



## HAVE YOU HEARD ABOUT US?

The Office of the Compliance Advisor Ombudsman (CAO) gives a voice to communities impacted by private sector projects supported by the World Bank Group. As the independent accountability mechanism for the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA), CAO engages local communities, companies, civil society and other stakeholders to improve project outcomes, and enhance the public accountability of IFC and MIGA. Find out more about who we are and what we do at [www.cao-ombudsman.org](http://www.cao-ombudsman.org).

## CAO finds IFC investment in palm oil refinery with supply chain in Indonesia non-compliant

In May 2016, CAO published a compliance investigation on IFC's investments in Delta Wilmar Ltd — a palm oil refinery in Ukraine owned by the Wilmar Group. CAO's investigation found IFC non-compliant in relation to its supervision of the environmental and social risks associated with the Ukraine refinery's palm oil supply chain.

In 2007 and 2008, communities in Indonesia brought complaints to CAO about the impacts of the Wilmar Group's palm oil supply chain in Indonesia. The original complainants raised issues about land disputes between communities and Wilmar Group plantations. CAO completed a compliance audit of several IFC investments in the Wilmar Group in 2009, which found that IFC had failed to apply its own standards when it carried out its review of those investments.

The Delta Wilmar investigation was triggered by an incident in August 2011, when a violent confrontation between local residents, company staff and security forces culminated in the demolition of the huts in the village where those residents lived. The case was transferred to CAO's compliance function in 2013, following an attempt at dispute resolution. CAO's compliance investigation found that IFC's supervision of environmental and social risks associated with the company's palm oil supply chain did not meet IFC requirements. In



CAO team visits a Wilmar Group palm oil plantation in Indonesia.

particular, CAO found that IFC disbursed without assuring itself that the company had required measures in place to manage its supply chain risks. Deficiencies in IFC's supervision of supply chain risks associated with the project continued during the life of the investment. The current report finds that IFC treated the loans to Delta Wilmar as if its supply chain requirements did not apply. While noting actions taken by IFC to address the issue of supply chain risk with the Wilmar Group, the report finds that these were neither compliant with IFC's Sustainability Policy nor effective in addressing the issues raised by communities.

In its response to CAO's investigation report, IFC acknowledges that a more rigorous and systematic approach to its supervision of the company's palm oil supply chain was warranted. IFC states that policies and practices have been developed and implemented which address CAO's findings.

CAO will monitor IFC's response to this investigation. CAO's report and IFC's response are available at: [http://www.cao-ombudsman.org/cases/case\\_detail.aspx?id=177](http://www.cao-ombudsman.org/cases/case_detail.aspx?id=177)

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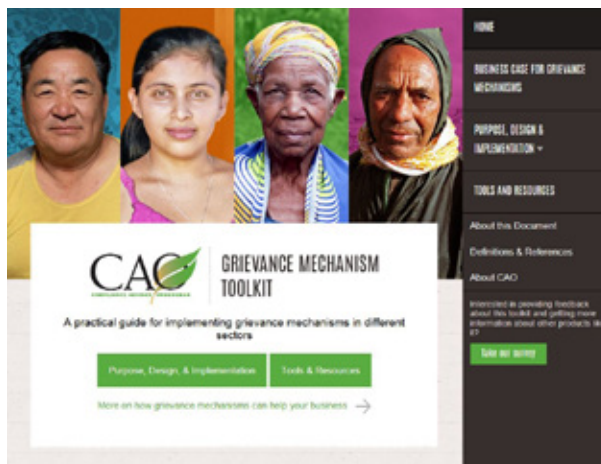
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## Bridging Knowledge across Sectors and Contexts: CAO Publishes Interactive Grievance Mechanism Toolkit

CAO Advisory has published a Grievance Mechanism Toolkit designed to assist IFC and MIGA in helping their clients enhance the effectiveness of existing grievance mechanisms and implement best practices in creating new ones. The toolkit draws on CAO work and the experience of experts in the field.

The toolkit is an interactive website, a first for CAO, and is meant to be easily accessible and provide working templates that can be modified to the contextual realities of different sectors, cultures, communities, and situations. In preparing this toolkit, it became clear that the majority of grievance mechanism theory and guidance to date has focused on large extractive companies. As a result, other sectors often do not have the tools or the examples to navigate their unique challenges and experience. To help in bridging that gap, the toolkit focuses on small- and medium-sized companies that face greater capacity challenges in designing, implementing and managing grievance mechanisms. It also provides several tools that range from guides on troubleshooting to templates for grievance mechanisms and terms of reference for the staff that run them. Finally, it includes case studies from different sectors that are based on real-life grievance mechanism implementation and management.



CAO's Grievance Mechanism Toolkit website.

This is also the first CAO publication that incorporates a survey mechanism. The Advisory team is interested in getting feedback on how the toolkit is used, what has been beneficial, and what can be improved in other publications. The survey mechanism is a part of CAO's continued commitment to monitor and evaluate CAO's work, in order to ensure that CAO is having a meaningful impact on IFC and MIGA, and the communities that are affected by their projects.

For more information on CAO's Advisory role and to access the Grievance Mechanism Toolkit website, please visit <https://www.cao-grm.org/>. The CAO team invites you to provide your feedback on this document.

## Progress for Bankers Petroleum case in Albania: Agreements built through dialogue process

Dispute Resolution released a progress report in May 2016, regarding the [Albania/Bankers Petroleum-01/Patos](#) case. The case was initiated in March 2013, when CAO received a complaint from a local environmentalist on behalf of a community living near an oilfield operated by the IFC-

invested Bankers Petroleum Ltd (Bankers). Bankers is a Canadian-based oil and gas company focused on oil exploration and production in Albania. The complainant, supported by residents of the community, claimed that the company's operations have caused negative health impacts, contamination of irrigation networks and seismic tremors that have damaged local homes and buildings. In December 2014, company and community representatives launched a formal "Dialogue Roundtable" process, facilitated by the CAO team.

CAO's recent progress report outlines agreements that the parties have reached



Stakeholders for the Bankers Petroleum case meet in Albania.

to date in the Dispute Resolution process, such as an agreement to conduct a study of the seismic activity in the region, air quality improvements in the area, employment opportunities for local community members and social investment. Parties involved in the Dispute Resolution process have also made gains

in terms of establishing mutual respect and trust among representatives, which has allowed for these agreements to be reached. The full progress report is available here: [http://www.cao-ombudsman.org/cases/document-links/documents/BankersPetroleumCAO\\_CaseUpdate-May\\_2016-EN.pdf](http://www.cao-ombudsman.org/cases/document-links/documents/BankersPetroleumCAO_CaseUpdate-May_2016-EN.pdf).



## CAO initiates compliance investigations of IFC related to projects in Malaysia and Albania

**Malaysia:** In May 2016, CAO initiated a compliance investigation of IFC's investment in Bilt Paper in Malaysia, which owns pulp and paper manufacturers in India and Malaysia. CAO's involvement was triggered in June 2015, by a complaint from local workers' unions. The complaint concerned freedom of association for the workers of Sabah Forest Initiatives, one of Bilt Paper's subsidiaries, and project compliance with IFC's Performance Standard on Labor.

**Albania:** CAO has also recently initiated a compliance investigation of IFC's investment in Enso Albania, a subsidiary of Enso Hydro, an Austrian company specializing in investments in small- and medium-scale hydropower plants.

The complaint, received by CAO in June 2015 from two local residents of Lengarica with the support of the Organic Agriculture Association, raises issues regarding the impacts of a run-of-river hydropower project. Specifically, the complaint alleges that the project is having negative impacts on biodiversity, critical habitats, and ecotourism livelihoods, among other broader concerns related to project due diligence.



The Lengarica river in Southern Albania.

More information on both of these cases is available on CAO's website: <http://www.cao-ombudsman.org/>

## CAO Mediator Summit and Workshop Bring Together More than 50 Mediators from Around the World

CAO Dispute Resolution held a CAO Mediator Summit in Washington, D.C. in April 2016. More than 20 CAO mediators from around the world participated. The two day event provided a unique opportunity for the mediators to both reflect on current practices with the goal of standardizing and improving those practices, and to have an open discussion on challenges faced in the field, such as challenges related to

representation, leveling power dynamics between parties and exiting responsibly, among many other shared topics of interest.

In June, 2016, in Athens, Greece, CAO held a mediator capacity-building and information-sharing workshop attended by 24 mediators from 13 Eastern European countries in collaboration

with the European Investment Bank's Complaints Mechanism (CM), and the Project Complaint Mechanism (PCM) for the European Bank for Reconstruction and Development.

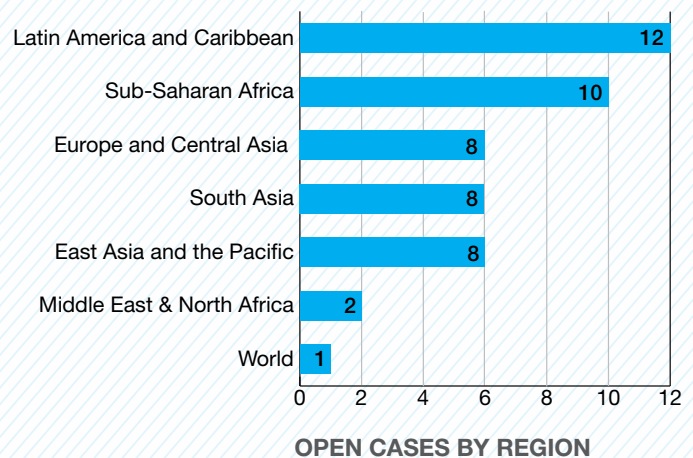
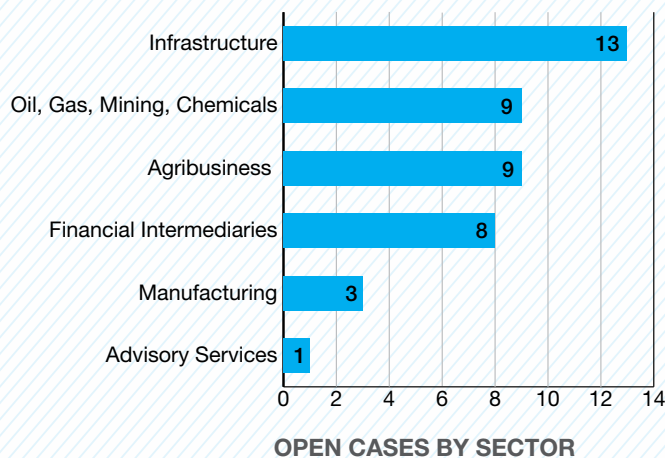


CAO mediators at the CAO Mediator Summit in Washington, D.C., April 2016.

## CAO CASE TRACKER FY16

(As of June 30, 2016)

For more information about CAO cases, see [www.cao-ombudsman.org/cases](http://www.cao-ombudsman.org/cases)



## CAO Reaches Out to a Wider Range of Stakeholders

This past quarter CAO and its teams participated in many in-reach and outreach initiatives, including:

- On June 8, 2016 CAO, together with four other independent accountability mechanisms, hosted an outreach workshop in **Mexico City** for Mexican civil society organizations and organizations from the Latin American region. Civil society organizations Fundar, CCC and Grupo Regional Sobre Financiamiento e Infraestructura were also instrumental in planning and implementing the workshop.
- On May 26, CAO hosted the panel, 'The Use of Mediation: Addressing Community Concerns about Project Impacts through Dialogue', as part of the 10th annual **IFC Sustainability Exchange**.
- CAO Dispute Resolution also presented at the **36th Annual Conference on the International Association for Impact Assessment (IAIA)** that took place in Aichi-Nagoya, Japan from May 11-14, 2016.
- CAO Dispute Resolution presented on International Finance Institution independent grievance mechanisms at the first **United Nations Asia Regional Forum on Business and Human Rights** from April 19-20 in Doha, Qatar.
- In April, CAO participated in the **World Bank Group Spring Meetings** in Washington, D.C., hosting a lunch with Civil Society, and a panel discussion, "**How Do We Work Together to Protect Complainants?**", as part of the CSO Policy Forum Event.
- Through the **MAS KnowMore Series** in April 2016, CAO shared its experience using mediation with IFC Manufacture, Agribusiness and Service Department (IFC-MAS). The talk is available at: <http://streaming2.worldbank.org:8080/wflash/CMGGA20160422/>
- In March 2016, CAO Dispute Resolution presented at the **Program on Negotiation at Harvard Law School**. The session was titled "**International Mediation in Complex Development Disputes: Finding Common Ground between Communities and the Private Sector**".



CAO Dispute Resolution Specialist, Julia Gallu, addresses the room during CAO's CSO Policy Forum Event "How Do We Work Together to Protect Complainants?".

## UPCOMING EVENTS

**Annual Meeting of Independent Accountability Mechanisms (IAMs), Manila, September 5-7, 2016**

## FOR MORE INFORMATION

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