

CAO Update

Issue 12 / July 2018



Did you know? The Office of the Compliance Advisor Ombudsman (CAO) is the independent accountability mechanism for the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA), members of the World Bank Group. CAO addresses grievances from people impacted by IFC and MIGA projects with the goal of improving environmental and social outcomes on the ground. For more information, see www.cao-ombudsman.org.

DISPUTE RESOLUTION CASE UPDATE

Company and Community Representatives Conduct Joint Land Demarcation in Cambodia

Two joint land demarcation missions were recently carried out by community and company representatives in Ratanakiri province, Cambodia as part of an ongoing CAO dispute resolution process between 12 affected villages and a Vietnamese company, Hoang Anh Gia Lai (HAGL), which operates rubber plantations in the area. The objective of the demarcation process is to facilitate the return of spirit mountains, burial grounds, and *chrops* and *chraps* (natural salt water and water areas) to the indigenous communities. Demarcation missions were held in November-December 2017 and March 2018, and included representatives from HAGL, affected villages, a government working group, NGOs, and CAO.

Forty-five areas were demarcated, including 20 Spirit Mountains, 14 *chrops*, 8 burial areas, and 3 *chraps*. After the demarcation, HAGL expressed agreement to return 20 Spirit Mountains and two burial grounds to the villages. The communities, however, are seeking the return of all demarcated areas. The government has been asked by the parties to make the final decision regarding the areas in dispute after further consultations. The parties released a Joint Statement in April 2018 reiterating their commitment to continue working together through the CAO process to implement the agreements reached and to address remaining land issues and other community concerns. To view the joint statement and more



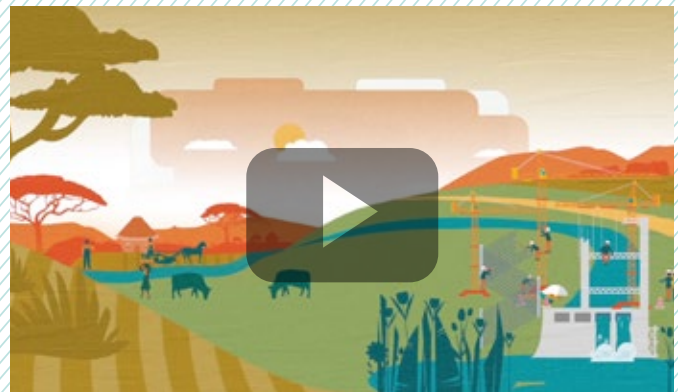
A land department official of the Government of Cambodia takes a GPS point during the joint land demarcation exercise, Ratanakiri Province, Cambodia, March 2018.

information on this case, visit CAO's [website](#).

New Animated Video Explains CAO's Work

CAO has released a new animated video which illustrates how CAO's dispute resolution, compliance, and advisory work promote accountability and help improve IFC and MIGA development outcomes on the ground.

Check it out here.



This two-minute animated video is now available on CAO's [website](#) and [YouTube channel](#).

IN THIS ISSUE

2

Community Receives School Bus in Mediated Agreement in Morocco

2

IFC Commits to Undertake Remedial Steps in Bujagali Case

3

CAO Releases Investigation Report on IFC's Bilt Paper Project in Malaysia

3

CAO Initiates Compliance Investigation of IFC's Alto Maipo Hydropower Project in Chile

3

CAO Launches Advisory Memos on Supply Chain Business Opportunities and Risks

4

Panel Discussion: Raising the Bar for Financial Sector Transparency

4

CAO Participates in IAIA Conference in Durban

4

CAO and IFC Engage Nigerian Civil Society

Community Receives School Bus in Mediated Agreement in Morocco

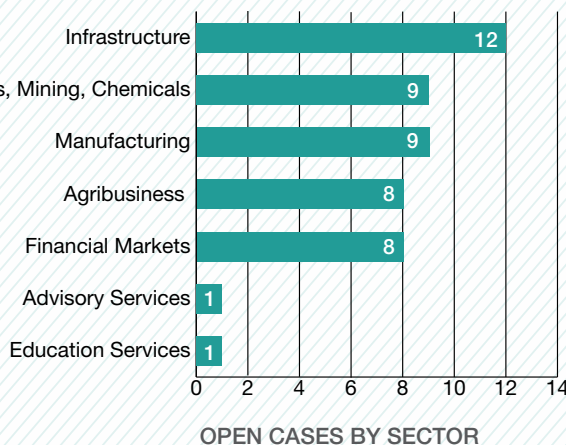
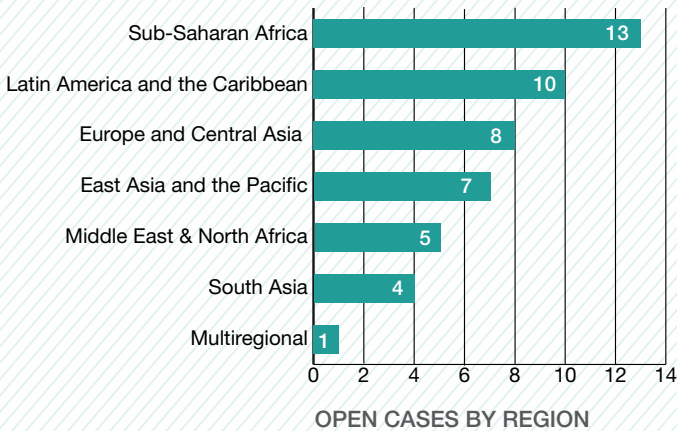
The residents of Ristou village in Morocco received a bus to transport school children as an outcome of a CAO mediated settlement between a local community and a poultry company, Zalar Holding S.A. The community submitted a complaint to CAO in 2016 raising concerns about air pollution and related health issues due to the installation of a poultry breeding facility in their village. The company is a client of IFC. Through a dialogue process facilitated by CAO, the parties reach a signed agreement in August 2017. In addition to reiterating their commitment to strict environmental standards and hiring local residents, the company agreed to finance community projects as part of a five-year development plan. The purchase of the school bus is the outcome of the first annual community development project and will allow village children to be safely transported to a nearby middle school. The bus was handed over to the community in June 2018. CAO continues to monitor implementation of the agreement. More information on this case is available on CAO's [website](#).



Community members with the new school bus, Ristou, Morocco, June 2018.

CAO CASE TRACKER FY18

This chart shows the status of cases as of June 30, 2018. For more information see www.cao-ombudsman.org/cases



COMPLIANCE CASE UPDATE

IFC Commits to Undertake Remedial Steps in Bujagali Case

In May 2018, IFC released an addendum to its management response to CAO's investigations related to the Bujagali Dam project in Uganda. The project is owned and operated by Bujagali Energy Limited (BEL) and comprises the construction and maintenance of a run-of-the-river power plant on the River Nile. The addendum outlines actions IFC will undertake to address shortcomings identified in CAO's Bujagali 04/06 and Bujagali 07 investigations, which were released in December 2017 and January 2018, respectively. IFC will carry out initial scoping to identify whether there is need for additional capacity building and other institutional support to BEL and other institutions so they can address worker injuries and compensation more effectively. IFC also commits to start appraising workers' claims for unpaid wages through an independent third-party to determine the merits of these claims. In addition, IFC will work with the transmission line company to identify and close out any outstanding land resettlement issues. These actions are expected to be completed by June 30, 2018, and IFC will send an update report to CAO by March 2019. The addendum, IFC's scoping mission documents ([Bujagali 04](#)), and terms of reference for the gap analysis activities ([Bujagali 06](#) and [07](#)) are available on CAO's [website](#). CAO will continue to monitor IFC actions in response to the investigation findings.

CAO Releases Investigation Report on IFC's Bilt Paper Project in Malaysia

CAO released a compliance investigation report in June 2018 related to IFC's investment in Bilt Paper B.V. (Bilt), a pulp and paper manufacturer in India and Malaysia. The investigation was initiated in response to a 2015 complaint to CAO relating to Sabah Forest Industries (SFI), Bilt's subsidiary in the state of Sabah, Malaysia. The complaint was filed by the Building and Woodworkers International (BWI) union on behalf of the Sabah Timber Industry Employees Union (STIEU), which sought to organize timber workers in Sabah. The complainants alleged that SFI has hindered workers' efforts to unionize by mounting a series of legal challenges to the recognition of STIEU, and other measures. CAO's investigation reviewed the application of IFC's Performance Standard 2 on Labor and Working Conditions (PS2), which recognizes the protection of the fundamental rights of workers to organize. Specifically, PS2 underscores the need for companies to not discourage workers from forming or joining organizations of their



Workers at a Bilt forestry facility in Sabah, Malaysia, October 2016.

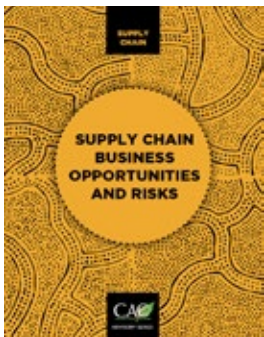
choosing, and to refrain from attempts to influence and control workers' organizations.

CAO's investigation found that IFC's pre-investment review and mitigation of risks associated with the union recognition issue were insufficient to provide assurance of the client's compliance with PS2. IFC did not discharge its supervision duty in relation to the Freedom of Association issues raised in the complaint, nor exercise remedies in relation to a client that it acknowledged was in breach of PS2. CAO is now monitoring IFC's actions to address the investigation findings and will issue a monitoring report within a year. The investigation report and more information about the case is available on CAO's [website](#).

CAO Initiates Compliance Investigation of IFC's Alto Maipo Hydropower Project in Chile

In May 2018, CAO concluded a compliance appraisal of two complaints related to IFC's investment in the Alto Maipo project in Chile, determining that an investigation is merited. The project, which is operated by Alto Maipo SpA, consists of two run-of-river hydropower facilities located in the Maipo River basin near Santiago. The first complaint raises a broad range of environmental and social concerns regarding the project's risks and impacts, particularly related to biodiversity,

river ecology, ecosystem services, and community health and safety, including impacts of labor influx. The second complaint raises allegations of sexual harassment. The two cases were merged for the purpose of the compliance appraisal and investigation. For more information about both cases, see [Alto Maipo-01](#) and [Alto Maipo-02](#) on CAO's website.



CAO's Advisory Memos on supply chain are now available online.

CAO Launches Advisory Memos on Supply Chain Business Opportunities and Risks

CAO has launched a series of advisory memos providing IFC with recommendations on supply chain business opportunities and risks. CAO developed advice on this topic given the private sector's dependence on global supply chains for sourcing raw materials and products, as well as IFC's focus on developing markets in fragile and conflict-affected states, where supply chain risks are likely to be most acute for IFC clients. CAO based its analysis and advice on lessons derived from a review of CAO cases, particularly compliance findings related to environmental and social supply chain risk, external supply chain expertise, and interviews with IFC staff. The Advisory Memos are focused on three topics related to supply chains: Risk Analysis; Policies and Performance Standards; and Voluntary Standards and Certification. To download the publications, please visit CAO's [website](#).

CAO EVENT



Panel members address audience questions during the CAO session on financial sector transparency, Washington, D.C., April 2018.

Panel Discussion: Raising the Bar for Financial Sector Transparency

In April 2018, CAO hosted a policy discussion on transparency and accountability in the banking sector during the World Bank Group Spring Meetings in Washington D.C. The session, attended by over 100 participants and streamed online, provided an opportunity for representatives from IFC, Citibank, Oxfam International, and CAO to discuss emerging good practice in the world of financial sector transparency. Several key messages emerged from the discussion including the growing trend for banks to disclose information on environmental and social risks, especially among the Equator Banks and Green Bond market. Participants acknowledged that there is still much work to be done in this area, and that it is important to “follow the money” in order to ensure that support for financial intermediaries has the anticipated positive development impact. A summary of the discussion is available on CAO's [website](#).

CAO OUTREACH

CAO Participates in IAIA Conference in Durban

CAO participated in the 38th Conference of the International Association for Impact Assessment (IAIA) held in Durban, South Africa in May 2018. CAO partnered with Independent Accountability Mechanisms (IAMs) from the African Development Bank, European Investment Bank, Inter-American Development Bank, and World Bank to host an informative session on their respective accountability roles, and mediation and compliance work. With the mechanisms, CAO also co-hosted a joint outreach event for South African civil society organizations (CSOs) to raise awareness about the IAMs and discuss ways to increase community participation



Participants at the joint CSO outreach event CAO co-hosted in Durban, South Africa, May 2018.

in environmental and social impact assessments. Over 40 CSO representatives participated, bringing expertise from a wide range of areas such as human rights, communal land management, and environmental protection. CAO staff also participated in two technical sessions on the role of assessments in triggering conflict and mediation, and ways to ensure community voice in impact assessments. A summary of these events is available on CAO's [website](#).

CAO OUTREACH

CAO and IFC Engage Nigerian Civil Society

CAO collaborated with the IFC Country Office in Nigeria and several leading Nigerian civil society organizations to host an outreach event for civil society in Lagos and Abuja on May 17, 2018. The purpose of the meeting—which took place in-person and via videoconference from Washington DC—was to raise awareness about CAO's role as IFC's independent accountability mechanism and improve understanding about IFC's environmental and social policy framework and investment portfolio in Nigeria. The event was co-organized with the African Network for Environment and Economic

Justice (ANEEJ) and Global Rights, and brought together over 30 representatives from a diverse range of Nigerian organizations. The discussion was characterized by a frank and substantive set of questions, responses, and comments from both CAO and IFC staff. Visit CAO's [website](#) for a summary of the event.



Nigerian civil society representatives participate in the video conference with CAO and IFC, Abuja, Nigeria, May 2018.

FOR MORE INFORMATION

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