

Reforming IFC Performance Standard 5 on Land Acquisition and Involuntary Resettlement

Joint Civil Society Submission

January 2026

Introduction

While Performance Standard (PS) 5 contains important protections and entitlements for communities affected by physical and economic displacement, the persistent reality is that both large-scale resettlement and livelihood restoration have repeatedly proven extraordinarily difficult to carry out in a manner that upholds human rights and meets the IFC’s own Performance Standard objectives. [Empirical evidence](#) continues to show that the risks of displacement are [not being effectively](#) addressed under PS5, and the costs borne by affected people—including the loss of livelihoods, negative health impacts, food insecurity, psychological trauma, increased morbidity and vulnerability, especially among women and children, cultural losses and the erosion of social fabrics, and, for Indigenous Peoples, the endangerment of cultural survival and collective continuity—are [unacceptably high](#).

It is fundamentally inconsistent with the IFC’s Sustainability Framework and the World Bank Group’s mission to impose these kinds of costs on the most vulnerable communities, and these outcomes should be considered antithetical to sustainable development. While weak implementation is a factor, the scale and persistence of these harms indicate structural deficiencies within the standard itself, underscoring the need for substantial reform and improvement in the approach. This reform is especially urgent in the current race for transition minerals, where mining projects frequently threaten the land rights and human rights of affected communities.

The IFC’s current process of updating its Sustainability Framework presents a once-in-a-decade opportunity to undertake this reform—and the stakes for communities around the world at risk of future displacement are enormous. With more than 150 organizations, including Equator Principles Financial Institutions, export credit agencies, and other development finance institutions adopting the IFC’s Performance Standards, and many corporations committing to their application in their operations, the significance of the update extends far beyond IFC projects. The IFC therefore bears a heightened responsibility to get its approach right during this process.

In the sections that follow, we outline flaws and gaps in PS5 and our recommendations for addressing them. We include recommendations for strengthening PS5, as well as related aspects of PS1, PS7 and the Sustainability Policy. For further information on several of the points outlined below, please see the [Dublin Declaration on Fair and Equitable Land Access \(FEELA\)](#), which was launched at the 2024 Annual Conference of the International Association for Impact Assessment, and the [Policy Proposal for A Just Alternative to Development-Forced Displacement](#), endorsed by

more than 60 organizations, which sets out a new holistic approach to engaging affected communities, predicated on respect for their agency and their individual and collective human rights.

1. PS5 rests on a presumption of legitimate expropriation without assessment of projects' actual public interest value

PS5 provides entitlements and protections for, inter alia, people affected by expropriation “in accordance with the legal system of the host country” (paragraph 5), and explicitly excludes “voluntary land transactions”, in which the buyer cannot resort to expropriation (paragraph 6). However, the PS does not require any independent assessment of the legitimacy or credibility of a legal and deliberative process to determine that a project’s purpose justifies land expropriation and displacement; nor is there any requirement in the Sustainability Policy on the IFC to conduct due diligence on this issue. The result in practice is the presumption of legitimate expropriation even when no such justification for land takings exists.

Under international law, [evictions](#) and [expropriation](#) are justified only in the most exceptional circumstances, when a project is demonstrably undertaken for the general welfare, is consistent with human rights obligations, and no viable alternatives exist to achieve the same goal. The principle of proportionality requires weighing a project’s potential human rights benefits against the harms it would impose on communities whose land and resources are affected. When evictions and displacement cannot be avoided, international law requires due process, access to legal remedies, and other safeguards to uphold human rights.

We understand the IFC’s desire to leave public interest and compulsory acquisition determinations to governments; such a determination is rightly a sovereign decision—so long as it is human rights compliant—not one for a multilateral development bank. However, in many cases, governments fail to comply with their own international human rights obligations to evaluate whether the project promotes the public interest or general welfare and whether those public benefits outweigh the costs, including to affected communities, particularly in the context of projects pursued in the name of economic development. In these cases, despite projects bypassing any credible deliberative process to determine whether they justify land takings, the IFC simply assumes compulsory acquisition is acceptable, triggering PS5. The result is that the IFC provides financing and enables land takings and involuntary displacement for purely profit-driven private sector projects. In these cases, the IFC is directly linked or contributing to human rights abuses because of its failure to conduct necessary due diligence.

While expropriation for public interest purposes is a sovereign power of the states, the decision to finance a project rests with the IFC. Accordingly, the IFC has a responsibility to undertake due diligence to determine whether land acquisition processes adhere to international human rights standards and to its own Performance Standards. While it cannot veto a public interest determination made by a sovereign government, it can and should conduct due diligence on that determination to inform its own investment decision.

As noted above, under the current version of PS5, the standard explicitly does not apply to resettlement resulting from voluntary land transactions (paragraph 6). The IFC, however, is likely to continue financing many projects that are not in the public interest and cannot justify expropriation, but nonetheless require land in order to proceed. Currently there are no safeguards to ensure that affected communities' rights are respected in such circumstances, despite the fact that these communities are often vulnerable to land-grabbing, forced evictions, and other human rights abuses. The IFC's Performance Standards, therefore, need to be expanded to provide clear protections and entitlements to affected communities in these situations.

Recommendations:

- Amend the objective of PS5 to prohibit (and not just avoid) forced evictions, which are a gross violation of human rights. Amend paragraph 24 to align with human rights standards.
- Amend the Sustainability Policy to require IFC to conduct a human rights compliant assessment, as part of its due diligence, to determine whether expropriation is justifiable.
- Expand the scope of PS5 to cover both public interest projects that justify expropriation and non-public interest projects that do not.
- Ensure PS5 objectives and requirements provide protections and entitlements to affected communities in both circumstances, including good faith equitable negotiations.

Where expropriation cannot be justified, the land acquisition would fall under the non-public-interest category, and acquisition could only proceed via a willing buyer–willing seller process. In such cases, PS5 should require project proponents to engage in equitable negotiations (see Section 2 below) with communities who have recognizable land tenure, including customary ownership or possession, regarding the terms that projects can proceed on their lands. Such communities would retain the right to reject projects on their land if they do not agree with the terms.

Projects that meet the bar set by international human rights to justify expropriation would fall within the public-interest category. For such projects, PS5 should still explicitly require good faith efforts at equitable negotiations *before* any compulsory land acquisition is considered. Only if such negotiations fail would expropriation be considered. PS5 should require developers of public-interest projects to seek good-faith agreements with communities to minimize and avoid impacts and provide meaningful development benefits. In such cases, the minimum necessary land and resources should be affected, and communities should retain the right to designate certain areas—such as those with cultural or spiritual significance or of high value to their livelihoods—as “no-go zones”. (See Policy Proposal for a Just Alternative to Development Forced Displacement and below.)

2. PS5 fails to include clear measures to ensure the client undertakes a genuine process of seeking and securing Broad Community Support through equitable negotiations

In the introduction to PS5 (paragraph 3), IFC clients are encouraged to use negotiated settlements with affected communities rather than relying on expropriation. However, this amounts to little more than a superficial gesture. We are highly skeptical that most clients take this prompt seriously or genuinely negotiate fair terms for project land access. In practice, we have seen clients proceed as if land access is guaranteed, even in cases where communities have not agreed, have resisted, or have been removed by force—often without compensation. Rather than beginning with a genuine effort to reach negotiated agreement, clients frequently default to involuntary resettlement.

Also, consistently absent are genuine Informed Consultation and Participation (ICP) processes that lead to Broad Community Support, and Free, Prior and Informed Consent (FPIC) for projects affecting Indigenous Peoples. In cases that our organizations have worked on, we have seen clients apply the community engagement requirement in PS5 (paragraph 10) in the narrowest possible way, treating it, at best, as consultation on resettlement logistics rather than participatory decision-making on project design and avoidance alternatives. Many clients do not include any meaningful consultation process—much less a negotiation—regarding project design, footprint, and options to avoid harm altogether. The IFC’s current approach of recognizing Broad Community Support as a principle only in its Sustainability Policy is clearly insufficient—it must be an explicit requirement on clients in the Performance Standards (PS1 and 5).

In addition to risking complicity in human rights abuses, the current standards and practice result in the IFC and its clients missing out on communities’ expert knowledge and their ideas for developing creative, workable project designs that avoid or minimize displacement impacts and generate sustainable local benefits. This is essential to securing a social license to operate, which avoids conflict, complaints, delays and anticipated cost. [Significant numbers of projects](#) that fail to secure Broad Community Support result in project cancellations and stranded assets.

Recommendations:

- PS5 (as well as PS1) should reflect the Sustainability Policy, paragraph 30, by requiring IFC clients to engage in a process of informed community engagement and participation that leads to Broad Community Support for the project, including the terms on which it can proceed, for all projects that will have significant impacts on their land and resources.
- Specifically, PS5 should require clients to engage in good-faith, equitable informed negotiations with affected communities with a view to securing broad community support (in the case of Indigenous Peoples, PS7 would apply, requiring FPIC).

Equitable negotiation processes should include making rights-based mediation available to address power imbalances and provide a fair and neutral forum for these negotiations. The goal should be to negotiate fair and equitable agreements that protect affected communities’ land and livelihoods and include benefit packages that leave communities in a better position as a result of the project.

Substantive requirements of PS5 (e.g. entitlements to replacement land or full replacement cost compensation) should form the minimum baseline upon which to build an equitable and mutually beneficial agreement. These negotiated agreements should be legally binding and enforceable by affected communities through accessible and effective enforcement mechanisms (see Policy Proposal, measure 5).

Where agreements cannot be reached despite best efforts, the IFC should only finance projects that rely on expropriation if the process is demonstrably consistent with the requirements of international human rights law (see Section 1 above). For Indigenous Peoples, land acquisition should not proceed without their FPIC.

Where the IFC's support to a project is requested after community engagement and project decisions have already occurred, PS5 should require clients to demonstrate, through an independent assessment, that equitable negotiations were undertaken leading to Broad Community Support. If this cannot be credibly demonstrated, prospective clients should be required to enter into a new engagement and negotiation process with communities. If community support is not demonstrably obtained, IFC should decline support for the project.

3. PS5, along with PS 1 and 7, fail to sufficiently require engagement through legitimate existing community structures and diverse viewpoints

As stated above, the IFC's approach to community engagement must shift fundamentally to recognize community agency and ensure communities have genuine decision-making authority. Beyond the frequent failure to engage communities meaningfully on substantive project decisions that affect their lives, ICP processes often fail to engage affected communities in a constructive and culturally appropriate manner. In practice, we have seen clients exploit divisions within communities by selectively engaging individuals who are more favorable to the project, rather than working through legitimate community governance structures and decision-making processes.

Current approaches routinely marginalize important viewpoints within communities, including those of women, elders, youth, and other key knowledge-holders. In displacement and resettlement contexts, women often experience differentiated and disproportionate harms, including loss of access to land and natural resources, increased unpaid care burdens, heightened economic insecurity, and greater social marginalization. When engagement processes do not purposefully account for these dynamics, women's perspectives and priorities are often absent from land-related decision-making, despite their central roles in sustaining livelihoods, food security, cultural practices, and community wellbeing.

Where Indigenous Peoples are concerned, while paragraph 10 of PS7 requires engagement through their own "representative bodies and organizations," too often companies create ad hoc committees or selectively engage individuals, who do not legitimately represent the affected Indigenous Peoples. These processes often bypass recognized authorities and fail to reflect internally determined decision-making structures. Such practices undermine Indigenous Peoples' right to self-determination and

weaken the conditions necessary for obtaining FPIC.

These practices not only erode community cohesion and sideline legitimate voices, but also undermine genuine Broad Community Support for a project, and in the case of Indigenous Peoples, FPIC.

Recommendations:

- Both PS5 and PS7 should more clearly require clients to recognize and respect existing and internally determined governance structures as well as other selected and legitimate community representatives. The standards should require clients to refrain from creating, privileging, or relying on ad hoc or externally defined bodies. Clients should be required to document how legitimate governance structures were identified and engaged, based on information provided by the affected communities themselves.
- In addition, the PSs should require the client to take appropriate measures to enable meaningful participation in land-related decision-making, including by women, elders, youth, and other key knowledge-holders, without prescribing representation models or internal decision-making arrangements. Where Indigenous Peoples are concerned, such measures must be guided by Indigenous Peoples' own governance systems, and clients should be required to document how participation was enabled in line with those systems.
- Clients should be required to document how these structures and other diverse viewpoints have been incorporated in all stages of project preparation and land-related decisions, including the equitable negotiations described above.
- Where engagement has not been conducted through legitimate governance structures, the IFC should deem any resulting engagement outcomes, including expressions of support for the project or for relocation, as invalid. In the case of Indigenous Peoples, engagement conducted under such conditions cannot constitute FPIC.

4. Legacy land issues and displacement impacts are not addressed by PS5

Many IFC projects that require land result in displacement before the IFC becomes involved. In some cases, displacement occurs in anticipation of the IFC's involvement, deliberately avoiding compliance with its standards. In other cases, events such as natural disasters or armed conflict result in displacement, and project developers take advantage of the situation to advance the project on the vacated land. Despite this being a common issue, PS5 currently places no requirement on clients in these situations. The Guidance Note to PS5, in paragraph 70, touches on this issue only in a limited and fragmented manner, addressing situations where authorities deliver an unoccupied project site to a client whose prior residents or users were displaced. This gap creates a perverse incentive to acquire land or carry out forced evictions before IFC financing is sought.

We note that the World Bank's Environmental and Social Standard (ESS) 5 (paragraph 4(h)) explicitly provides that the ESS5 will apply to "land acquisition or land use restrictions occurring prior to the project, but which were undertaken or initiated in anticipation of, or in preparation for, the project." The European Bank for Reconstruction and Development (EBRD) Environmental and Social

requirement (ESR) 5 (paragraph 7) compels clients to conduct an audit where displacement has occurred prior to the involvement of the Bank to identify compliance with key objectives of ESR 5, “including in respect of rights of vulnerable people” and to prepare a time-bound corrective action plan and budget.

Moreover, legacy displacement is also unaddressed in situations where the IFC finances expansions of existing operations, such as mines or plantations. When the IFC supports projects that have previously taken community land without fair compensation or have caused ongoing adverse impacts on livelihoods, it enables clients to further undermine the economic basis of affected communities without remedying past harms. As additional land or resources are lost without redress for earlier displacement, the goal of improving, or even restoring, traditionally land-based livelihoods becomes increasingly difficult to achieve. This is exacerbated for Indigenous Peoples whose livelihoods, culture, and identities are inseparable from their lands and territories.

When an IFC investment risks contributing to unresolved legacy land conflicts or amplifying human rights harms —whether due to new projects, expansions, or related developments— the IFC must take steps to assess and address these risks, prevent further harm, and require remediation for affected communities. The IFC has significant leverage at the point of considering the approval of an investment, and therefore it has a human rights responsibility to exercise that leverage to require that adverse human rights impacts are remediated.

Recommendations:

- PS5 should explicitly apply retroactively where:
 - i. any physical or economic displacement, including land acquisition or land use restrictions, occurred prior to the project, but which was undertaken or initiated in anticipation of, or in preparation for, the project;
 - ii. other events led to displacement, which was taken advantage of in order to advance the project;
 - iii. the IFC is supporting the expansion of an existing project, or a project that is an associated facility of an existing project owned by the same project developers (the IFC client), that caused physical or economic displacement at early phases.
- In any of these circumstances, the Sustainability Policy and/ or PS5 should require an independent land and conflict assessment to determine whether there has been any physical or economic displacement or violations of individual or collective rights related to land that did not meet the objectives and requirements of the PSs or are not aligned with international law.
- Where such circumstances exist, the development and implementation of a comprehensive remedial action and redress plan should be required as a condition of the loan/ and or disbursements. IFC should require rights-based negotiations between the affected communities and the project developer to remediate past harms and to re-establish the terms under which the project may proceed, in a manner that meets the requirements of PS5, and where Indigenous Peoples are concerned, PS7.

5. PS5 and PS7 do not sufficiently emphasize the requirement to avoid displacement as a priority

The multifaceted harms caused by physical and economic displacement are extremely difficult to mitigate, and often impossible to fully remediate. The immense hardships faced by displaced communities, including Indigenous Peoples, and the long-term arduous work of trying to secure post-displacement remedy—including through Compliance Advisor Ombudsman (CAO) remedial processes—underscore the need to avoid displacement to the maximum extent possible.

In recognition of the long-term hardship and impoverishment that displacement causes, the first objective of PS5 is “[t]o avoid, and when avoidance is not possible, minimize displacement by exploring alternative project designs.” However, requirements to operationalize this objective are lacking, with only one sentence (paragraph 8) requiring the client to “consider feasible alternative project designs to avoid or minimize” displacement. In practice, the IFC and clients frequently bypass avoidance entirely, moving directly to mitigation measures or assuming that community concerns and impacts can be addressed later through remediation measures, such as livelihood restoration programs. Developers often fail to seriously consider alternative project designs to avoid displacement, and from what we can see, IFC accepts clients’ claims of “no feasible alternatives” without serious scrutiny.

Recommendations:

- The PS 1 should require the client to conduct a systematic comparison of feasible alternatives to the proposed project site, technology, design, and operation—including the “without project” situation—in terms of their potential environmental and social impacts (see World Bank’s ESS 1 (paragraph D 13 (g))). PS5 and PS7 should additionally require serious examination of a “no project” option in cases where early engagement with affected communities reveals the need for physical displacement and/or significant economic displacement that cannot be avoided through creative project design solutions and where those impacts cannot be mitigated and/or remedied satisfactorily, in a manner that meets the PS objectives and respects the fundamental human rights of the affected communities.
- PS5 and PS7 should explicitly require clients to engineer the project—including its technical design, its footprint and measures to protect against negative impacts—to avoid physical displacement and impacts on livelihoods and other aspects of community life to the maximum extent possible. This should include, inter alia, “no-go zones” and buffer zones to be cut out of the project footprint to allow communities to co-exist with the project with minimal disruptions to their lives and livelihoods.
- PS5 and PS7 should require the client, through competent technical specialists, to engage with communities at the earliest project stages, prior to project decisions being made, to inform impact avoidance design. Technical project information and options, and their anticipated impacts, should be made available and accessible to communities in a timely and culturally sensitive format so they can effectively engage in these discussions. Communities should be offered access to their own independent technical and legal advisors to ensure they have the necessary support to

engage in the process. Resources should be provided at arm's length to ensure their access to independent advice.

- PS5 and PS7 should require the client to publish documentation that demonstrates how they prioritized impact avoidance in project design, including technical engineering documents, accompanied by explanations, and a detailed description of how its community engagement process, starting at the earliest project inception stages, led to a project design tailored to the needs and expectations of communities. Where project decisions are made prior to IFC's involvement, the credibility of this documentation should inform IFC's investment decision.
- The Guidance Note to PS5 and 7 should provide recommendations and sources to clients on avoidance design measures for a variety of sectors (i.e. mines, plantations, infrastructure, etc.). The Guidance Notes should urge clients to ensure that project engineers and environmental and social technical specialists engage with affected communities, including women, youth and Indigenous knowledge holders, from the earliest stages of the project, before design decisions are made, to understand how communities live and what they need to maintain their livelihoods and resources.

6. PS5 and PS 7 do not require limiting to the maximum extent feasible the duration of land use and impacts on natural resources

Although PS5 encourages minimizing the impacts of displacement, it lacks explicit requirements around limiting the duration of land use or ensuring timely land restoration and return. The standard contains no provisions requiring that impacts be temporary and time-bound wherever possible, or that the duration of land use be negotiated with affected communities.

Many IFC-supported projects are not permanent. For example, once a mine is depleted, the developer no longer needs the land. Because mine closure generates no profit, there are few institutional incentives to invest in land restoration, and project developers rarely prioritize these measures. In practice, mined land and mining waste is often left behind as a permanent liability, imposing long-term environmental and human health costs on affected communities and on public authorities. This omission is especially consequential for land-based communities and Indigenous Peoples, and for the ecosystems on which their livelihoods depend. It constitutes a continuous violation of their cultural and economic rights.

Yet PS5 does not require closure plans that include land restoration or rehabilitation, and the return of restored or rehabilitated land to communities. The general guidance in paragraph 4 of PS1 regarding identification of risks and impacts for each stage of the project life-cycle, including closure, is insufficient to address the serious land and livelihood issues at stake.

Recommendations:

- PS5 needs specific provisions regarding duration of land use, as well as land rehabilitation and return. IFC should require clients to plan and finance progressive restoration, rehabilitation, project closure, and land-return measures as part of their PS5 obligations to mitigate impacts.

Clients should negotiate with affected communities—and, where Indigenous Peoples are involved, obtain FPIC (as per PS7)—on acceptable timeframes for land use and restoration, which should be kept to the minimum duration feasible.

- The Sustainability Policy should require the IFC to work with its client, as part of ongoing due diligence and supervision, to ensure that the necessary plans and resources are in place to achieve satisfactory project closure from the beginning of the project cycle or the IFC's involvement.

For high-risk projects or those with complicated and lengthy land rehabilitation plans, IFC should explore financial arrangements—such as bonds, contingency funds or withholding of final disbursements on loans—that would create the financial and contractual leverage to help ensure compliance with these requirements. In such instances, these funds could be gradually released as rehabilitation milestones are met.

7. PS5 is extremely weak on addressing economic displacement and on requiring development benefits

Economic displacement has pushed countless communities affected by IFC projects into chronic poverty and dependency. This occurs both among rural communities displaced from land-based livelihoods and among urban communities resettled to the outskirts of cities, where land is cheaper but economic opportunities are scarce.

Although PS5 requires replacements or compensation at replacement cost for economic assets, [evidence shows](#) that this is often insufficient to prevent impoverishment once communities lose their economic base—whether that base is the land they have cultivated for generations or the urban markets and networks that sustain their livelihoods. For Indigenous Peoples, whose livelihoods, cultures, and identities are inseparable from their lands and territories, such losses have profound and often irreversible impacts.

PS5 acknowledges the importance of replacement land for land-based communities and calls for land of equal quality to be provided. However, in practice, suitable productive land is frequently unavailable or deemed too expensive. This challenge is growing as demand for fertile land increases and as projects—particularly in mining and industrial agriculture—destroy the remaining productive land, creating a reinforcing cycle of scarcity and dispossession. Additionally, PS5 entirely fails to recognize and address the significant issues facing displaced urban communities who lose access to markets and other networks.

Moreover, the well-recognized principle that affected communities should derive benefits from projects that impact their land and resources, is almost entirely absent from PS5. It is absent from the objectives altogether, and appears only in paragraph 9 as a “requirement,” that both undervalues its importance and places the burden on communities: “The client will provide opportunities to displaced communities and persons to derive appropriate development benefits from the project.” The

weakness of this provision is so stark that it is rendered virtually meaningless: A client may, for example, argue that by advertising a handful of jobs, it has provided opportunities to derive development benefits.

Recommendations:

- The objective of PS5 should be to improve livelihoods and standards of living, not merely restore them, and to ensure development and other benefits designed by or agreed to by the affected communities are provided. Livelihood improvement and benefit-sharing must be understood by IFC clients as an essential part of the agreement they are negotiating with communities in order for projects to proceed.
- PS5 should require the deployment of measures and resources demonstrably capable of achieving the objective of livelihood and living standard improvement. Among other measures, for land and natural resource-based communities, this means demonstrating that they can provide viable alternative productive land and natural resources of equal quality. For urban communities, clients should be required to show that available resettlement sites offer economic opportunities that match the skills and livelihoods of the households affected.
- PS5 should require clients to co-design or negotiate sustainable and effective benefit-sharing packages and mechanisms with communities to ensure they are left in a better position than before, based on criteria validated by the communities themselves. Benefits should not only offset losses but support lasting improvements in wellbeing.
- The Guidance Note should include examples of best practice sustainable benefit sharing packages, including revenue streams, that left communities in a significantly better position than before the project was initiated.
- For Indigenous Peoples, livelihood improvement interventions and benefit packages must be subject to FPIC, and for non-Indigenous communities, Broad Community Support.

8. Livelihood restoration is deemed complete without verifying substantive outcomes for affected communities

PS5 (paragraph 25) deems mitigation of economic displacement complete when affected communities are “provided with adequate opportunity to reestablish their livelihoods.” While paragraph 15 considers the implementation of resettlement plans or livelihood restoration plans complete when “the adverse impacts of resettlement have been addressed in a manner that is consistent with the relevant plan as well as the objectives of his Performance Standards,” these PS5 requirements do not sufficiently clarify that interventions should continue until the objectives of the PS are met. Completion audits, which are not always required, related to Resettlement Action Plans and Livelihood Restoration Plans are meant to take place “once all mitigation measures have been substantially completed and once displaced persons are deemed to have been provided adequate opportunity and assistance to sustainably restore their livelihoods.”

This framing unfairly shifts responsibility from project sponsors to affected communities. The implication is that the burden is on communities, who have been involuntary displaced from their economic base, to make even poorly designed or poorly implemented livelihood programs work. The framing of the requirements is not in line with the objective of the PS5 “to improve, or restore, the livelihoods and standards of living of the displaced persons,” and in effect makes the achievement of that objective voluntary, and therefore, in our experience, highly unlikely.

Recommendations:

- PS5 should require that the implementation of Resettlement Action Plans and/or Livelihood Restoration Plans, only be considered complete when affected communities’ livelihoods and living standards have been improved from pre-displacement levels. The onus should be on the IFC and its clients to ensure and demonstrate that interventions are effective in meeting this objective, including through independent audits.
- PS5 should clearly require that closure audits verify, through participatory assessments and monitoring, whether livelihood restoration and benefit programs have effectively resulted in sustained or improved income and wellbeing relative to pre-displacement baselines. While the Guidance Note, GN35, mentions that the audit should assess outcomes, this requirement should be integrated into the text of PS5 itself and should be the primary focus of the audit. GN35 should also be revised to explicitly state that the key objective of the audit is to assess the outcomes for communities and determine whether objectives of PS5 have been achieved, and to provide clear guidance on how this assessment should be conducted. The Guidance Note should, for example, explicitly state that, at minimum, the socio-economic conditions and livelihoods of affected communities must be evaluated against baseline conditions.

9. PS5 does not require clients to resettle communities who request to be resettled because the project has made their lives untenable

The current scope of PS5 is limited to land acquisition, or restrictions on land or resource use, related to the project. However, in some cases, even where the client does not require land acquisition or usage restrictions, projects cause such severe degradation of communities’ living conditions, including pollution or destruction of their environment, that remaining on their land becomes untenable. This often occurs as a direct result of IFC clients failing to establish, or adequately implement, robust measures to avoid and mitigate project impacts on communities, and their livelihoods and environment. These situations, common in mining and other highly disruptive and/or polluting sectors, disproportionately affect Indigenous and rural communities whose livelihoods and cultural survival is deeply tied to their land and environment.

PS5 (paragraph 7) recognizes this problem, but only suggests that clients should “consider applying requirements” of PS5 where no land acquisition or land use restrictions is involved, rather than requiring it. In practice, the result is that IFC clients are highly unlikely to provide these entitlements and protections to communities facing this untenable situation, resulting in serious human rights

impacts, which may include severe health risks and impoverishment. This gap in PS 5 is manifestly unjust to communities facing this situation.

Relatedly, in some cases, projects require only part of a land parcel, but as a result the residual land is made unviable, inaccessible or unsafe for economic or residential use. In such cases, affected households can be left uncompensated for land that has been rendered unviable as a result of the project. We note that the EBRD ESR 5 (paragraph 33) requires clients to offer the option of acquiring the entire land parcel in these circumstances.

Recommendations:

- PS5, and PS7 in the case of Indigenous Peoples, should be triggered in cases—at any stage of project implementation—where impacts become so severe that communities wish to resettle, even without compulsory land acquisition or usage restrictions.
- In cases where only part of a land parcel or asset is required by a project, but as a result the residual land or asset is made unviable, inaccessible or unsafe for economic or residential use, the client should be required to offer to acquire the entire land parcel or asset.

10. PS5 does not sufficiently protect collective rights of communities with customary and collective land tenure systems

PS5 does not adequately protect communities with collective or customary tenure systems. While the PS applies in principle to collective and communal resources held under recognizable customary tenure, the entitlements are primarily designed for individual right-holders, leaving collective landholdings, customary governance, and cultural relationships to land insufficiently recognized and protected. This gap leaves communities with collective or customary tenure systems—particularly those not formally recognized as Indigenous and therefore not covered by certain protections under PS7—especially vulnerable to displacement-related impacts on their land, livelihoods, and social and cultural practices. The result is that replacements or compensation may be provided for individual land holdings or assets, but not for the collective resources of communities, despite their high importance and value.

Moreover, PS5 treats displacement primarily as an economic issue, failing to acknowledge that for land-connected communities, loss of land also means disruption of cultural practices and identity, traditional knowledge systems, wellbeing and social cohesion. This framing results in mitigation measures that focus narrowly on the economic value of land (i.e. replacement land or compensation and livelihood-restoration measures) and deemphasize, and fail to meaningfully address, the non-economic attachments and relationships with the land. The result is that mitigation measures do not address the full scope of harms communities experience when their land is taken or their way of life is disrupted, especially when PS7 is not triggered.

Recommendations:

- PS5 and PS7 should require clients to undertake participatory mapping and verification of Indigenous Peoples' territories and lands of other communities with collective and customary rights before any project planning begins, including spiritual sites, grazing areas, and seasonal-use zones. This is essential to creating a baseline and comprehensive understanding of the land and resources communities use and derive benefits from in all aspects of their lives.
- PS5 and PS7 should require culturally appropriate collective compensation and restitution mechanisms for lands and resources that fall under collective tenure systems and are affected by the project.
- Compensation and livelihood-restoration programs must address both tangible and intangible losses, including measures to protect cultural heritage, maintain access to sacred sites, and support the continuation of traditional resource-use practices. PS5 and PS7 should also acknowledge that the livelihoods of Indigenous Peoples and many customary communities are inseparable from their cultural and spiritual relationships to land and natural resources.
- The measures above should be subject to negotiation and agreement with affected communities to secure their Broad Community Support for the project or, in the case of Indigenous Peoples, their FPIC.

11. PS5 does not cover displacement that occurs in supply chains

PS5 currently applies to land acquisition and displacement occurring within the defined footprint of an IFC-supported project and, through PS1, to a limited category of associated facilities that cause displacement. In practice, this captures certain enabling infrastructure—such as roads, pipelines, or transmission lines—deemed essential to project viability. However, it generally excludes land acquisition and land-use change occurring in supply chains, even where demand generated by the IFC client directly induces land acquisition and displacement by suppliers.

In land-intensive sectors such as industrial livestock, agriculture, and mineral supply chains, IFC-supported projects can directly drive expansion of land acquisition and land conversion by direct suppliers—through plantation expansion, ranch consolidation, feedlot development, or mining activities—resulting in displacement that is not addressed under PS5. These impacts are often foreseeable and functionally linked to the IFC-supported project, yet fall outside the current scope of PS5.

This gap is inconsistent with the human rights responsibilities of IFC clients, which should articulate clear human rights expectations for suppliers, including zero tolerance for land grabs, forced evictions, and forced displacement. IFC clients should conduct due diligence on their supply chains and use available leverage to prevent and address displacement impacts in line with the Performance Standards and international human rights. Where displacement is caused by associated facilities, where suppliers acquire or convert land to meet contractual supply obligations to an IFC-supported project, or where the IFC client owns or controls the supplier (including through subsidiaries or joint ventures), PS5

should apply. Where suppliers in these circumstances refuse to comply with the Performance Standards, IFC clients should disengage from the procurement relationship.

We note that PS2 extends to primary suppliers through a risk-based and leverage-based approach. A comparable approach is warranted under PS5.

Recommendations:

- PS5 should be extended to primary suppliers where land acquisition or land-use change causing displacement is induced by, or directly linked to, an IFC-supported project.
- PS5 should be applied where the IFC client owns, controls, or exercises decisive influence over the supplier, including through subsidiaries or joint ventures.
- PS5 should adopt a risk- and leverage-based approach, modeled on PS2, requiring clients to identify displacement risks in supply chains, take appropriate steps to address such impacts, and use commercial leverage to influence supplier behavior.

Endorsed by:

Inclusive Development International

Friends of the Earth U.S.

Peace Point Development Foundation - PPDF

Fundeps

Oyu Tolgoi Watch

Association for Farmers Rights Defense, AFRD

Observatoire d'études et d'appui à la responsabilité sociale et environnementale

Sinergia Animal

Association Tunisienne de Droit de Développement

Jamaa Resource Initiatives

Narasha Community Development Group

COMPPART Foundation for Justice and Peacebuilding

Bio Vision Africa (BiVA)

Fair Finance International

Groundswell International

Sustentarse

CEE Bankwatch Network

MenaFem Movement for Economic, Development And Ecological Justice

Recourse

Pain aux Indigents et Appui à l'auto Promotion

PowerShift

Oxfam

Sinergia Animal

Tallgrass Institute, Center for Indigenous Economic Stewardship

BankTrack

Bretton Woods Project

Accountability Counsel

World Animal Protection

Bank Information Center

Stop Financing Factory Farming

Wemos

SIRGE Coalition

Lumière Synergie pour le Développement

Eddie Smyth
