

August 10, 2005

Introduction to the Development and Poverty Impact Indicators Template

Introduction:

The process of better identifying, collecting and publishing information about such impacts can help the process of community consultation, community program design and even project design. Given their nature and the way they are sometimes seen by communities and others, EI projects need to make a special effort to measure and present their development and poverty impacts (positive and negative) to allow communities and others to understand the overall contribution to sustainable development and to poverty reduction that a project has had.

IFC proposes to ask investors to provide regular information about the impacts of the projects that it supports (Development and Poverty Indicators Template). And it will ask investors, as a part of an ongoing community consultation and engagement process, to regularly make available information about their EI projects' environmental, social and economic impacts to affected communities. Affected communities have a right to understand what all the impacts of a development are on their local environment. When communities and others are aware of the benefits that projects bring – in the form of jobs, linkages to local businesses, revenues paid to governments, community programs, and so on - they are more likely to welcome projects. And when there are negative impacts, an open, transparent approach by the investor will be more productive than secrecy in ensuring that these impacts are mitigated.

Today, many if not most EI companies and developments already have programs to disclose information regularly to communities. In the industry, there are important ongoing initiatives where industry leaders are setting higher standards. ICMM (International Council for Mining and Minerals - the leading international mining companies association) members, for example, are required to adopt its Sustainable Development Framework which comprises (i) ten principles, ranging from corporate governance to social development; (ii) the GRI 2002 Sustainability Reporting Guidelines and its Mining and Metals Sector Supplement, (iii) a system of verification which is under development; and a good practice website jointly sponsored by DFID, UNEP and UNCTAD. For more information visit www.icmm.com , and www.globalreporting.org In addition, ICMM is working on a tool box which will help its members to systematically measure how projects can contribute to economic growth and poverty reduction and to identify actions that companies, governments and donors can take to enhance the development impact of mining operations. More information on the project known as "Using resource endowments to foster sustainable development" is also available in the ICMM website.

Information to be collected:

The Development and Poverty Indicators Template attached sets out the sort of information that IFC will ask investors to provide each year. Every project and every country is different and not every variable will be important to every project. In some cases, precise information will not be available – particularly information that is not directly under the control of the investor (for example, the share of local suppliers costs that are represented by imports) or where it may depend on uncertain and difficult to measure relationships (for example, estimates of the multiplier impact on the local economy of local spending). Where they can, investors should make best guess estimates, or point out that the information is not available. IFC economists will help when possible.

Measuring Direct Project Impacts (schedule A of the Development and Poverty Indicators template).

Projects make a direct contribution (positive or negative) to development and poverty reduction through their direct impacts on the communities in which they operate. They, for example, create jobs directly and through sub-contractors; they have linkages with local businesses through buying goods and services from them and supplying material or energy inputs. Projects pay taxes to different branches and levels of government and may also interact with local communities through welfare programs and community funds, the provision of infrastructure such as roads, electricity, health or water, and other services. Schedule A of the template lays out the sorts of impacts that a project may have in this respect. Although there will be common impacts among all projects (e.g. employment, revenues to governments), not all of the indicators will apply to all projects and there may be others not listed that for particular projects are worth noting.

Measuring Ultimate Development and Poverty Impacts (schedule B of the Development and Poverty Indicators template).

In addition to measuring the direct inputs of EI projects that should promote development and poverty reduction, it is also useful, if possible, to be able to describe what the ultimate impacts have been on poverty as measured by more fundamental measures of a community's welfare. Such measurements can be very useful to describing projects' impacts on poverty, as well as providing information for, for example, consultations with communities and designing community programs. For example, they could show whether poverty in the affected community has been reduced when measured by fundamental development and poverty indicators such as: the percent of the community living on less than \$1 per day; the per cent with inadequate food intake; the proportion of children who receive schooling; mortality rates among children, in childbirth, incidences of health problems and social problems that may result directly or indirectly from development and so on.

A "base line" study of what conditions are like before the project starts or early in its life could be a very useful means to demonstrate project impact over time. Communities and regions vary and it would also be useful to know how these measures have changed over

time in the project-affected communities compared to elsewhere. Indicators that are the same as those used by governments and others for similar regions or the country as whole, will help make comparisons possible.

Whether it is practical or useful to measure these fundamental impacts, and which particular indicators are most relevant for a particular project will vary with the project and community. A very small EI project within a densely populated and relatively well developed region is unlikely to have any measurable impacts in terms of surrounding communities' fundamental indicators of welfare. A large, long life project in a remote area located close to poor communities may have a strong, measurable impact. An industry or group of projects likewise may have a measurable impact in a region.

Ultimately investors will need to discuss with IFC what is practicable and relevant. While the measurement of such indicators (and base line studies) may be beyond the immediate operational needs of the project, the usefulness of the data collected for dialogues with the community and others, gives investors a strong incentive to collect it. IFC's practical experience is that, even in the case of small operations, companies find base line studies useful in addressing issues and criticisms of their projects. Local experts or institutions may be able to help, at relatively low cost, in collecting and comparing relevant and credible data.

Regular Provision of Information to Communities about Projects social, environmental and economic impacts

The systematic collection of data and impacts on the lines set out in the template attached will provide a good basis for the regular provision of information about the social, environmental and economic impacts of their projects (positive and negative) that IFC requires investors to make to communities. The format of this disclosure needs to be decided by investors in a way that is appropriate given their project and its affected communities and their community consultation program and processes See Note.

Finally no standard collection of data is likely to adequately capture the impact of a project on a community. Projects may impact communities for better or worse in many ways that need to be captured as far as possible.

August 10 2005

Local Community Attachment 4

Direct Impacts of Projects

Expected	Outcomes	
	Year ...	Year

1 Employees (Project Company and Contractors)

- a. **Jobs Created Construction (#)**
 - % Local
 - % National
 - % Female
 - Wage rates compared to alternative (+/--%)
 - Labor Turnover Rate (% pa)
- b. **Jobs Created Operation (#)**
 - % Local
 - % National
 - % female
 - Wage rates compared to alternative (%)
 - Nationals share in top management (%)
 - Total wage bill (\$m)
 - Local project jobs as share of local community (%)
- c. **Training (% wage costs)**
 - Numbers receiving (#)
 - Special efforts to recruit and train local workers?
- d. **Other Worker Benefits \$m**
 - Pension Fund Contributions (\$m)
 - Profit sharing (\$m)
 - Other (\$m)

2 Trading partners/market for goods and services (\$m)

- a. **Total National Suppliers Construction \$m**
 - Community Purchases (\$m)
 - National Purchases (\$m)
 - Approximate % of imports in national purchases (%)
 - Local supplier/SME development program?
 - No. of community suppliers (#)
 - No. of national suppliers (#)
- b. **Total National Suppliers Operation \$m**
 - Community Purchases (\$m)
 - National Purchases (\$m)
 - Approximate % of National % local value added (%)
 - Local supplier/SME development program?
 - No. of community suppliers (#)
 - No. of national suppliers (#)
- c. **Induced Economic Impacts (Where estimates feasible)**
 - Estimate of Spending multiplier of project (#)
- d. **Local Product Offtakers (\$m)**
 - price versus alternatives (+/--%)
- e. **Exports (\$m)**
- f. **Other Impacts of operation?**
 - Greater competition?
 - Lower prices?
 - New industries?
 - Demonstration Impact?

3 Direct Community Impacts (via cash or kind)

- a. **Access to education (\$m)**
 - School places supported #
 - Other?
- b. **Access to health care (\$m)**
 - Workers and families #
 - Others #
- c. **Access to infrastructure (#)**
 - Housing #
 - Water #
 - Electricity #
 - Roads #
 - Other #

- d. **Community profit sharing (\$m)**
- e. **Other community support (\$m)**
Specify if possible

4 **Benefits to Governments**

- a. **Total Tax/Royalty Revenues paid (\$m) (See Schedule)**
 - Direct to National Government (\$m)
 - Direct to Regional Government (\$m)
 - Direct to Local Government (\$m)
 Provisions for Govt. revenues to flow back to region/local government from national government (\$m or %)
- b. **Profit share to governments (\$m)**
 - Share production (PSCs) (\$m)
 - Dividends (\$m)
- c. **Other government benefits/costs (\$m)**
Specify if possible

5 **Other benefits - not specified elsewhere**
(describe/quantify)

6 **Environment and Social Impacts and Issues (see note)**
(If not covered in other reports to IFC such as AMR)

- a (i) **Environment General (yes/no/specify)?**
 - Displacement of other activities?
 - Any significant adverse environmental impacts?
 - Any significant environmental benefits?
 - Incidents/problems?
 - Gas Flaring?
 - Greenhouse Gas Emissions (Tons)
 - Hazardous materials emergency response plan in place?
 - Community consulted about plan?
- a (ii) **Social Impacts (specify)**
 - (i) Any direct adverse health impacts from operations
 - (ii) Any indirect health impacts (e.g. HIV/AIDs)
 - (iii) Any nuisance impacts on community (noise, dust etc)
 - (iv) Other negative social impacts of development
e.g. increased tensions/alcoholism etc
- b **Resettlement (#)**
Measures of welfare of resettled (better off/worse off/comment)?
- c **Inward Migration to site (#)**
Conflict or acceptance by locals (yes/no/comment) ?
- d **Engagement with community (yes/no/comment)**
 - Frequency of consultations (annual, quarterly, other)?
 - Community say in social spending?
 - Community development plan?
 - Independent community fund in place?
- e **Planning for Project Closure (yes/no/comment)**
 - Project closure plans in place ?
 - Plans for community beyond closure?
 - Plans public and consulted about?
 - Independent financing/guarantees in place - fully/part/no?

Notes

- 1 The objective is track over time the direct contributions (negative and positive) of the project to the development/welfare of the community, region and nation
- 2 Other additional or alternative indicators can be chosen that better reflect the project and its relationship to the broader community
- 3 Supplementary variables to each major category may be more or less relevant depending on project
- 4 Approximate estimates will usually suffice when precise information is not available e.g. numbers of people using project infrastructure?
- 5 In some cases, qualitative answers including yes/no will suffice - in others qualitative descriptions will help provide better perspective
- 6 In most cases Environmental and Social "Action Plans" will provide much of social and environment community data.
Performance Standards and guidance notes to be followed.
- 7 In some cases, it may be easier to sub-divide categories - e.g. direct project employment vs contractors - than aggregate
- 8 Benefits may sometimes be given in kind (goods/services) rather than cash. Where possible approximate cash values should be given or brief description
- 9 Where information not under the direct control of the project is not known (e.g. the "multiplier impact of project spending", please leave unless readily available from local institutes etc.
- 10 Where possible use units specified on each line but if otherwise please specify units
- 11 Every project is different and in some cases (e.g. social impacts on communities - positive and negative) qualitative descriptions will help

Local Attachment 4

Base Year		Year			
Local Base Line	Regional Base Line	National Base Line	Local	Regional	National

Year		
Local	Regional	National

Ultimate Impacts on Poverty in Area

Examples of Key Indicators - See Notes

Health

- Infant Under 5 Mortality Rate
- Maternal Mortality Rate
- Reduction in Prevalance of Key Diseases (e.g. HIV, Malaria)
- Immunization Rates for key diseases
- Access to primary health care (%)

Education

- Children Completing Primary Education (%)
- Girls Completing Primary Education (%)
- Girls Completing Secondary Education (%)

Poverty

- Estimated Income per head
- Suffering from Hunger (%)
- Access to clean water (%)
- Access to electricity (%)
- Access to sanitation (%)

Other (see note 5)

Measures of social welfare of community

Notes:

- 1 The objective is show how the fundamental welfare of the community (ies) surrounding the project has changed as a result of overall level of activity/greater prosperity due to project
 - it should be possible to provide some indication using only a limited number of key "indicators"
- 2 It will only make sense to attempt to measure and track such impacts when project large enough relative to community to have discernible impact
 - small projects on edge of cities may have little measurable impact on local community
 - large projects in remote areas may have major impacts
- 3 The choice of area to be surveyed will depend on scale and location of project and definition of "local" will need judgment
- 4 Other additional or alternative indicators can be chosen that better reflect local issues, expected timeframe and data availability
 - e.g. specific diseases that are key local problem that may be focus of specific activities of project community program
 - e.g. there are many alternative measures of health, access to medical services, education etc
 - e.g. in some cases, projects may bring new health/social problems by introducing new groups, life styles into communities (e.g. HIV/AIDs, alcoholism)
- 5 Where impacts on social welfare not observable, **worker surveys & broader community surveys over time** could indicate perceived impacts different group & their families
- 6 **Base line studies** of the affected area before project start up will be invaluable in showing progress over time and may not be costly
- 7 Measurements that show progress against the base line and reference populations such as local regional or national trends will have added credibility
 - The availability of regional and national (and maybe more local) surveys/data should be a factor in choosing comparable indicators to track
- 8 While some variables may be trackable and change each year, others will change slowly and may be best compared periodically
- 9 Not every type of variable will be impacted by project or be capable of being tracked regularly but even a limited number of indicators may be useful
10. In some cases, community attitude base line studies may be useful for measuring and tracking communities views of project over time.