazo community in Panama, claiming rights to land. [2008]

¹⁵⁴ Source: [The Guardian](#), February 2nd, 2018.

- Ensure **transparency, disclosure, and feedback mechanisms** to different stakeholder groups to reduce levels of distrust
- Consider allocating resources for systematic **capacity building** of different stakeholders, both project staff and local communities

As a general rule, it may not be practical or necessary to compensate at the individual and household level for historical abuses that current project authorities have not been involved in. For one thing, it may not be possible to establish a verifiable baseline of the value of lost property or other assets, or to confirm who in fact has a claim. An alternative may be to consider a broader development program benefitting local communities, or other ways to offset legacy-related losses and adverse impacts, such as through targeted employment opportunities or training. The unit of analysis and support may be a group or a community, rather than individuals or specific households.

Risks Related to Performance and Capacity

The previous sections covered risks of (i) adverse impacts caused by a project; (ii) adverse impacts a project may contribute to; and (iii) contextual risks of association or linkage, such as conflict, fragility, and violence, and various legacy issues. A fourth risk category relates to performance; the ability of the responsible agencies to plan, coordinate, and implement the various aspects of the project, including the SIA process. This relates to the capacity, organization, commitment, resources and overall performance of the agencies and institutions responsible for the project.

It is important to think carefully about **sequencing** the various activities and elements of the SIA process. As noted earlier, this is not a linear process with clearly differentiated stages. It will need to be carefully synchronized with the timeline and decisions taken for other



Discussions about project management system in Bogotá, Colombia [2015]. Teams from the IFI and the implementing agency meet to discuss project activities and action plans.

aspects of the project, such as engineering designs and financial planning. Consequently, project teams – whether on the lender’s side, or the responsible agency or project proponent responsible for the project – should include appropriate expertise from the earliest stages.¹⁵⁵ This may be difficult in practice, particularly on the borrower or project proponent’s side. Often, projects are developed by infrastructure agencies that have strong engineering expertise, but limited experience with managing environmental and social issues. In such cases, **developing internal capacity** may be a gradual process. The supporting IFI can play a significant role in training and capacity building, both in individual projects and on a more sectoral level in a country. There are initiatives underway to support such capacity building more strongly than in the past.¹⁵⁶

When there is limited internal capacity within the agency responsible for the project, the work with the SIA – at least in its initial stages – is usually done by consultants. However, some caveats should be highlighted when outsourcing to consultants:

- It may be hard to find people with the appropriate skills and experience, since SIA is a relatively new and still evolving area.
- There have been instances where consultants have done superficial or inadequate work. In some cases, they have used boilerplate approaches, or copied and pasted sections of work done in other settings.
- Some consultants’ studies contain large amounts of information, presented in a descriptive manner. What is needed in an SIA, however, is information presented with a good analysis of how it is relevant for the project, and how it will be used to improve the project quality.
- Even where consultants do excellent work, as many do, they can help with the first two dimensions of the SIA process; the analytical and participation aspects. But consultants do not generally have the ability or authority to make decisions related to project design and management systems. At best, they can make recommendations. It is therefore essential that the commissioning agency retains oversight, and develops the capacity to consider and decide on how to manage the social issues in the project.

For these and other reasons, there has to be **quality oversight and integration into project decision-making** of the relevant aspects of consultants’ work. In principle, this should be the responsibility of the project sponsor. In practice, it takes time to build up the management system and capability to do this. As a result, projects supported by IFIs such as the IDB may initially need more direct assistance and support than ideal from specialists in the IFI.

Assessing capacity, commitment and likely performance is not something typically done as part of an SIA, at least not as far as assessing performance of the responsible agency that commissions or undertakes the SIA. But management decisions, revised design, and action plans will not be successfully done unless those responsible can perform their functions in a satisfactory manner. Furthermore, **performance related factors are not limited to the lead responsible agency**. A project may depend on inputs and actions by other government agencies, implementation partners such as civil society organizations, and contractors and sub-contractors. If the performance of any of these groups is inadequate, the project may be

155. At the IDB, the recommended approach is to involve specialists from the Environment and Social Safeguards Unit (ESG) from the beginning in projects of moderate to substantial / high risk [Category B and A]. This may start as early as during the pipeline discussions. An E&S specialist should participate in all relevant project missions and site visits, including identification, orientation, analysis (also known as appraisal in other institutions), and supervision.

156. IDB, for example, has prioritized both internal and external capacity building related to environmental and social standards and risk management. Similarly, the World Bank has committed itself to a comprehensive program of client capacity building.

at risk, and adverse impacts on affected groups may occur that could otherwise be avoided or appropriately mitigated. The SIA process should assess and document that recommendations and action plans are viable, which means assessing issues such as available capacity and resources, and ongoing performance during project implementation. Part of this is to identify resource needs, responsibilities, and timelines. Performance related risks can best be managed by establishing a robust environmental and social management system.¹⁵⁷

157. See the section on Embedding Social Issues Within the Project Management System, in Section I.2.



APPENDIX B:

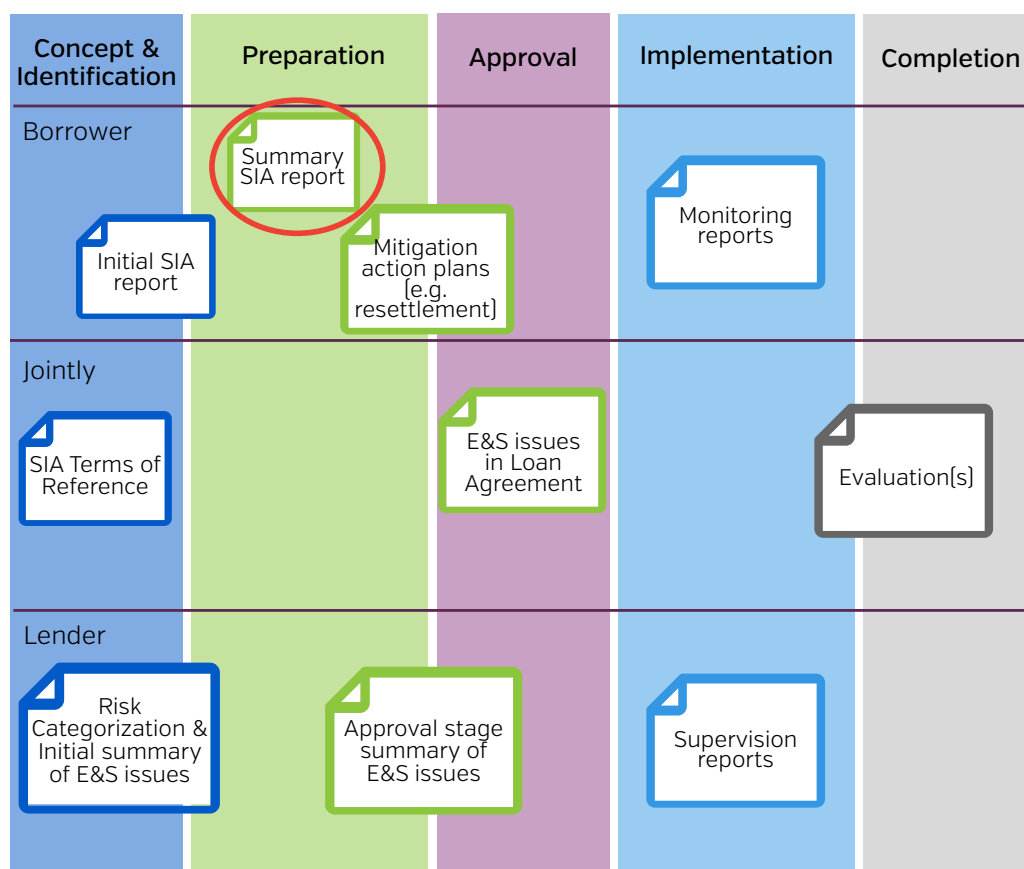
IDB Tools And Templates

SIA report outline
Resettlement Plan Outline
Livelihood and Income Restoration
Socio-Cultural Analysis
Gender-Related Risks

The contents of Appendix B have been developed based on policies and procedures of the IDB, as of 2018. They are intended to be used as examples to be adapted to specific project contexts by IDB staff, particularly environmental and social specialists in the Environmental and Social Safeguards Unit, ESG. The contents of this appendix may also be of interest to other institutions or individuals. Please note that procedures and guidance may be revised and changed from time to time.

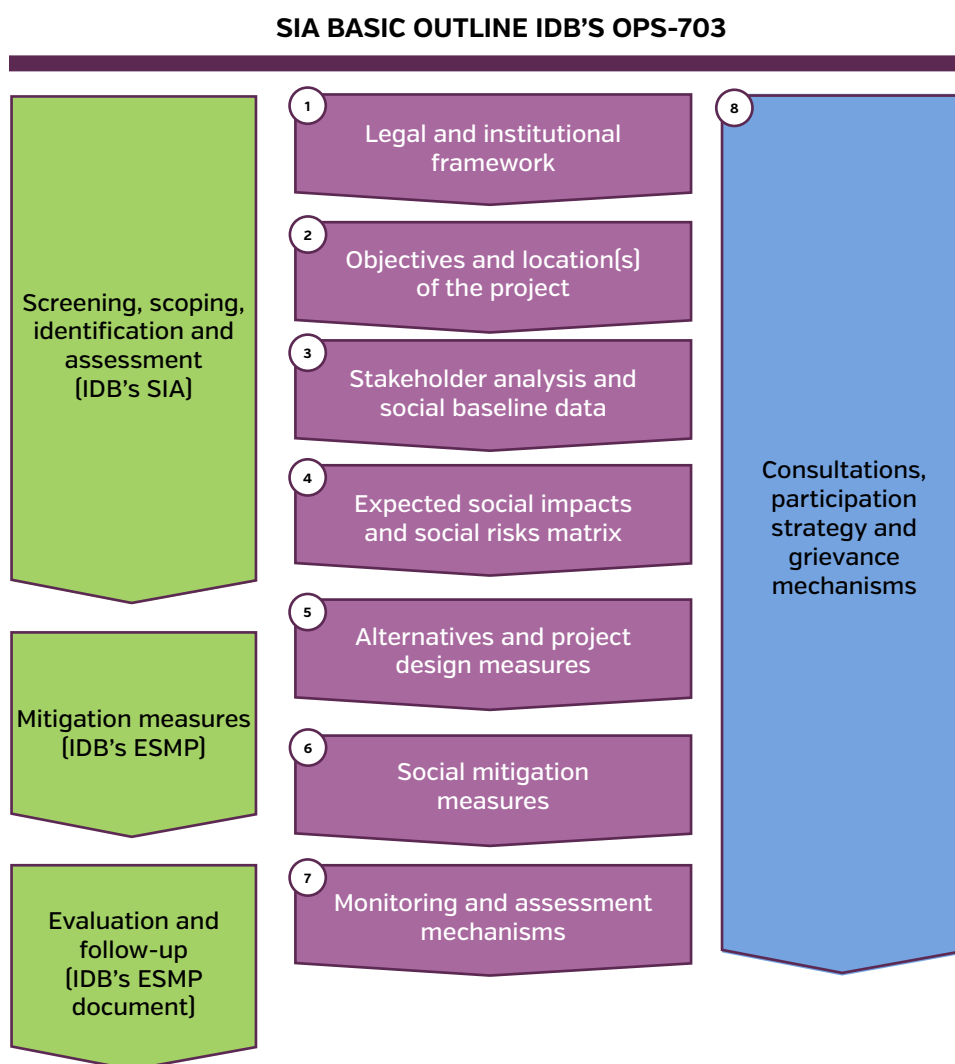
SIA BASIC REPORT OUTLINE

The overview below outlines typical content of summary SIA and ESMP reports for IDB operations. As indicated in the figure, this is normally prepared by the responsible project agency at the end of the project preparation period, and used as documentation for project approval.¹⁵⁸ Key elements of the summary SIA and ESMP report should be included in the final versions of IDB's documentation.



¹⁵⁸ See Part 1, Producing and Disclosing Reports and Plans, for a discussion of different types of project documentation based on international good practice. For specific IDB requirements, see Section II of this note.

The SIA report and ESMP in IDB's project cycle can be summarized in the figure below.



1. Legal and institutional framework.

Describe the applicable legal and institutional framework for the project, within which the SIA is carried out, and how the project meets requirements related to social risks that have been identified. This section should also summarize the relevant policy requirements of IDB or other IFIs supporting the project. Where applicable, this section should identify gaps between the Borrower and the IFI requirements, and explain how the differences will be managed.

2. Objectives and locations(s) of the project.

Provide a concise summary of the proposed operation and its geographic, environmental, social and temporal context. It should include relevant associated facilities. This section should include maps of sufficient detail, showing the project site area and the area that might be affected by the projects direct, indirect, and cumulative impacts. Where applicable, detailed maps of natural protected areas and indigenous lands and territories should be included.

3. Stakeholder analysis and social baseline data.

This section focuses on communities that are present in the project area of impact and influence. It takes into account mainly project activities. The section summarizes the baseline data that is relevant to decisions about project location, design, operation or mitigation measures.

Based on current information, this section summarizes: [i] socio-demographic conditions [such as age, gender, education level], [ii] socio-cultural conditions [such as ethnic distribution, languages spoken key cultural aspects relevant to the project, [iii] socio-economic conditions [such as economic sectors, formal/informal employment, land tenure], [iv] poverty and social vulnerability [size and main types of vulnerable groups, disaggregated by gender], [v] stakeholder mapping, including groups that may be affected such as local communities, public agencies, private companies, civil society organizations, academia, media, [vi] institutional capacity of the Implementing Agency, with specific analysis of the experience, staffing and resources related to managing social safeguards issues. This should focus particularly on key social risks, which may relate to involuntary resettlement, Indigenous Peoples issues, gender or other aspects, [vii] the extent and quality of available data, key data gaps.

4. Expected social impacts and social risks matrix.

Summarizes in a matrix or table format the main expected temporary and permanent social risks and impacts of the operation, arising its construction and operation phases, as a consequence of the nature of the project and the operating context. This section should include key anticipated direct, indirect and cumulative impacts, as well as main associated contextual social risks.

5. Alternatives and project design measures.

It is recommended to include a comparison of feasible alternatives to the proposed project site, technology, design and operation – including the “without project” situation.

Description of how the mitigation hierarchy has been applied to the project design and planned implementation, and how potential adverse social impacts have been avoided or reduced. Where practical, this should be quantified.

6. Social mitigation measures.

It is recommended to include at least [i] the description about how residual social risk will be managed after applying the risk mitigation hierarchy, such as offsets or compensation, [ii] projected capital, recurrent costs, timing and responsibilities of proposed mitigation measures, [iii] institutional arrangements planned for mitigation measures, including staffing requirements and training needs and indicators and monitoring arrangements.

7. Monitoring and assessment mechanisms.

Includes indicators to monitor the implementation of the social aspects of the IDB's Environmental and Social Management Plan. It is important to properly record the results and to identify lessons learned during the implementation phase. It should include the project-level grievance redress mechanisms review process.

8. Consultations, participation strategy and grievance mechanisms [cross-cutting component]

For examples about contents of this section, refer to Annexes of IDB Guidance Note on Meaningful Stakeholder Consultation [2017].

Reports of meaningful consultation activities before the project's approval should be included as an annex.

Resettlement Plan Outline

The main components to be included in the final version of the Resettlement Plan need to be adapted to a specific project context. The following proposed detailed outline is indicative only, and should be used as general guidance:

1. Description of the project and potential impacts.

A list of project components including associated facilities (if any) that are likely to require land acquisition and resettlement. Overall estimates of land acquisition and resettlement should be included. The objectives of the resettlement program should be described briefly. This brief description should include thematic maps.

Provide an inventory of lost and affected assets at the individual, household, and community level through identification of the project components or activities that give rise to physical displacement; the zone of impact of such components or activities; the scope and scale of land acquisition and impacts on structures and other fixed assets; resulting losses in incomes and livelihoods, both temporary and permanent; and any project-imposed restrictions on use of, or access to, land or natural resources.

2. Minimizing resettlement.

A description of the efforts made to minimize displacement, including analysis of alternatives, and rationale for selection of the current design; the results of these efforts, and the mechanisms proposed used to minimize displacement during implementation.

3. Legal framework.

Description of all relevant local laws and approaches that apply to resettlement; identification of differences or gaps between local laws and IDB policies, if any; description of project-specific mechanisms to address gaps with respect to IDB policies; and confirmation that resettlement implementation will be based on the agreed RP and reflected in legal documents such as a loan agreement.

4. Valuation of and compensation for losses.

Determine the methodology to be used in valuing losses to determine their replacement cost; include a description of the proposed types and levels of compensation for land, natural resources and other assets under local law and such supplementary measures as are necessary to achieve replacement cost for them. The compensation framework should include a description of the following: any compensation guidelines established by the Borrower country; in the absence of established guidelines, the methodology that the responsible project agency will use to value losses; the proposed types and levels of compensation to be paid; compensation and assistance eligibility criteria; and how, when, and where compensation will be paid, including measures to ensure transparency.

5. Resettlement site and income restoration options.

Determine the methodology to be used in valuing losses to define their replacement cost; and an analysis (using a participatory approach) of the different options of community relocation sites.

For the income restoration options, do an analysis (using a participatory approach) of whether income restoration is appropriate through providing relevant information to answer at least the following checklist questions: Are the proposed compensation entitlements [included at the entitlement's matrix] sufficient to restore income streams for each category of impact? Does income restoration require change in livelihoods, development of alternative farmlands or some other activities that require a substantial amount of training, time for preparation, and implementation?; How are the risks of impoverishment to be addressed?; What are the main institutional and other risks for the smooth implementation of the resettlement programs?

6. Eligibility criteria.

Definition of displaced persons and criteria for each option (including vulnerability criteria) for determining their eligibility for resettlement benefits, compensation and other resettlement assistance, including relevant cut-off dates (and evidence of dissemination).

Evidence that measures are in place to prevent influx of occupants to the areas to be resettled, to areas liberated for construction and to host areas.

7. Census, socioeconomic surveys and cut-off-date.

An enumeration of the affected people and their registration according to location in order to establish a list of legitimate beneficiaries (for each compensation/rehabilitation option) before displacement takes place, laying a framework for subsequent socioeconomic research needed to establish fair compensation rates and to design, monitor and evaluate sustainable income restoration or development interventions. Results of the census, assets inventories, natural resource assessments, and socioeconomic surveys should be presented.

Minimum elements of the findings should include: An identification of categories of impacts and people affected; Information on vulnerable groups or persons for whom special provisions may have to be made; An identification of public or community infrastructure, property or services that may be affected; A basis for excluding ineligible people from compensation and resettlement assistance; and a cut-off-date; Land tenure and transfer systems; Patterns of social interaction in the affected communities, including social networks and social support systems, and how they will be affected by the project; Social and cultural characteristics of displaced communities.

An annex should include copies of census and survey instruments, interview formats, and any other research tools

8. Institutional arrangements, implementation schedule and costs/budgets.

An analysis that discusses institutional capacity for and commitment to resettlement of the institutional framework. In particular, the analysis should cover: the identification of agencies responsible for resettlement activities (including its previous experience and assessment of institutional capacity); and coordination of the activities associated with and described in the RP including providing support for displaced persons; how coordination issues will be addressed in cases where resettlement is spread over a number of jurisdictions or where resettlement will be implemented in stages over a long period of time.

Final agreed institutional arrangements and/or execution mechanisms that provide for the implementation of applicable local laws and regulations. Clear responsibility assignment for execution of elements included in the Resettlement Plan.

The implementation schedule should provide anticipated dates for displacement, and estimated initiation and completion dates for all resettlement plan activities. The schedule should indicate how the resettlement activities are linked to the implementation of the overall project. The schedule should list the chronological steps in implementation of the RP, including identification of agencies responsible for each activity and with a brief explanation of each activity. A month-by-month implementation schedule should be prepared (using a Gantt chart, for example) of activities to be undertaken as part of resettlement implementation.

A clear statement of financial responsibility and authority should be provided. The budget for resettlement and land acquisition should be sufficient and be included in the overall project budget. The budget matrix should include an estimated budget, by cost and by item, for all resettlement costs including planning and implementation, management and administration, monitoring and evaluation, and contingencies.

9. Participation, consultation and grievance redress.

A description of the participation of the affected stakeholders regarding mitigation of effects and development opportunities of physical displacement. An annex of the document should contain records of all public consultation with affected stakeholders including announcements and schedules, overview of public meetings, meeting minutes, and lists of attendees, recommendations from stakeholders, and how concerns and recommendations have been reflected in project design and implementation.

A description of the step-by-step process for registering and addressing grievances with specific details regarding a cost-free process for registering complaints, response time, and communication modes. This should also include a description of the mechanism for appeal, and provisions for judicial recourse as needed.

10. Monitoring and evaluation.

A description of the arrangements for monitoring of displacement and resettlement activities by the implementing agency, supplemented by third-party monitors as appropriate. This should provide: A list of key monitoring indicators derived from baseline survey that will be used for internal monitoring; A description of institutional [including financial] arrangements; A description of frequency of reporting and content for monitoring; A description of the process for integrating feedback from monitoring into implementation [adaptive management]; A methodology for external monitoring such as participatory monitoring by affected communities, as appropriate; A list of key indicators for external monitoring, focusing in particular on outcomes and results; A description of frequency of reporting and content for external monitoring; A description of process for integrating feedback from external monitoring into implementation; and a description of arrangements for independent evaluation, at a minimum at project completion.

OP-703 GUIDANCE TO ESTIMATE POTENTIAL IMPACTS OF ECONOMIC DISPLACEMENT AND/OR INCOME LOSSES

The application of this table varies according to each specific operation and country. Social Impact Assessment (SIA) should also include a vulnerability/impoverishment risk assessment to complement the analysis. In case of affected IPs, this has to be prepared in consistency with OP-765.

TYPE OF AFFECTED SOCIAL UNITS ¹⁵⁹					
	Formal		Informal		Formal or Informal
Type of impacts ¹⁶⁰ [permanent or temporary]	Owner of Immovable Business / dependent workers [no land-based]	Renters of Immovable Business / dependent workers [no land-based]	Owner of immovable Business	Owner business occupying Public Space.	Land Owner [land-based]
Loss due to: (1) impacts to premises [estructuras]-improvements [mejoras] and/or (2) earnings [ingresos]/profits [ganancias]	<ul style="list-style-type: none"> For the owner, compensation in-cash for income and/or earnings losses. Cash compensation for property impacts [at replacement cost value] and provisions for the transitional support. [as needed] 	<ul style="list-style-type: none"> For the owner, compensation for the earning and/or profits losses. For the renter compensation for the contract period and provisions for transitional support 	<ul style="list-style-type: none"> Compensation in cash or/ and kind for earning losses Provision of temporary/permanent location for the street business [as needed] Compensation in cash or / and kind as support for job change 	<ul style="list-style-type: none"> For business using sidewalks for parking or sales exhibitions, Compensation for earning loss for the civil works period and alternatives for access and parking] 	<ul style="list-style-type: none"> Compensation in cash payment at replacement costs of impacts caused [depending on the land ownership status]

159. Social units affected involves: Families affected, and Economic Units affected

160. The economic impact assessment entails: type of impact, type business, and documents for evidence. All for social units affected that involves: Families affected, and Economic Units affected

TYPE OF AFFECTED SOCIAL UNITS ¹⁵⁹			
	Formal		Informal
			Formal or Informal
Loss due to restriction of access to business or no-land based (costo por restricción de acceso) and restrictions on and use	<p>In-kind measures for physical impacts (preferred) and/or compensation in-cash for impacts when unavoidable.</p> <p>Enabling accessibility by provisional pedestrian and street access; warning on restriction mobility.</p>		<p>In-kind measures for physical impacts (preferred) and/or compensation in-cash for impacts when unavoidable.</p> <p>Enabling accessibility by provisional pedestrian and street access; warning on restriction mobility.</p> <p>Compensation in-kind to support job change/ transition: access to credit, training (when needed).</p>
Verification	<p>Confirmation/ Evidence (tax payments, annual balances etc.) of general damages and loss of profits/ or account profits to define reposicion costs, values of loss on patrimony by expert analysis, according to the norm (when provided).</p> <p>Workers losses should be valued addressing case by case through an expert's assessment.</p>	<p>Definition of amounts time to be paid based on experts' assessment and evidence of contract / and earnings subscribed</p>	<p>Confirmation of impacts' scope in case-by-case basis documented and analyzed; and a vulnerability index of the impacted defined.</p> <p>Confirmation of valuation of the impacts, by an expert assessment study on land price; and valuation of crops/ trees or other income sources lost</p>

Socio-Cultural Analysis

When the socio-cultural analysis is prepared as a document, the following items could serve as a starting point for the elaboration of the SCA:

- **Analysis of the legal framework related to Indigenous Peoples:** Identification of the main applicable instruments, from national legislation as well as international conventions ratified and subscribed to by the country, and principles and guidelines established in the Policy [OP-765] of the IDB.
- **Characterization of the Indigenous communities:** Detailed description and analysis of the Indigenous population located in the area of influence [direct and indirect] of the project. Based on this characterization, the analysis will determine whether it is necessary to expand the indirect area of influence of the project in specific places, justifying the reasons why it should be expanded.
- **Community structure and institutional functioning:** Norms, values, rules, customs, behaviors and decision-making mechanisms that have been institutionalized through inter and intra-group relations, relevant for the project, to take into account in the public consultations and the management measures to be proposed.
- **Gender aspects:** Identification of gender dynamics as an integral part of the SCA, identifying sociocultural patterns such as the exclusion of women from decision-making processes or public life, economic or professional life, harmful attitudes or practices towards women and girls [like their exclusion from education], physical violence against women [whether by strangers, acquaintances or intimate partners], using both qualitative and quantitative data and indicators. Identify special measures necessary to ensure that women and girls participate in decision-making processes about the project like the public consultation. It would also be important to analyze if as a result of the project there could be negative impacts differentiated by gender, or worse for women and girls than for men and boys, or if preexisting gender inequalities could be exacerbated as a result of the project.
- **Symbolic aspects:** characterization of values, norms, traditions, customs, beliefs, aspirations and attitudes of the community related to the project, with special emphasis on ceremonial sites and other places with symbolic meaning for the population.
- **Social vulnerability analysis:** Situation of the Indigenous population in the area of the project according to its levels of socioeconomic vulnerability, historic and cultural vulnerability, linking that situation with potential risk of exclusion from the potential benefits of the project.
- **Population expectations:** Aspirations, perceptions, and attitudes towards the project within the Indigenous communities, including the history of interactions with the agencies of the public sector and the level of confidence or distrust that Indigenous communities have in them.
- **Production and connection with the regional commercial system.** Analysis of how the changes generated by the project could provoke changes in the interactions between the Indigenous population and agents related to the commercialization of products and subsistence activities currently existing in Indigenous communities.

- **Existing liabilities and contextual risk:** Identification of the presence of potential sociopolitical liabilities and risks associated with the context in which a project will be constructed and operate.
- **Risks of physical, territorial, or cultural integrity** of the potentially affected population, including natural resources, food security, rights, economy, identity, etc.
- **Possible impacts generated by the presence of construction workers.** Analyze the possible risks associated with the construction works (health, accidents, unwanted pregnancies, etc.), with particular emphasis on the behavior of personnel of the contractors in their interactions with the local Indigenous population.
- **Cultural changes and generational disruption:** Analyze the internal cultural changes and tensions that could be generated or identified as a result of the project, in the framework of the changes that the project could introduce or intensify.
- **Risk of conflict.** Identification of latent conflicts and potential new conflicts that could be generated or intensified as a result of the project.
- **Potential indirect impacts related to tenancy and use of lands.** Analyze the principal threats in this area that could be created or intensified as a result of the project, including land titling issues, rent or leasing, invasion of Indigenous lands, ancestral territories they aspire to recover, etc.
- **Other risks and possible adverse social impacts,** including direct, indirect, and accumulative, induced or residual impacts on Indigenous communities.
- **Public consultations with Indigenous Peoples:** Guidelines and criteria for conducting public consultations with Indigenous Peoples, reflecting the requirements established in Policy OP-765 of the IDB on Indigenous Peoples. These measures would be additional to the consultation activities to be carried out in the context of the ones required by OP-703. These consultations should be socio-culturally appropriate, preferably using one or more Indigenous facilitators, ensuring that those people that don't speak Spanish (or Portuguese, in the case of Brazil) have the opportunity to form questions and express their opinions and concerns; that they are held at times and in spaces that are accessible to the local Indigenous population, and that they respect the decision-making mechanisms of the Indigenous groups.
- **Indigenous Peoples Plan.** Inclusion of specific measures to reduce, mitigate and/or compensate the potential impacts on Indigenous communities, following the mitigation hierarchy discussed in this note.¹⁶¹ Compensation does not necessarily mean economic compensation, but mainly replacement of the affected functionality or replacement in kind, as in land for land. The impacts identified should be associated with the mitigation measures, explaining clearly the relation between the impacts and the measures. This plan, and its measures, should have an assigned budget, tentative timeline, required personnel to execute them, institutional responsibilities, among other practical details that facilitate its eventual implementation.
- **Monitoring of Sociocultural Aspects:** Definition of sociocultural indicators that serve as a baseline for eventual monitoring of changes generated by the project, defining a monitoring system specifically for Indigenous communities, analyzing the possibility of implementing participatory monitoring systems, when that is practical.
- **Field visits:** To write the sociocultural analysis, and to gather the primary information related to Indigenous communities required, there should be field visits to the Indigenous communities in the direct and indirect area of influence of the project, in coordination with the executing agency, and advising the executor to carry out the specific consultations with Indigenous Peoples.

161. See the section on Reflecting Social Issues in Project Design and Implementation, in Section I.

Gender Related Risks

When gender-based impacts are identified in an operation supported by the IDB, the following aspects should be included within the SIA process and the ESMP at a minimum:

SIA Report

- **Stakeholder analysis and social baseline data.** Make sure that a specific analysis is done about men's and women's roles, views and priorities in relation to the project and potential constraints to women's participation in decision-making. The stakeholder mapping should specifically include women's organizations to ensure their active participation in the consultation process.
- **Expected social impacts and social risks.** Include potential adverse impacts on gender equality and risks of gender-based exclusion, such as: threats to women's ownership rights and risk of unfair compensation for loss of housing, land and access to natural resources and other assets; impacts on women's livelihoods; risk of increase of gender violence, including sexual exploitation and human trafficking; women's exclusion from project-derived economic opportunities and benefits, including paid work, training, credit, or business opportunities; cultural barriers to women's participation in consultation processes.

ESMP

- **Social mitigation measures.** Include specific mitigation measures in the Environmental and Social Management Plan to prevent, avoid, or mitigate potential gender-based risks and/or impacts.
- **Monitoring and assessment mechanisms.** Include gender-disaggregated indicators to monitor the implementation of the social aspects of IDB's Environmental and Social Management Plan.
- **Consultation, participation strategy and grievance mechanisms.** Ensure the equitable participation of women and men, making sure that affected women are included in a gender-sensitive and socio-culturally appropriate manner.

IDB SERIES ON ENVIRONMENTAL AND SOCIAL RISK AND OPPORTUNITY

Social Impact Assessment

