



*the* **CAC** *at* **10**  
COMPLIANCE ADVISOR OMBUDSMAN ANNUAL REPORT FY2010 AND REVIEW FY2000-10




## **ABOUT THE CAO**

The CAO (Office of the Compliance Advisor/Ombudsman) is an independent post that reports directly to the President of the World Bank Group. The CAO reviews complaints from communities affected by development projects undertaken by the private sector lending and insurance members of the World Bank Group, the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). The CAO works to respond quickly and effectively to complaints through mediated settlements headed by the CAO Ombudsman, or through compliance audits that ensure adherence with relevant policies. The CAO also offers advice and guidance to IFC and MIGA, and to the World Bank Group President, about improving the social and environmental outcomes of IFC and MIGA projects.

For more information about the CAO, please visit [www.cao-ombudsman.org](http://www.cao-ombudsman.org)

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“ Civil Society and communities are genuine partners in development. They ask the tough questions and hold our public institutions accountable. Creating the CAO as an accountability mechanism was an effort to get to the heart of the issues that caused friction and often conflict in our private sector investments. The record of the CAO over the past 10 years speaks for itself. I am proud to have taken a part in its creation and I admire greatly those who have made it such an important contributor over this first decade. ”

**James D. Wolfensohn, K.B.E., A.O.**

*President, World Bank Group, 2000–05*





# Our Mission

The CAO's mission is to serve as a fair, trusted, and effective independent recourse mechanism and to improve the social and environmental accountability of IFC and MIGA.

# FOREWORD FROM WORLD BANK GROUP PRESIDENT ROBERT B. ZOELLICK



The private sector offers tremendous potential for improving the lives and creating opportunity for people in developing countries. IFC and MIGA are at the forefront of harnessing this potential. But change can also be challenging and fast paced, and generate risks as well as improvements.

The financial crisis has underscored the need for public scrutiny of the accountability and transparency of financial institutions. The World Bank Group, as an international financial institution owned by its 187 shareholders, must meet the highest standards of accountability and transparency. We recognize an additional responsibility that stems from our development mission, market influence, and public trust. The Bank Group's mandate to support the most vulnerable and poor with scarce public funds and to leverage private resources demands nothing less. The Office of the Compliance Advisor/Ombudsman (CAO) serves an essential function by strengthening the accountability of IFC's and MIGA's work.

This year's Annual Report by the CAO showcases 10 years of experience and results. The CAO was established in 1999 to serve as an innovator in dispute resolution, compliance, and advisory work. Ten years after its creation, the CAO is still serving people affected by IFC and MIGA projects and assisting IFC and MIGA to improve the social and environmental outcomes of their work.

The CAO, in particular its dispute resolution work, speaks to the inherent flexibility of private sector companies in resolving complex issues at the operations level and embracing innovative ideas that mitigate risk and foster corporate citizenship. Most importantly, the CAO has allowed us to respond quickly and effectively to citizens' concerns and ensure that their voices are heard and acted upon. At an institutional level, the CAO's contributions to the due diligence and accountability of IFC and MIGA have made both institutions stronger and more open, and are contributing to strengthened accountability across the whole World Bank Group.

Since 1999, this Office has helped resolve 76 complaints related to 48 different IFC/MIGA projects in 28 countries worldwide. In its ombudsman function, the CAO has pioneered professional dispute resolution in the private sector at a time when many judicial systems around the world are developing nonadversarial remedies as an alternative to traditional litigation. The ombudsman's work has also focused on building frameworks where many IFC/MIGA clients and communities can jointly



make decisions to resolve their concerns in a practical and effective way. This year in Nicaragua, for example, the CAO is helping to resolve a 15-year-old conflict in the sugar industry, thereby highlighting a public health issue that affects thousands of people across the region. In Ecuador, the CAO brokered agreements between water users and a MIGA client, and helped the company make systemic improvements to address outstanding complaints from customers.

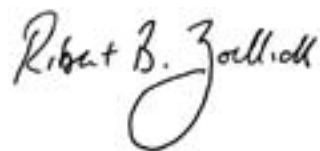
The CAO's compliance work has identified opportunities to ensure that we are consistently meeting our standards, honoring our values, and fulfilling our mission. This work has provided truly independent oversight and information that has given Bank Group management the ability to address critical performance issues. A particularly important case in this regard is the Bank Group's suspension last year of our funding for palm oil following the CAO's audit of IFC's investments in this sector in Indonesia. Through the global consultation process put in place this year, we have gathered recommendations from multiple stakeholders. We stand by our commitment to develop a comprehensive Bank Group framework and IFC strategy for engagement in the sector.

The CAO's advisory role has been a source of advice on systemic issues to Bank Group management. The CAO's work in recent years relating to IFC's Safeguard Policies and subsequent Performance Standards helped shape and implement current policies. The CAO's advice for IFC's policy review this year continued to emphasize the importance of project-level implementation. Ten years of complaints to the CAO show that socio-economic issues are raised by local communities in 80 percent of cases. As we strive to achieve higher standards of environmental and social risk management, we can also help our clients be more attuned to the interests of local communities.

By serving as a mechanism to constructively address tensions, the CAO helps reinforce our development work. So I want to thank our CAO colleagues—and everyone on the ground who work with them—for their commitment to this important work within the larger mission of development.

Over the past 10 years, the CAO has proven that participation and cooperation are not just buzzwords for development: they are essential ingredients if IFC and MIGA are to provide sustainable, responsive, and credible solutions for the private sector and to deliver results for people on the ground—those who need them the most.

Looking ahead, the CAO's challenges will be to strengthen accountability as IFC's and MIGA's roles and instruments evolve: whether through changing business needs; decentralization efforts; the shift in the portfolio from project finance to financial markets; or the creation of IFC's Asset Management Company. These changes will present new challenges, not only for the Bank Group's accountability and maintenance of high standards, but also in ensuring citizen participation and access to recourse and remedy.



Robert B. Zoellick  
September 2010  
President, World Bank Group

## MESSAGE FROM THE COMPLIANCE ADVISOR/OMBUDSMAN



My message this year is a more personal one as we reach ten and a half years of operation for the Office of the Compliance Advisor/Ombudsman (CAO). Along the way, there have been many great moments in our work when we have brought satisfaction to people who are impacted by the investments of IFC/MIGA, and also when there has been assurance for improvements by those institutions, which the CAO holds accountable. There have been moments of tremendous frustration for communities, IFC/MIGA staff and management, and also for the CAO staff when there have been serious problems to deal with, when projects have negatively impacted communities, and when there have been audits finding that the IFC/MIGA have been out of compliance with their policies.

It was the Pangué Dam, an investment by IFC in hydro in the Alto Bio-Bio in Chile, and the dissatisfaction of the Pehenche people at their resettlement, that led to the creation of the Office of the CAO. It was also because of the pressure that was brought to bear on the World Bank by civil society in Washington, DC that an accountability mechanism was considered for the private sector arms of the World Bank Group. The creation of an office that would be both a recourse mechanism for communities impacted by projects where the IFC/MIGA had invested with private sector clients, and the mechanism through which IFC/MIGA would be held accountable against their Safeguard Policies—now Performance Standards—was daunting for me and for the staff of both institutions. This was all very new territory for the private sector arms of the World Bank Group, and to be frank I do not believe that many staff thought that there was a role for such an office within the IFC or MIGA. Naturally, there was suspicion—and as I have often said to new staff now joining the CAO, “I had lunch on my own those early months here at the IFC and wondered why I had left the western Pacific.”

However, it has been a challenging yet very satisfying journey over these years. On reflection, there was great foresight by those who were instrumental in shaping the Terms of Reference for this Office and establishing an open and transparent process for the selection of the Vice President of the CAO.

The selection process was and continues to be extraordinary for a Vice President position within the World Bank Group. The interview was conducted by civil society and private sector representatives, who then made their recommendation to the President of the World Bank Group. At no time was there interference by IFC or MIGA management

to influence the process. I want to acknowledge Carol Lee, former General Counsel at IFC, for her vision and clarity of thought in guiding the establishment of this Office, and former World Bank Group President Jim Wolfensohn, and former IFC Executive Vice Presidents Jannik Lindbaek and Peter Woicke, for their commitment to accountability. The fashioning and design of the nuts and bolts of the CAO operations was possible only because of the contribution of all members of the CAO's Reference Group, which steered the evolution of this Office from the very beginning. Their involvement was participatory and critical. Over the past years, the CAO staff have created and operated an independent recourse and accountability mechanism for the private sector arms of the World Bank Group—and that is no mean feat.

One of our first major complaints came from communities around the Yanacocha mine in Peru. Our work both with communities and the mining company lasted for a long time. We created a dialogue process and established a participatory water monitoring system for the community and the mine. Our work was extensive, and many lessons were learned by all of us involved. This early work is still the hallmark of our involvement in the mining sector. An enduring legacy of that work is the fact that 10 years on, both companies and communities ask for help in the creation of grievance mechanisms and participatory processes in projects that are not IFC/MIGA investments, but rather other private investments in remote locations where development raises issues of conflict, like those surrounding the mine in Peru.

In more recent times we have grown in numbers and maturity in the handling of complaints by the CAO staff, our field mediators, and audit panels. We have also drawn lessons from our work, which is firmly grounded in project-related experience, to give systemic advice to IFC and MIGA. Our strength in our advisory role has been that we speak from real experience at the project level, where our work with communities has made us face a reality that is very different from the conversations in Washington.

We have also over the past 10 years had independent reviews of the Office focusing on the effectiveness of our work, and we have reviewed the Operational Guidelines to ensure that we are easily accessible to communities in the countries where IFC and MIGA conduct their operations. We have been vigilant in ensuring that we are accessible to people who need us the most. We have done this by building relationships with civil society organizations and community-based organizations that work more closely with communities. We have conducted outreach with civil society organizations in many parts of the world, yet we still find that people do not know who we are and have little knowledge of IFC and MIGA. This is a challenge, and outreach will continue as long as the CAO exists. A parallel challenge is educating IFC and MIGA staff about the CAO and the work that we do.

Over the years, there has been the criticism that the CAO is not independent because we report to the President and not to the Board of the World Bank Group. I understand this, and acknowledge that good governance requires independence and transparency. As I write this message, the Board is preparing to review the role of all five independent mechanisms of the World Bank Group, including the CAO. Our work and reporting lines will be reviewed.

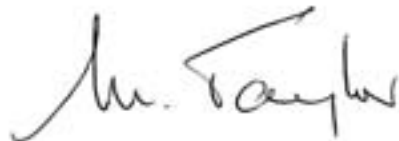
During my tenure, there has never been an attempt by IFC or MIGA to interfere with our work. Yes, there have been battles, but there has always been a very clear understanding of the role of the CAO. Operationally, our reporting line has worked, and there is no evidence to show that we have been less effective because of our reporting line. We have kept the Board and its Committee on Development Effectiveness (CODE) informed of all our cases, and we meet with CODE annually.

Independence has many facets. It is the independent selection of the CAO Vice President; it is the independence of the response of the Office with secure resources; it is the independent approach in delivery to the community and private sector clients; and independent processes of auditing the institution, knowing that the President of the World Bank Group will act when needed—as President Zoellick acted, when he declared a moratorium on investments in palm oil after the CAO’s audit on IFC’s involvement in the Indonesian oil palm sector.

The challenges ahead are now at the heart of a changing business model for IFC—in particular, its investments in financial markets. When the CAO began its work in the late 1990s, IFC’s portfolio was primarily in project finance. Now, 40 percent of the business is in global financial markets. This is a challenge for IFC in how it delivers and tracks its development outcomes, and a greater challenge still for the CAO in how we hold IFC accountable. As IFC decentralizes its operations toward 2013, the CAO will need to be diligent in ensuring that we can respond to communities where IFC will have the greatest impact, and that is in IDA countries.

I have had the good counsel of Board members through CODE. I have had the good counsel of our Strategic Advisors, who have guided the development of this Office over the past years. I have been constantly challenged in good faith by the leadership of civil society, particularly David Hunter. I have had friendships with people in communities who have been teachers for us all at the CAO. We have learned from the conflicts in communities. We have learned from the responses of private sector. We have built relationships and partnerships with civil society organizations, and we have established respectful and professional relationships with management and staff of IFC and MIGA. This is all part of creating an independent accountability mechanism that responds to those who need to be heard. I thank all who have helped to build the Office of the CAO.

Finally, I want to acknowledge those with whom I spend most of my daily life—my colleagues at the CAO. I acknowledge their commitment and their passion for the work that we do to help those who need us the most. We work in the Office of the CAO because we believe that we do make a difference.



Meg Taylor  
Vice President, CAO  
September 2010



## Overview: 10 Years of CAO Cases



## CAO CASES, FY2000–10



Resident of Himachal Pradesh,  
Allain Duhangan case, India

Since its inception in 1999, the CAO has received 127 complaints and requests for audits. Of this number, the CAO accepted 76 complaints in accordance with its eligibility criteria: i) The complaints regard an IFC/MIGA project(s); ii) raise social and environmental issues related to the project(s); and iii) are filed by individual(s) or communities directly affected by the project(s) or by their designated representatives. The 76 eligible complaints regard 48 different IFC/MIGA projects in 28 countries: 71 complaints related to IFC's involvement in a project, and 5 complaints to MIGA.

When analyzed by region, the majority of cases are in Eastern Europe and Central Asia. The explanation behind this distribution is the large number of complaints submitted to the CAO from Georgia and Turkey regarding one project—the Baku-Tblisi-Ceyhan (BTC) oil pipeline. Most other cases are in the Latin America and the Caribbean region.

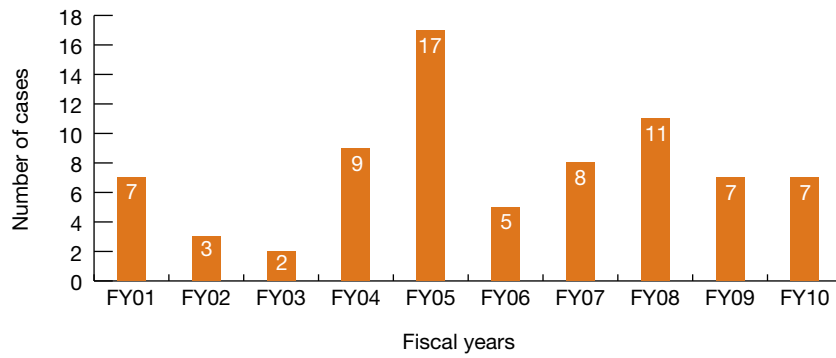
By IFC/MIGA industry sector, Oil, Gas, Mining, and Chemicals predominates in CAO cases, mainly due to the BTC project. The other dominant sectors are Agribusiness, Manufacturing and Services, and Infrastructure. It is worthy of note that the CAO received its first complaint regarding an Advisory Services project in FY2010. The CAO has not received a complaint on a financial intermediaries project since 2001.

In terms of issues raised in eligible complaints to the CAO, socioeconomic concerns dominate in 80 percent of cases, followed by issues related to IFC's/MIGA's due diligence and supervision (78 percent); community consultation and information disclosure (71 percent); land (61 percent); pollution (51 percent); community health and safety (49 percent); and water (41 percent), among others.

Of the 51 complaints that were not eligible for CAO assessment, 36 complaints (72 percent) were rejected for not falling within the CAO's social and environmental mandate or were not IFC/MIGA projects. The majority of complaints that were not within the CAO's mandate were referred to the World Bank Group's Office on Institutional Integrity because they raised concerns of fraud/corruption. In FY2010, eight complaints received by the CAO were deemed ineligible. Of these, four were not IFC or MIGA projects. The remaining four cases pertained to IFC projects, but three did not raise social or environmental issues and the other did not involve a potentially affected local community or individual (see figures, pp. 9–11).

**The CAO's Caseload, FY2000-10**

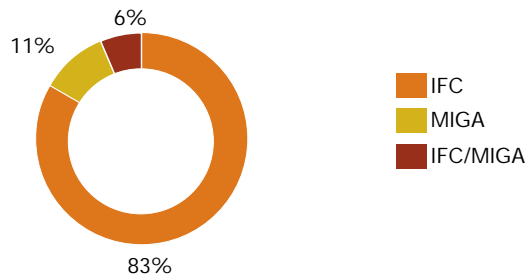
a. Eligible Complaints by Fiscal Year<sup>a</sup>



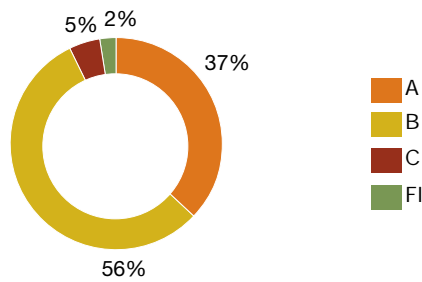
b. Signatories to Complaints<sup>b</sup>



c. Caseload by Volume of IFC/MIGA Projects<sup>c</sup>

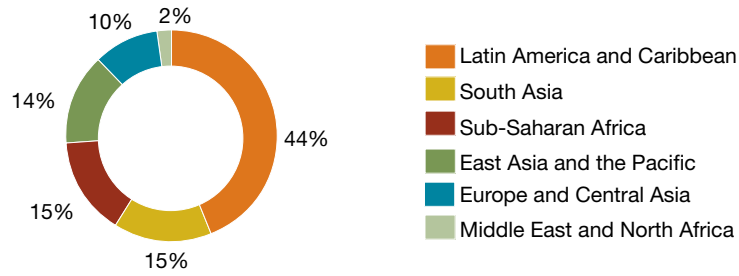


d. Caseload by Environmental Category

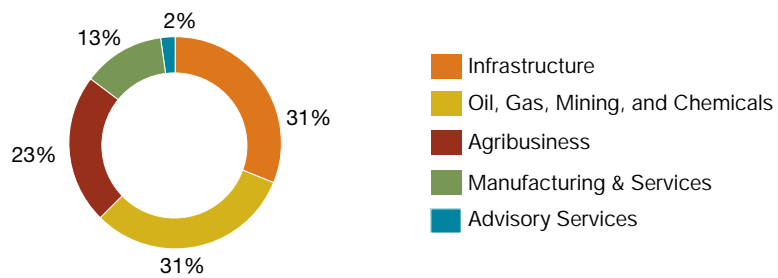


The CAO's Caseload, FY2000-10 (cont.)

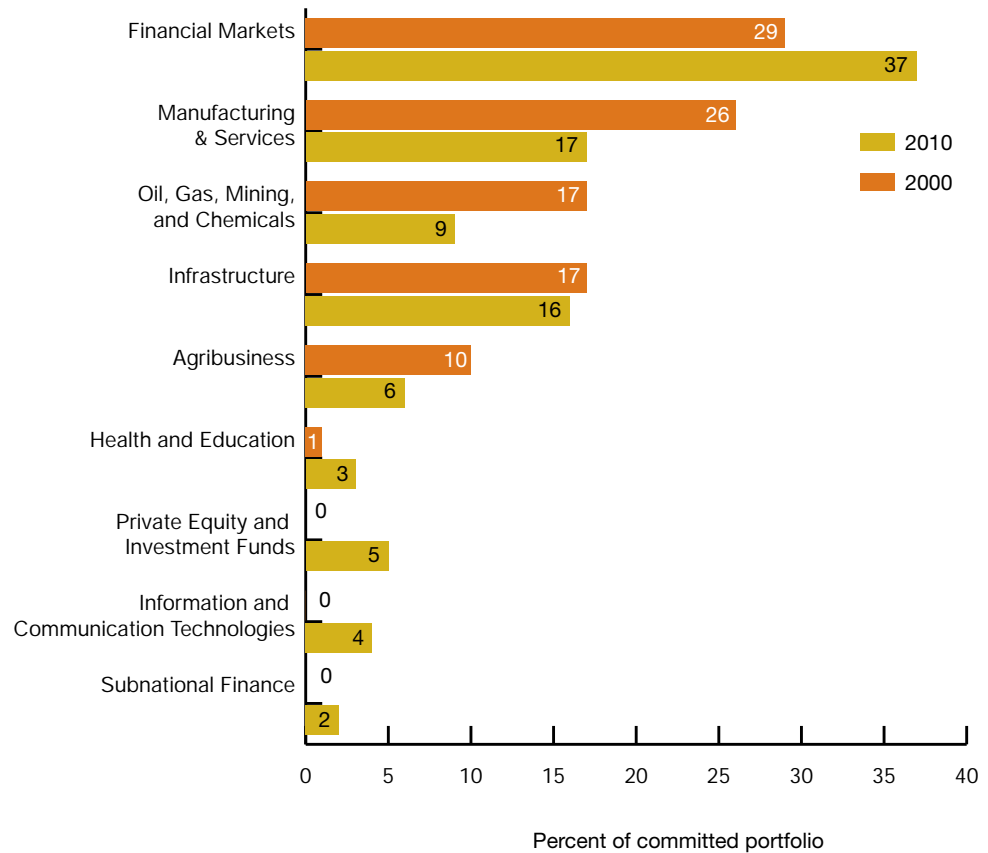
e. Caseload by Region



f. Caseload by IFC and MIGA Industry Department



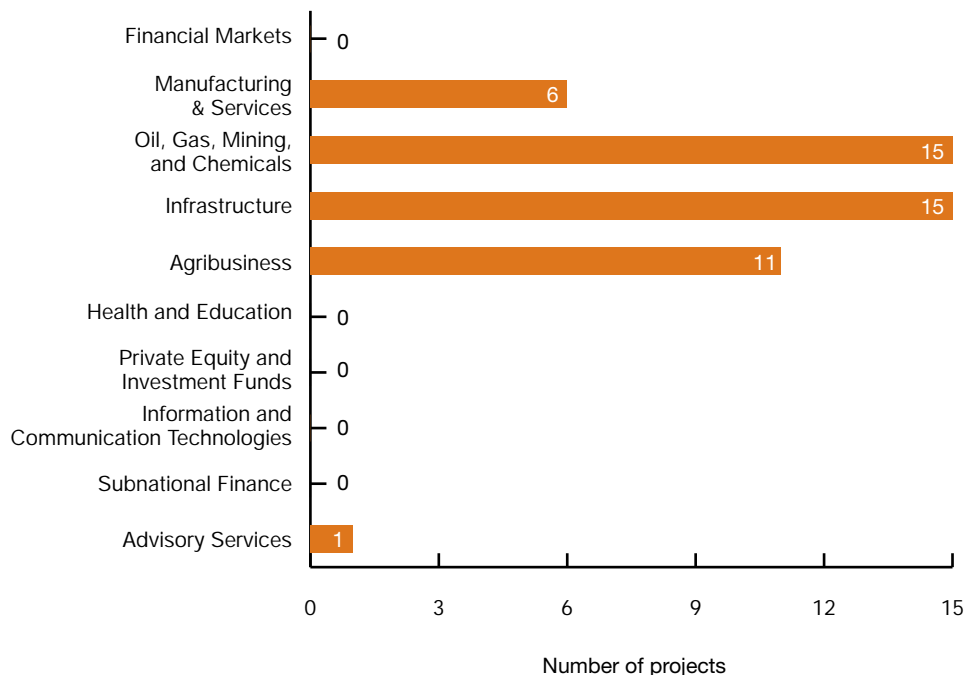
g. IFC Committed Portfolio by Industry Department, FY2000-10



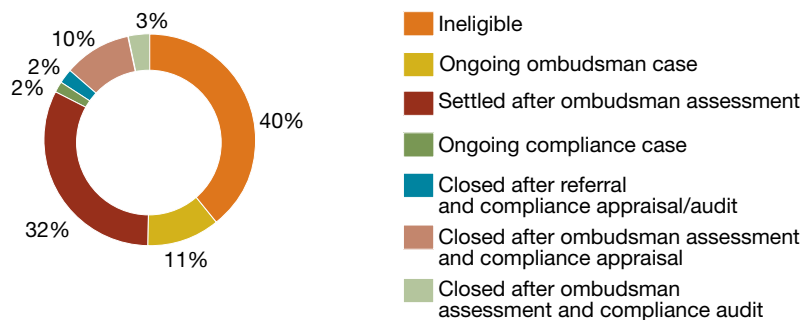


The CAO's Caseload, FY2000-10 (cont.)

h. IFC/MIGA Projects in CAO Cases by Industry Department<sup>d</sup>



i. Status of CAO Cases, FY2000-10<sup>e</sup>



Sources: IFC Annual Reports FY2000-10. Some FY2000 data are aggregates of subsectors that IFC reported separately in earlier annual reports.

Note: Complaints deemed eligible for assessment by the CAO are referred to as "cases."

a. This panel includes only those complaints deemed eligible for assessment each year by the CAO.

b. This represents the number of eligible complaints filed with the CAO signed solely by community members without representation of another organization.

c. Data in panels c-f represent the number of IFC/MIGA projects that generated complaints to the CAO in FY2000-10.

d. Panel h is based on the 76 complaints deemed eligible for assessment by the CAO since FY2000.

e. Panel i is based on all 128 complaints presented to the CAO since FY2000.



“ The CAO’s work is invaluable in helping us maintain our accountability to the communities where we work, resolve conflicts, and measure up to the high standards of performance IFC aspires to achieve. Learning from experience is one of IFC’s strengths, and the CAO’s independent guidance is an important source of that learning. It makes us a better private sector development institution for our clients and enables us to create more development impact for poor people around the world. ”

**Lars Thunell**

*IFC Executive Vice President  
and CEO*



# The CAO at 10 Years





# THE CAO AT 10: REFLECTIONS AND A LOOK FORWARD

Foreword by **David McDowell**

*Former Director-General, The World Conservation Union (IUCN)*

*Former Chair of CAO Reference Group and Strategic Advisor*



Pehuenche community,  
Pangue, Chile

The genesis of the CAO concept lay in a sense of frustration on the World Bank Group in the 1990s with existing IFC procedures for dealing with conflicts within projects. This was brought to a head by the disputes that arose over the Pangue hydropower project in Chile (see pp. 18–19). An advisor to President James Wolfensohn, Sir David Scollay, is credited with coming up with the basic idea of setting up a conflict resolution mechanism for IFC and MIGA.

The Terms of Reference of the new mechanism, made public on October 22, 1998, were not very explicit on who the primary clients were to be, which of the three designated functions was the primary one, or how the CAO was to go about its business. The multiple functions—assessing compliance, providing advice, and resolving conflict through the ombudsman role—reflected to a degree the divided opinion within the World Bank Group and NGO circles on what the main focus of the CAO should be. A subsequent Presidential press release made clear that the most important clients were to be local communities adversely affected by IFC or MIGA projects and that devising workable and constructive approaches to resolving conflicts was the primary focus (see box, p. 15).



Cajamarca consultations,  
Minera Yanacocha, Peru

Two innovative and significant organizational decisions were announced: to reflect the importance of the new office, it was to be headed by a person at Vice Presidential level; and the appointee was to report directly to the President of the World Bank Group, not through IFC or MIGA management. The selection of the CAO Vice President was a highly inclusive process. Stakeholders from civil society and industry were directly involved in the recruitment and selection exercises. Meg Taylor, a national of Papua New Guinea, a lawyer and diplomat by training and practice, founder of a community-based conservation organization and board member of several companies, was appointed in April 1999 and took up the position on June 30, 1999.

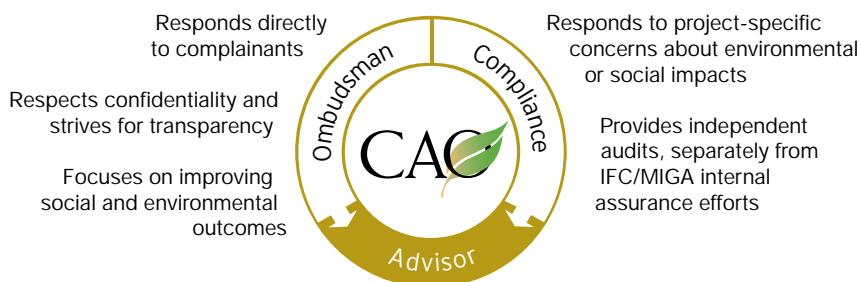
The CAO's Three Roles



Community water monitoring, Minera Yanacocha, Peru

THE CAO'S THREE ROLES

The CAO has three unique and complimentary roles—ombudsman, compliance, and advisor—that together provide a flexible framework for handling complaints (see figure).



Inclusiveness was a feature of the new office from the beginning. At an early stage, the new Office of the CAO called together a Roundtable of professionals with a wide cross-section of expertise and with a demonstrated interest in the environmental and social impacts of IFC/MIGA projects. They discussed principles, objectives, and approaches. The Roundtable formed the nucleus of a more permanent Reference Group that met subsequently over the following years (see p. 158). It provided valuable ground-truthing and countered the risk that “Washington thinking” would dominate the evolution of the CAO.

More flesh had to be put on the bones of the CAO's Terms of Reference (see p. 144). The CAO brought in consultants to draft its Operational Guidelines, based on the Roundtable's conclusions. The consultants found that the most difficult elements were to separate out and clarify the sequence of procedures to be followed by the CAO in further defining its three roles—compliance, advisor, and ombudsman—and settling on a balanced formula covering divisive confidentiality and disclosure issues. Meg Taylor discussed these and other crunch issues with a smaller group of Strategic Advisors in Sydney in January 2000. The Strategic Advisors Group, as it became known, was another technique employed by the CAO to both widen consultation about its work and effectiveness, and crystallize thinking (see p. 157). The Sydney meeting addressed the feasibility of creating a so-called “Chinese Wall” to enable the CAO to keep separate the functions of providing advice on specific projects and subsequent possible involvement in resolving complaints in the same projects—a debate that went on for several years and culminated in the CAO dropping of the advice-giving function on specific projects.

With a broad consensus emerging from a second Roundtable meeting on draft guidelines, the first version of the CAO's Operational Guidelines was approved by the President in mid-April 2000, translated into seven languages, and disseminated. With the approval of a Communications Strategy in June that year, the CAO was open for business. While there was apprehension initially that the small office might not be able to handle a flood of complaints, the caseload was light for the first several years. A challenge then, as today, was building up knowledge in developing world communities of the CAO's existence and role. The CAO's first landmark case was occasioned by the spilling of mercury from a mining company truck in Peru in July 2000 over a long stretch of road from the Yanacocha Gold Mine (Minera Yanacocha) to the coast (see pp. 53–54). This precipitated a five-year involvement by the CAO with the community of Cajamarca, which was documented in the CAO's monographs, *Building Consensus: History and Lessons from the Mesa de Dialogo y Consenso CAO-Cajamarca, Peru*. In August the same year, a complaint from the Pehuenche community in Chile arrived at the CAO's door regarding the Pangué hydroelectric project. The CAO continued its involvement with the Pehuenche community until 2009, administering a commitment of funds made by President Wolfensohn to support community development programs (see case highlight, pp. 18–19).

Since those early days, the CAO has been involved in a great many more cases around the world, most of them shorter-term interventions than Yanacocha and Pangué. Working with the CAO recently to distill insights from some of the cases, I was struck by the breadth of the experience of the office to date—spanning multiple peoples, industries, geographies, and ecologies around the world. The positive nature of its mandate—seeking solutions of benefit to all rather than simply identifying noncompliances—and the flexibility instilled in the CAO through its three different but related roles, have been two of the CAO's greatest strengths in responding to the complicated world of business and development. Another has been the creativity, sensitivity, and commitment of its management and staff over this first formative decade.



"Consulta Publica," Cajamarca, Peru

“ In late 1998, IFC came under tremendous pressure to provide a mechanism that would give people who felt negatively affected by IFC-financed projects a platform to voice their grievances. Both NGOs as well as the IFC Board were pushing for a World Bank-type Inspection Panel. The resulting “Compliance Advisor/Ombudsman” was a compromise that turned out to a lucky solution: in providing a platform for affected people to voice their concerns, it made IFC more credible as a development institution. But unlike the Inspection Panel, the CAO went much further. Rather than only identifying where things had gone wrong, the CAO helped find solutions—mediating between project sponsors and affected people, and hence provided in many instances for a more harmonious coexistence of private sector investments and local communities. ”

Peter L. Woicke

*IFC Executive Vice President and CEO, 1999–2005*



## CASE HIGHLIGHT

### The CAO's First Case: Pangué Hydroelectric Project, Chile

“The Pangué hydroelectric project marked the beginning of a long disruption between private entities and members of the Pehuenche communities. All the communities wanted was the opportunity to preserve their cultural identity and access development opportunities guaranteeing their autonomous progress in accordance with ancestral values and land. *Kume Rakiduum*, first, and now *We Monguen*, through the CAO's intervention, has helped us unite and move forward by creating socioeconomic opportunities.”

Eva Tranamil

Director, *We Monguen*, Alto Bio-Bio, Chile



Community protests against hydropower dams on the Bio-Bio river, Chile



Bio-Bio River, Chile

#### A Long Commitment to the Pehuenche People of the Alto Bio-Bio

The CAO's work with the indigenous community that lives around the Bio-Bio River in Chile is an early and good example of the integrated approach the CAO has taken with various partners to address deep-seated cultural, economic, and environmental issues.

In 2002, a group of indigenous Pehuenche women filed a complaint with the CAO alleging that the Pangué hydroelectric project was adversely impacting communities and the local watershed, and that the people affected by the project had not been adequately compensated. While IFC had supported construction of the project, by the time the complaint was filed, its debt had been repaid and its equity investments had been divested.

Nonetheless, the CAO accepted the complaint because it related directly to IFC's role in the project over a number of years, to promises and commitments made, and to previous recommendations by independent investigations and reports that IFC undertake certain corrective actions.

In March 2006, the CAO facilitated a settlement agreement that focused on supporting and providing funds for local development capacity building. At the request of the complainants, the CAO continued to monitor the settlement by working with local and indigenous organizations, including Mapuche University and local Pehuenche institutions, to address broader cultural impacts of the project.

Such development-related involvement with a community is unusual for the CAO; however, former World Bank Group President James Wolfensohn had committed funds to such work, and the CAO committed to carry it out, aiming to make a lasting impact on the Pehuenche community.

The CAO's approach supported the community's clear need for economic development and income generation, while preserving its cultural identity and traditions. Work began with the formation of *Kume Rakiduum*, an organization that supported training of the





Greenhouses for community members, Pangué, Chile

Pehuenche leadership, and programs to promote woman's empowerment, bilingual education materials, and a radio station to help preserve two indigenous languages. *Kume Rakiduam* was replaced in time by *We Monguen*, which became the focal point for the CAO's efforts. As its capacity to unite and empower Pehuenche communities increased, *We Monguen* has evolved to run several programs and now receives support from the Municipality of Alto Bio-Bio.

### Hot Houses and Artisanal Fairs

To promote economic development, *We Monguen* embarked on two initiatives. The first was the creation of communal hot houses to cultivate vegetables, which provided fresh produce and income to more than 20 local families. The second was the organization of artisanal fairs, where crafts made by the community, particularly the women, could be displayed and sold, and traditional artisans could come together and embrace their cultural heritage. *We Monguen* liaised with local and regional organizations and invested in a training program to help artisans improve the quality of their goods and market them.

Both initiatives have been a great success. Over 30 local artisans sold their wares at the third annual artisanal fair in April 2010, which more than 500 visitors attended, and which the CAO supported. Local authorities would like the fair to become a tradition in the Alto Bio Bio region.

### Closing One Chapter and Opening Another

Many community members felt that the Pehuenche community was fractured and divided because of the construction of Pangué hydroelectric project. Today, the same individuals believe that *We Monguen* has managed to unite the community and provide a source of economic and cultural empowerment for the first time in decades.

*We Monguen's* next steps include making Pehuenche handicrafts available to commercial markets in the southern part of Chile, opening a local store to attract tourists, and stepping up production of agricultural goods to reach markets outside the Alto Bio Bio.

Meeting these goals will be crucial for the continuation of *We Monguen's* work as the remaining CAO/World Bank Group funds are disbursed. *We Monguen* has gained the support of local institutions, particularly the Municipality of Alto Bio Bio, as well as institutions like Bolivarian University, SEPADE, Pehuen Foundation, and the Inter-American Foundation. Hopefully this will allow *We Monguen* to continue its work.



CAO team and community members, Pangué, Chile

“ During my Chairmanship at CODE, I noticed countless times how important is the role played by this institution’s recourse mechanisms to ensure ownership and effectiveness of our programs and projects. In that regard, the Compliance Advisor/Ombudsman (CAO) established for IFC and MIGA has shown to be tremendously effective in addressing stakeholder complaints in a fair and practical way. This has been a critical component for building the accountability and trust that are demanded for a successful development agenda. ”

**Giovanni Majnoni**

*Executive Director for Italy, Portugal, Greece, Albania, Malta, San Marino, and Timor-Leste  
Chairman, Committee on Development Effectiveness (CODE),  
World Bank Group*

Pehuenche arts and crafts fair, Chile





## THE EVOLUTION OF THE CAO'S THREE ROLES

### Building Effectiveness, Credibility, and Value



CAO meeting with community affected by the BTC Pipeline, Naokhrebi, Georgia

*Some of the overall operational changes that the CAO has undertaken were motivated by our experiences with the BTC project.*

Over the course of 10 years, the work of the CAO has evolved in response to both its successes and challenges. Learning from what has worked, and what has not, in our handling of complaints has enabled the Office to adapt, innovate, and, above all, improve its responsiveness to those who need the CAO's services the most. Importantly, this has kept us focused on achieving tangible outcomes for communities on the ground, while fostering greater public accountability of IFC and MIGA, in line with the CAO's mission and mandate.

Building our effectiveness and value over time has had many facets—from conducting internal and external reviews of the CAO's work model (2003, 2005, and 2010); to formalizing modes of communication with the President, Board, and senior management; to establishing robust systems for monitoring and evaluation, and for tracking how the CAO's findings and recommendations are acted upon within the institution.

Valuable experiences learned from our cases have accounted for most of the changes to the CAO's work since 2000. The clearest example of this is our work on complaints concerning the BTC pipeline, which led us to bring greater clarity and distinction to the CAO's ombudsman and compliance roles (see case highlight, pp. 22–23). A predominance of early cases in the extractives sector helped inform our later work in other sectors, where we have seen a rise of cases, for example, in agribusiness, manufacturing, and infrastructure, in recent years. It is these later cases that perhaps best demonstrate best how the Office has matured over time—from our landmark work in Nicaragua helping to resolve sensitive issues between labor groups and the sugar industry, to Indonesia, where the CAO has been involved in a complex case related to IFC's investments in oil palm, which led to broader ramifications for the World Bank Group's involvement in the sector.

These issues and more, including an analysis of recurring themes that have emerged in complaints to the CAO in the last 10 years, are discussed in detail in the pages that follow.

## CASE HIGHLIGHT

### The CAO's Most Prolific Case: The BTC Pipeline in Georgia and Turkey

“Difficult challenges were encountered in addressing grievances associated with the construction of the BTC Pipeline, which on average traversed a different parcel of land every 100 meters. These challenges were further complicated in Georgia, where household land rights had not always been clearly established following the collapse of the Soviet Union. Initially the relationship between BTC and the CAO was very tense. BTC had major misgivings that the CAO's input would lead to a massive increase in claims for compensation. However, it was also clear that there were genuine grievances that needed to be addressed by the company at the project level. Together, BTC, IFC, and the CAO worked to address these issues and strengthened the project's grievance mechanism, which marked the start of a more open and trusting relationship between the CAO, BTC, and IFC. This was further strengthened when the CAO began to initiate a more pragmatic neutral assessment process and provide third-party facilitation to help stakeholders find solutions. The role CAO played was extremely challenging, but proved to be key to resolving some very complex issues, and provided many lessons learned on implementing robust and fair grievance mechanisms.”

Ted Pollett

Principal Social Specialist, IFC

#### A Proliferation of Complaints from a Major Project

From 2003 to 2009, the CAO received 32 complaints regarding the Baku-Tbilisi-Ceyhan (BTC) Pipeline development—an unprecedented number of requests on one project, accounting for just under half of all cases assessed by the CAO. The reasons for this profusion of complaints are numerous, and a great deal of attention and research has been devoted to analyzing the project. For the CAO, the BTC experience resulted in specific insights about our complaint-handling procedures, and led to several important operational changes.

With almost 1,760 kilometers of crude oil pipeline stretching from the Caspian Sea to the Mediterranean, BTC is the second longest oil pipeline in the world, crossing Azerbaijan, Georgia, and Turkey. This multi-billion dollar project was developed by a consortium of international companies, with British Petroleum (BP) as the largest shareholder and operator. IFC and the European Bank for Reconstruction and Development led a group of lenders providing \$2.6 billion in financing.

While Georgia hosted the fewest kilometers of the pipeline, it also generated the most complaints to the CAO. This was due in part to strong opposition by the NGO, Green Alternative, which sued the company in May 2003 on grounds that the pipeline would endanger the ecologically sensitive region of Borjomi, home of Georgia's acclaimed mineral water springs.



CAO meeting with BTC complainants, Georgia



Meeting with complainants,  
Tadzrizi, Georgia

The NGO launched a campaign with international NGOs to raise their concerns with project lenders—including the World Bank Group—and their accountability mechanisms. Locally, Green Alternative issued reports, held press conferences, and assisted villagers throughout the Georgian section of the pipeline in writing letters and filing claims to the company, local governments, the CAO, and other grievance mechanisms. Green Alternative filed several of the initial complaints to the CAO on behalf of impacted villagers. Later, as villagers became more familiar with the CAO, individuals and groups of villagers began filing handwritten requests directly to the CAO.

The majority of complaints to the CAO related to impacts to land and infrastructure due to pipeline construction, such as damage to buildings, ruptured water pipes, and wear to local roads. Compensation was a key issue. Some complaints were complex, involving the water supply for an entire village, Tsemi, Georgia. Others were simpler, where the CAO worked with beekeepers and farmers to resolve concerns.



CAO in Georgia

### Learning from BTC Changed the Way We Work

The CAO's approach to managing the BTC cases changed greatly with time. Early on, CAO's ombudsman assessments included both technical analyses and an opinion on the merits of a concern, mixed with neutral recommendations about how the parties might work together. This approach led to confusion for those involved. BTC and IFC responded either in agreement when the Ombudsman "ruled" in their favor or in disagreement when the Ombudsman found fault with some aspect of the project. Complainants often were uncertain about their role, the next steps in resolving a case, and how recommendations to BTC and IFC would be implemented. On several occasions, the CAO—having contracted with technical experts who evaluated the merits of the claim—closed a case without a facilitated agreement. This approach challenged the neutrality of our ombudsman role.

Learning from these experiences, the CAO initiated a more neutral assessment process aimed at helping stakeholders collaborate to find solutions to the issues at hand. When parties decided that negotiating was not in their best interest, those cases were transferred to CAO Compliance for a technical appraisal of the issues raised. When parties opted to resolve issues collaboratively, the CAO provided third-party facilitation of agreement-seeking processes that were designed and "owned" by the stakeholders. The change in approach was a turning point for all involved—the complainants, BTC, IFC, and the CAO.



CAO meeting in Vale, Georgia

BTC's willingness to engage in dialogue with impacted communities increased, as did their appreciation of third-party mediators to facilitate the conversations and subsequent agreements. IFC began playing a more active role in supporting the CAO's work in Georgia, and in encouraging BTC to strengthen its own grievance mechanism. Complainants' willingness to engage with BTC also increased; in several cases, they began working directly with BTC staff to agree on steps forward and to implement details of CAO-facilitated agreements. They then reported their concerns and successes back to the CAO.

For CAO Compliance, the appraisals of several BTC cases led to a better understanding by IFC and BTC stakeholders of the compliance process, as well as the process the CAO must follow when parties are unwilling or unable to reach a negotiated agreement.

Above all, the BTC experience was a long learning curve for the CAO that helped us create a more predictable and fair process for handling complaints, while defining our approach to accountability and recourse.



## THE EVOLUTION OF THE CAO'S OMBUDSMAN ROLE

*“The CAO's work provides a valuable and practical example of how to build the space for companies and communities caught in a dispute to use alternative processes such as mediation as a means to achieve sustainable solutions: solutions that can reflect interests, respect human rights, and offer dignity to all involved. Their experience is instructive for all of us convinced of the need for more and better grievance mechanisms in this field.”*

**John Ruggie**

*United Nations Special Representative on Business and Human Rights*

### Changing the Dynamics of Conflict



CAO meeting with complainants, Allain Duhangan project, India

From the outset, the role of the CAO Ombudsman was framed as a new kind of response to complaints on IFC/MIGA projects. Rather than a purely investigative function, the Ombudsman was tasked as a constructive problem solver to help develop local solutions to resolve complex social and environmental concerns. The responsibility of the Ombudsman is to provide a time-limited period in which the parties have to make a decision themselves about how to proceed (see p. 25).

Very quickly, in response to letters and e-mails from communities in some of the most remote corners of the world, the CAO has come face to face with communities and companies in conflict. We listen to strongly held but opposing views, and work to build safe spaces where contradictions are tolerated, people are included, and difficult conversations can be held.

The practice of our work has been both challenging and rewarding for the ombudsman team over the last 10 years. Increasingly, as we have had both successes and failures, people have begun to ask us how we do conflict resolution and what happens on a typical case. The reality is that each new case has been remarkably different and every community and every project brings its own context and complexity. As our experience has grown, we have reflected on what went well, and what could have been improved. There have been evolution and change, but these changes have been built on a foundation of principles that have remained consistent over the years.



Water user and complainant (Interagua),  
Guayaquil, Ecuador



CAO meeting with complainants,  
Baguio, The Philippines

## At a Glance: What Does CAO Ombudsman Do?

As Ombudsman, the CAO works with complainants to help resolve grievances about IFC/MIGA projects. The Ombudsman does not make a judgment about the merits of a complaint, nor does it impose solutions or find fault. Rather, the process is flexible, aimed at addressing specific issues that have contributed to conflict and helping the parties identify practical steps for resolving the issues together.

Through facilitated dialogue, the Ombudsman helps the parties decide what tools may best help resolve the dispute and monitors implementation of any agreements reached until the case is closed with their consent. When issues raised are not amenable to resolution—either because one or more parties are unwilling to engage in dialogue or the issues relate to IFC's/MIGA's due diligence—the complaint is transferred to CAO Compliance for appraisal (see pp. 32–38).

CAO Ombudsman specialists are trained in alternative dispute resolution, and the design of ombudsman processes take account of local governance structures and customary methods of resolving disputes. Common tools, and examples of cases where they were used, are listed below.

### OMBUDSMAN DISPUTE RESOLUTION TOOLS

#### Information sharing

The company agreed to disseminate information in the workplace on IFC's labor Performance Standard (Standard Profil, Turkey, p. 57).

#### Mediated agreement

The CAO helped the Ibaloi community and company reach an historic agreement on return of land (Ambuklao-Binga Hydro, The Philippines, pp. 47 and 130–31).

#### Dialogue Table

The CAO helped create and sustain a long-term Dialogue Table for local stakeholders (Yanacocha, Peru, pp. 53–54).

#### Joint fact-finding

The company and community jointly selected scientists to conduct a health study on chronic kidney disease (Nicaragua Sugar Estates Ltd, Nicaragua, pp. 30–31).

#### Participatory monitoring

The CAO helped train community members to conduct water monitoring jointly with the mining company (Yanacocha, Peru, pp. 53–54).

#### Grievance mechanism

The ombudsman process led to the establishment of a grievance mechanism within the company to resolve service issues with water users (Interagua, Ecuador, pp. 52 and 122–23).

## Creating the Conditions for Dispute Resolution: Some Guiding Principles

### STAY LOCAL

Almost every case brings a dizzying array of interests, issues, people, and organizations. This complexity brings with it contradictions. Sometimes local managers differ from their Boards about the right response to a problem; sometimes international NGOs differ from local community members about what their next steps should be. How can we encourage a meaningful dialogue when faced with this complexity?

*We can be much more effective if we focus our attention on how to change the dynamics of the conflict, rather than imposing our own judgment and solutions.*

In these circumstances, we have found that CAO Ombudsman is most effective when we can encourage the parties to focus on the people that are closest to, and most likely to be impacted by, the problem. We cannot be partial to one side or the other, but we can be partial toward a solution that will result in better outcomes for people on the ground. This often means designing a process where both the community and project representatives are the principals in a dialogue or mediation. They have the responsibility to determine who else should be present, and what the ground rules of dialogue will be. In both Indonesia (see 39–43) and Nicaragua (see pp. 30–31), where the CAO has facilitated very complex negotiations between multiple parties, the principals invited NGOs or local government entities to be observers on the dialogue. This has worked well, in part because the decision for including additional stakeholders has been made by the parties themselves, not the CAO.

As the CAO's caseload began to increase after 2006, it was essential to extend the principle of "stay local" to our own team. Rather than relying mainly on Washington-based staff, we increasingly look for local and regional partners as mediators and facilitators. These partners are now the backbone of the CAO's ombudsman response. They bring language and cultural skills that are essential to building trust and promoting dialogue. They can also be more frequently available to the parties as the demands of dialogue and mediation evolve on each case. This change also allowed a much more scalable response from the CAO, allowing us to respond to an increased workload from Peru to the Philippines with better results.

### STAY OPEN AND PROMOTE ACCOUNTABILITY

Disputes brought to the CAO are often issues of public concern—critical environmental problems or community benefits from a new development project. This means there is often a strong interest from the wider public about the CAO process and dialogue. Under these conditions, confidentiality is a major challenge because to withhold confidential information can quickly lead to lack of trust and suspicion that the dialogue participants have been "bought out," with the added concern that mediation will lead to compromise, and remove the impetus for accountability.

Our experience is that in order to retain credibility and trust, CAO cases require both transparency and accountability. Open communication and engagement with the public and the media is important so that people understand what to expect, and when. It is also essential to protect the integrity and trust that external stakeholders need to have in the dialogue participants. The Ambuklao-Binga case in the Philippines is a good example



Community meeting,  
Maple Energy, Peru





CAO assessment, Webuye, Kenya

(see pp. 47 and 130–31). The CAO used its website to disseminate public information about the complaint handling process and the principals in the dispute agreed protocols for public disclosure of joint communiqués and engagement with the media after each important event. The CAO provided mentoring to each of the parties to ensure that the participants were accurately reflecting the interests of their constituents, but also that constituents understood the realities and constraints of the dialogue process.

CAO Ombudsman encourages the parties to hold one another accountable to their agreements. If requested to do so, the CAO remains involved in cases after they are settled. As a condition of involvement, the CAO asks the parties to commit to a monitoring plan with defined milestones. In the Wilmar case in Indonesia, the parties created a multistakeholder monitoring and evaluation team that remains in place to check on implementation of the settlement agreements (see pp. 39–43). This kind of arrangement can significantly increase the likelihood of concluding a case successfully.

### BE FLEXIBLE BUT DISCIPLINED ABOUT OUTCOMES

Dispute resolution processes are more successful when they are driven locally by the principal participants. This requires a commitment to flexibility and adaptation on the part of the Ombudsman as convener: a willingness to change course when required, but to ensure that there is clarity and discipline in achieving outcomes that are meaningful for the parties. In a labor dispute in Turkey (see p. 57), the CAO was confronted with two parties that refused to meet despite multiple attempts at encouraging face-to-face dialogue. Remaining flexible, the CAO drafted a joint proposal that it shared with each side. Relatively quickly, they were able to agree, and the action plan has been implemented without any need for a joint meeting of the complainants and company.



Community meeting, Sihanoukville, Cambodia

The principles outlined here have been a useful framework for CAO's Ombudsman team over the years. But as demands on us have grown, we have also had to evolve. Around 2005–06, as the CAO was reaching a level of maturity, we were asked to provide more clarity and predictability about how we work. This feedback prompted us to revise the CAO Operational Guidelines in 2007 to streamline our ombudsman and compliance roles, with clear, public deadlines to hold ourselves accountable

## Moving from Judge to Convener

Typically when the ombudsman team arrives in a community or project site and starts discussions with people in response to a complaint, expectations are extraordinarily high. Early on, the CAO recognized that it was presented with an impossible responsibility. On the one hand, every party in the dispute—the claimants, the company, and IFC/MIGA—wanted a quick judgment. But, they would accept this judgment from the CAO *only if we said they were right*. We found that when we made judgments at this early stage of the process, as we did in 2005 in Guatemala in response to a complaint against the Marlin gold mine (see p. 114), the CAO was drawn into the conflict. We could no longer claim to be neutral, nor were we able to maintain the trust and confidence of all of the parties to encourage adoption of the “solutions” that we proposed. The cycle of conflict simply continued. Years after our departure from Guatemala, the case remains controversial and unsatisfactory for the parties concerned.



CAO mediator Juan Dumas with community member, Nicaragua Sugar Estates project, Nicaragua

This experience, and others like it, encouraged us to refocus our attention on the dynamics of the conflicts. We recognized that complaints often represent situations where two or more parties have become stuck in a cycle of conflict. Lack of trust, respect, and imbalances of power often lay at the heart of the problem, rather than evidence presented by one side or the other, or the quality or quantity of data. In these contexts, we have found that we can be much more effective if we focus our attention on how to change the dynamics of the conflict, rather than imposing our own judgment and solutions. Our approach now focuses on asking questions—like how each party feels we could be most helpful—and looking for every opportunity to create neutral spaces where parties in a dispute can talk. As we have done this, we have typically found that parties are increasingly able to move away from strongly held, polarized positions. We have seen this recently in Nicaragua, where the CAO is helping to address a major dispute brought by former sugar cane workers suffering from chronic kidney disease. To break the cycle of denial and recrimination, the CAO took a different approach. In discussions together, the company and community agreed that a credible scientific study of the disease would be helpful, as was addressing immediate medical needs and livelihood concerns in the community. A joint action plan and medical study is now being implemented, with help from the CAO (see case highlight, pp. 30–31).

## Supporting Locally Owned Solutions



Local fisherman at Huarney, Peru (Antamina case)

The CAO Operational Guidelines improved as a result of the 2007 revisions and now allow the parties to compare and contrast alternative approaches to addressing their complaint, and understand the consequences of the choices that they make. For example, early in the complaints process, parties need to know whether/how the CAO may be able to assist them and to weigh alternative options—such as mediation, joint fact-finding, recourse to the courts, or the using CAO's compliance function (see pp. 32–33). The Ombudsman is charged with ensuring that this decision is well informed and that the alternative options are well understood.

The added advantage of focusing responsibility back on the parties is that it encourages ownership and control of the process by those people who will ultimately have to live with the outcomes of it. It also helps the CAO focus on process rather than content: ensuring that imbalances in power are addressed; helping the parties monitor implementation of agreements; and encouraging transparency and accountability.

Based on feedback we have heard from participants in our process, perhaps the most important value of the Ombudsman is its capacity to convene disparate parties. In the Philippines, the CAO was able to bring together government, private sector, and indigenous people to create collective agreements over land use and protection of cultural heritage. In Indonesia, communities in the oil palm sector gained access to senior company managers who were able to respond to their concerns directly, ultimately resulting in land transfer agreements and compensation settlements. In both these examples, CAO's Ombudsman framework encouraged parties to take responsibility for their concerns, and engendered accountability to one another to implement agreements.

## Complaints Have Deep Roots



Community member affected by the Marlin mining project, Sipacapa, Guatemala

Not every complaint can be resolved. Some have deep roots that relate to culture, context, and history. The CAO can never fully comprehend or address systemic problems like these, which reflect ingrained patterns in society. Yet it does not seem reasonable to simply ignore these problems as “too big.” In Botswana, the CAO received complaints from the San bushmen—the First People of the Kalahari—who believed that an IFC-sponsored diamond project was responsible for their displacement (see p. 111). Although the link between the project and the displacement looked tenuous, there was no doubt to the CAO that the San were being involuntarily displaced, and that a process of dialogue and conciliation was essential. In a similar vein, Afro-Colombian communities raised concerns to the CAO about an IFC-supported project on the Pacific coast of Colombia (see p. 140). Again, there may not have been any specific association between the IFC project and their concerns, yet displacement and exclusion of these communities is widely recognized as deeply problematic. In both these cases, with sensitive handling, the Ombudsman has an opportunity to bring attention and concern to issues like these through its Assessment Reports, and also through its advisory functions.

## The Next 10 Years



Community members affected by the Allain Duhangan project, Himachal Pradesh, India

As CAO's Ombudsman role has evolved, it has both drawn on and contributed to the development of alternative dispute resolution practices around the world. The CAO has supported its sister independent accountability mechanisms at many other international financial institutions and OECD National Contact Points, some of which have adapted operational procedures based on the CAO's (see p. 159). We have participated with civil society organizations, industry groups, and the United Nations Special Representative for Business and Human Rights to shape approaches for access to remedy for communities impacted by private sector development.

Yet as demands on the CAO grow, we can anticipate challenges in the months and years ahead. We face a capacity constraint to find, build, and maintain a network of trusted dispute resolution partners in the countries where IFC and MIGA do business. And we will continue to be challenged by the scale and complexity of development projects, particularly those with public as well as private interests.

In the next 10 years, with increasing information, education, democracy, and connectedness reaching even the most remote communities, the CAO anticipates higher expectations from citizens for participation and engagement in development projects. We also see no change in the growing trend for skepticism and distrust of the “outside expert” from Washington. We can expect greater demand for new and sophisticated approaches to resolving complex development disputes. But we believe that the CAO's model is well placed to respond to these challenges as long as we remain focused on practical solutions for people on the ground.

## CASE HIGHLIGHT

### Building a Foundation for Trust and Healing: Nicaragua Sugar Estates Ltd. (NSEL), Nicaragua

*“ Even when the need for a dialogue existed, we did not know how to initiate it. Some defended themselves, and others attacked. Today, the purpose of this process is not to find one party responsible, but rather to find the causes of this illness, and address it to prevent more people from suffering.”*

Donald Cortes

Vice President, ASOCHIVIDA



ASOCHIVIDA members' meeting at the Planton, Nicaragua



Focus groups needs assessment: improving care for those afflicted by chronic kidney disease, Nicaragua

#### Stopping the Cycle of Recrimination and Denial

In 2008, some 600 people in Chichigalpa, a small agricultural town in Nicaragua, wrote to the CAO complaining that they suffer from chronic kidney disease. Many of those affected by the disease are former sugar cane cutters and members of the Association Chichigalpa for Life (ASOCHIVIDA). They believe that this life-threatening disease has been caused by exposure to agrichemicals used by Nicaragua Sugar Estates Limited (NSEL), an IFC client and operator of an agro-energy complex. The company strongly denies the claims.

When the CAO arrived in Chichigalpa for its assessment, we were confronted by a tragic situation. People were, and still are, dying. Those who were sick were not allowed to work. Their families and the widows of those who had fallen to the disease faced poverty. Community members and the company were deadlocked in a cycle of recrimination and denial. The company faced multiple law suits and felt that it could not even acknowledge the presence of the disease lest it be accused of being the cause. Community members felt that dialogue was pointless: the company should be shown to be at fault and forced to pay compensation.

#### Enabling Difficult Conversations to Begin

During the assessment, the CAO team looked for incentives and opportunities to help the parties reconsider their polarized position. Relatively quickly, we were able to help them see a shared set of goals: first, to understand the cause of the disease in a way that was trusted and credible to both sides; second, on humanitarian grounds, to support former workers who have the disease to have a reasonable livelihood; and third, to explore options to bring better medical attention to this poor, rural community. But the opportunity to seek agreement and look for solutions, in itself, was never going to be enough. The process would be under intense pressure because people would die while we were engaging with them in dialogue.

Responding to this sense of urgency, the first agreements reached through the dialogue process were grounded in the delivery of basic goods and services to improve the level of care in the community. Specifically, the company has provided food for 1,800

“ Sugarcane workers on the Pacific coast of Nicaragua were trying desperately to find someone to listen to them describe the epidemic of chronic kidney disease they are suffering. The CAO came and heard their story. But more than that, the sugarcane workers got access to food, medical care, funds for community projects, and a first-rate public health team to determine the cause of the disease. To me, this is what development looks like. ”

Kristen Genovese

Senior Attorney, Center for International Environmental Law (CIEL)



Conducting the health assessment, Nicaragua

community members; is supporting several business development projects, including a textile factory and a poultry farm; and is providing funds for a revolving microcredit fund to support income-generating projects in the community. All these projects will support members of ASOCHIVIDA who are suffering from kidney failure and are unable to work, as well as those with family members who have died from the disease.

#### Building Trust through Credible Science

Meanwhile, the both parties wanted to find the root cause of this illness: Why are local people getting sick? Is the company to blame? Both the company and ASOCHIVIDA wanted a credible, independent scientific study whose conclusions and recommendations could be trusted. At the CAO, we understood that we alone could not meet these expectations because whatever answer we gave, we would be accused by one or the other party of having taken a side. Rather than finding our own experts, we challenged the parties themselves to define the core questions for the study, and equally as important, emphasized that they needed to agree on the selection of the independent experts through a competitive process. During a facilitated dialogue, the parties together selected Boston University from a pool of nine highly qualified institutions. For its part, NSEL has opened its medical records and facilities to unprecedented external independent scrutiny.

#### Changing the Dynamics of a Long-term Conflict

The approach taken by the CAO has had a fundamental effect on a deep, seemingly intractable problem. From opposition, both parties are working together to find solutions. There is now wide interest in the process and support from NGOs as well as other regional corporations. How did this happen? We think there are three main factors: First has been the focus on finding shared goals, and clarity in their definition. Second has been the good faith commitments that created tangible outcomes, quickly and early in the process. Third and finally has been the extraordinary commitment and quality of the individuals—in the company, ASOCHIVIDA, and the CAO’s own regional consultants—who have been willing to go far beyond their own boundaries and invest themselves personally and professionally to find solutions to a tragic disease afflicting thousands of people in a poor, rural population.

“ We have waited many years for an opportunity to engage in a constructive dialogue to find the causes of chronic kidney disease and to alleviate the suffering of many of our workers and their families who are tragically affected by this illness. ”

Alvaro Bermúdez Castillo

Managing Director,  
Nicaragua Sugar Estates Limited



## THE EVOLUTION OF THE CAO'S COMPLIANCE ROLE

“ I have observed the development of the CAO from two very different perspectives over a 10-year period—initially as someone responsible for the quality of IFC investment-level due diligence, and more recently as a strategic advisor to the CAO. The combination of dispute resolution, advisory, and compliance functions has resulted in a unique positioning for the Office in delivering soft- and hard-edged accountability responses that act in the best interests of the complainant and seek to influence IFC and MIGA behavior in the most effective way. In recent times, the CAO's compliance activities have been able to influence and leverage World Bank and IFC strategy in key investment areas in a quite fundamental way, with the objective of improving standards of due diligence and development outcomes.”

Glen Armstrong

*Independent consultant and CAO Strategic Advisor*

### The Importance of Oversight Mechanisms That Are Independent and Credible



CAO Compliance team meet with a resident of Berezovska, Kazakhstan

Due diligence and compliance with rules, standards, policies, and laws is fundamental to the operations and good governance of any company, industry, bank, or organization. This is particularly true for publicly owned institutions, especially those with a development mandate like the institutions of the World Bank Group. The high profile of these institutions, the sensitive nature of their work, and their influence as standard setters heighten expectations by their shareholders—ultimately the public—on required levels of performance, transparency, and accountability. These demanding expectations, standards, and roles call for credible mechanisms that can provide the independent oversight and verification necessary to ensure that these institutions meet their publicly stated standards and commitments. As one such mechanism for the World Bank Group's private sector operations, the CAO is mandated specifically, in one of its three roles, to provide oversight for IFC's/MIGA's compliance with its social and environmental standards, with the ultimate goal of better project outcomes (see p. 33).

## At a Glance: What Does CAO Compliance Do?



Compliance visit to the Lukoil project, Kazakhstan

In its compliance role, the CAO oversees appraisals and audits of IFC/MIGA to examine how the two institutions assure themselves that they have met their social and environmental commitments associated with a project. Compliance appraisals and audits focus on IFC/MIGA—not the project sponsor/company. Cases handled by CAO Compliance may be transferred from the Ombudsman or requested by the President, CAO Vice President, or senior management.

### Appraisals

All compliance cases must first undergo an appraisal to determine whether an audit of IFC/MIGA is merited. Appraisals, which are conducted within 45 days, provide verification of IFC's/MIGA's due diligence, and can be useful as an early warning of emerging risks at the project, sector, or systemic level.

When conducting an appraisal, the CAO holds discussions with the IFC/MIGA project teams to establish what criteria were used to assess project performance and how the team assured itself that those criteria were met. The appraisal also includes a review of project documents and the issues raised in the complaint.

Many appraisals are open-and-shut cases and do not lead to an audit of IFC/MIGA. The appraisal will go to audit if the CAO finds evidence of potentially adverse environmental and social outcomes in the future; that policies have not been applied properly; and/or that IFC/MIGA provisions failed to provide adequate protections at the project level. If the CAO has inadequate information to make these determinations, the case will go to audit by default.

### Audits

When a case goes to audit, the CAO draws up a Terms of Reference and appoints an independent panel of experts to conduct the investigation. Typically, compliance audits are based on a review of documents; interviews with IFC/MIGA project teams, complainants, and other local stakeholders; site visits to observe of project activities and outcomes; or other appropriate means. Verification of the evidence is an important part of the process.

The audit criteria include IFC/MIGA policies, Performance Standards, guidelines, procedures, and requirements (see pp. 160–61), where violation of these provisions may result in adverse social and environmental impacts. Audit criteria may have their origin in social and environmental impact assessments or plans; host country legal and regulatory requirements (including international law); and the environmental, health, and safety provisions of the World Bank Group, IFC/MIGA, or conditions for IFC/MIGA involvement in a project.



Compliance visit to the Allain Duhangan hydropower project, India

## Providing a Predictable and Consistent Response



CAO with BTC complainants at Tsemi, Georgia

In its compliance role, the CAO provides the same response to requests for compliance Investigations, regardless of whether requests are triggered by the World Bank Group President, by a community, or by an individual. “Bottom up” requests for compliance investigations are sometimes made by complainants not willing to engage in dialogue with the CAO Ombudsman; more often, issues or complaints are transferred by the Ombudsman to CAO Compliance during its assessment of a complaint. On occasion, requests for verification come from the highest levels of World Bank Group management when assurance is sought about a project’s performance. One such example was a request from President Paul Wolfowitz in 2005 for the CAO to appraise security concerns around the Anvil Mining project in the Democratic Republic of Congo (see p. 118). In addition, the CAO Vice President may initiate an appraisal of a project. Both internal and external triggering of compliance investigations means that the CAO is able to respond to all level of stakeholders in providing independent oversight.

## The CAO's Early Compliance Work

Before 2006, there was no way for members of the public to trigger the CAO’s compliance function. Compliance investigations—ranging from reviews to appraisals and audits—were triggered internally by the World Bank Group President, IFC or MIGA senior management, or the CAO Vice President. Early compliance work included a 2001 review of MIGA’s involvement in a mining project in Peru (Antamina, pp. 104, 117), which was followed by a review of another mining project in 2003, this time in Bolivia (Comsur, p. 107). The first audit conducted by the CAO was not until 2005, at the request of IFC’s Executive Vice President, and concerned IFC’s involvement in soy bean expansion in Brazil (Amaggi Expansion-01, p. 112). In 2006, CAO Compliance also disclosed the audit on IFC’s and MIGA’s involvement in Anvil Mining at the request of the President, and on two paper and pulp mills in Uruguay with impacts in Argentina (Celulosas de M’Bopicua and Orion, pp. 120, 143). In 2006, the CAO conducted one appraisal on issues raised in a BTC Pipeline complaint that did not merit an audit.



Smallholder producers, West Kalimantan, Indonesia

During this period, the CAO Ombudsman was required to pose a judgment of the merits of the issues raised during its assessment of a complaint. In many cases, this led the CAO to publicly disclose a statement relating to IFC/MIGA compliance with policies and requirements. The inherent tensions this caused—not only for the Office in defining the scope of its ombudsman and compliance roles, but for external stakeholders involved in a CAO process—was a big lesson learned from the CAO’s early involvements in the BTC Pipeline. We found with BTC cases that the Ombudsman’s work working as a neutral problem solver while passing judgment on the merits of allegations made in complaints caused considerable confusion for the company, IFC, and the complainants (see BTC case highlight, pp. 22–23).

An added issue was how CAO’s compliance reviews were triggered early on. The CAO Vice President or World Bank Group President may initiate compliance work as a result of externally expressed concerns or by their own determination that it



was necessary, but there was no transparency, or predictability, on behalf of the CAO about how this process worked. When the CAO eventually started conducting compliance investigations, as with the Amaggi case in Brazil, the view taken by the CAO was narrow and tied us from the outset to IFC systems and procedures, which limited the scope of our findings. The outcome of the Amaggi case did not provide any gains for IFC in improving its development outcomes or lessons learned from the project, since the scope of the audit did not look at the local or sectoral context of the project or indirect impacts experienced locally.

## Strengthening the CAO's Compliance Role



CAO visit to Antamina project, Peru

In 2006, the CAO revised its Operational Guidelines, which drew a distinct line between the two roles. This served to strengthen the Ombudsman as a trusted third-party facilitator focused on collaborative problem solving with the stakeholders. It also helped those same stakeholders understand that where issues proved irresolvable through mediation, the case would automatically be transferred to CAO Compliance for appraisal of whether an audit of IFC/MIGA was necessary. This structural change was important for two reasons: it allowed for a direct avenue to the CAO's Compliance function by complainants, whether requested or deemed necessary by the CAO; and relieved the unreasonable pressure put on the CAO Vice President in deciding whether, and when, and under what criteria, to trigger a compliance investigation. Having a compliance mechanism triggered at the project level holds IFC/MIGA accountable in several ways. We can highlight the quality of IFC/MIGA's internal reporting. We can scrutinize the actual impacts and development outcomes of a specific investment. We can highlight systemic or organizational issues based on undisputable project-level facts. In combination with other investigations, we can provide insights on emerging trends or patterns in the way projects are being implemented that need to be addressed by IFC/MIGA.

Importantly, we follow our own Operational Guidelines for compliance investigations, regardless of other processes. This was demonstrated in our work appraising issues related to the Orion Pulp Mill in Uruguay. This high-profile case involving claims of cumulative impacts over the border in Argentina had resulted in a complaint to the CAO in 2005, signed by over 10,000 people. After a second complaint was filed with the CAO in 2009, CAO Compliance appraised the IFC investment in parallel with pending cases in national and international legal courts. The CAO concluded independently whether or not IFC had assured itself in accordance with applicable procedures and guidelines.

## Learning from Compliance Cases

Lessons from our early cases, such as the CAO's audit of IFC-funded soybean expansion in Brazil (Amaggi), and human rights and security issues in Democratic Republic of Congo (Anvil Mining), provided many important lessons for the CAO and IFC. Among others, the CAO recognized the importance of conducting an appraisal to determine whether audits of IFC/MIGA are necessary. Another change we made was to enforce monitoring after releasing an audit report. In addition, CAO Compliance,



Pangué Hydroelectric power plant, Chile

does not issue recommendations to IFC/MIGA that may compromise its independence should those issues be subject to future compliance investigations. Instead, the CAO has set up a process for IFC/MIGA to respond directly to the CAO's audit findings with an action plan on how they intend to address any shortcomings identified.

### WHY APPRAISALS ARE IMPORTANT

After 2006, we set in place a pre-investigative compliance phase—the compliance appraisal. We now conduct many appraisals that flush out issues that might not directly trigger a project specific audit, but still provide timely insights related to the performance of IFC/MIGA. For example, two appraisals on different cases in India (Mahindra Farm Services, p. 121, and Ramky-03/Gummidipoondi, p. 125) highlighted the social, environmental, and development consequences when IFC clients change their business models after disbursement. This observation raised concerns for the CAO about how IFC's supervision adapts to such changes and how commitments made at Board approval are realigned, if at all. CAO appraisal reports are reported to the President and shared with senior management of IFC and MIGA, and the public. In addition, the CAO meets with IFC's Corporate Risk Committee and the World Bank Group's Committee on Development Effectiveness (CODE). Through these avenues, systemic concerns related to IFC/MIGA due diligence that are flagged through our appraisals can be discussed.

### AUDIT MONITORING IS AS IMPORTANT AS THE AUDIT ITSELF

Since 2006, the CAO has spent a lot of effort in its compliance work to be diligent and transparent, and as predictable as possible. As we have increased the volume of appraisals and disclosed some robust audits in recent years, IFC—which has been the focus of most of this work—has slowly learned that they need to respond.

When we revised our work practices in 2006, we stated that the CAO would keep an audit open until satisfied that IFC/MIGA's actions addresses the shortcomings identified. The outcome of this powerful mandate has been demonstrated in two audits conducted since the change to our Operational Guidelines. In 2007, CAO Compliance released its first audit that clearly stated that IFC was out of compliance when assuring itself that its policies had been applied to a project. The project in question was an oil and gas development in Kazakhstan (Lukoil Overseas, pp. 115–16, 121–22, 127–28) and the CAO's findings related to air emissions. The CAO kept the audit open despite delays in IFC's response to the audit findings because the client ended its fiduciary relationship with IFC. Nevertheless, the CAO closed the case only when our monitoring demonstrated that IFC had taken necessary actions to ensure applicable air emissions standards were met. The CAO's second audit of IFC's involvement with oil palm in Indonesia disclosed major failures on IFC's part to honor its policies and processes in order to fulfill its development mandate. This time public pressure combined with the direct intervention of the World Bank Group President forced IFC to respond diligently. The CAO continues to monitor IFC's response to the audit findings, which has led to some substantial changes in IFC's internal processes and their approach at the sector level (see Wilmar case highlight, pp. 39–43).



The CAO audited MIGA's support for the Antamina project after a complaint from local fishermen, Huarmey, Peru



Oil palm plantation (Wilmar complaint),  
West Kalimantan, Indonesia

### WE AUDIT IFC/MIGA—NOT THE CLIENT

When the CAO conducts a compliance investigation, our focus is on the actions of IFC/MIGA—not their client company. Since we made this operational change in 2006, the model has worked much better—and we have conducted more compliance work, in line with the CAO’s original mandate. However, we are realistic about the ongoing challenges that balancing these roles present for the Office. The Wilmar case is a good example. The company entered CAO’s ombudsman dialogue process with good faith and significant progress was made reaching agreements with two communities. When a year later, CAO Compliance disclosed its audit of IFC with respect to its due diligence on this project, it garnered much public attention through the NGO community and press. The audit findings were in respect to IFC’s failings, not the company’s, but a public report may impact the client and its business by implication. The CAO has attempted to strike a balance to manage this challenge by being predictable, transparent, fair, and focused. As compliance auditor, we remain focused on the institutional performance of IFC/MIGA, while as Ombudsman, we are solidly grounded on achieving joint mutually agreeable outcomes for communities and companies. In doing so, we do not ever pass a judgment on the performance of an IFC/MIGA client company.

### TIME IS OF THE ESSENCE

When a project goes to the Board for approval, applicable environmental and social requirements for that project are locked in time, ultimately by the signing of contracts. However, while policies stay the same, good practice standards in the private sector evolve constantly, and procedures—particularly those related to processing projects—must change. In 2006, IFC replaced its Safeguard Policies with its Policy and Performance Standards on Social and Environmental Sustainability. In 2009, after three years of implementation, it commenced a review and update of these policies and standards. When the CAO conducts compliance appraisals and audits, the documentation may span two sets of policies for projects approved before 2006 with additional investments after 2006 undertaken against the backdrop of different policies. For our compliance work to be constructive and of value to the institution, “post mortem” investigations by the CAO against requirements that are no longer applicable have little impact. This means that time is of the essence in providing diligent oversight within a time frame where the CAO can provide maximum impact and value to IFC and MIGA.



Allain Duhangan hydro project, India

### CONDUCTING COMPLIANCE INVESTIGATIONS AS THE BUSINESS OF IFC/MIGA CHANGES

In the 10 years since the CAO was established, the business of IFC, in particular, has changed. The proportion of IFC's total commitments in direct project finance has declined, while investments in Financial Markets, including private equity and investment funds, have grown substantially along with the share of Advisory Services projects (see figure, panel g, p. 10 ). In these two sectors, where the link between IFC/MIGA's involvement and the physical project is far removed or more tenuous, the challenge for CAO Compliance is to provide accountability and oversight. An obvious example is the impact of sub-projects in the portfolio of IFC's financial intermediaries (FI). External stakeholders have minimal knowledge of these sub-projects because of disclosure norms in the financial sector. Thus, IFC's FI investments are unlikely to generate complaints to the CAO. To address this reality, the CAO may have to be more flexible in its approach and use its discretion to provide oversight for parts of IFC's/MIGA's business that may be invisible to local stakeholders—and thereby provide assurance that the institutions are meeting their environmental and social standards.

Village meeting (Wilmar complaint), West Kalimantan, Indonesia



## CASE HIGHLIGHT

### Communities, Commodities, and Supply Chain Risk: The Wilmar Case in Indonesia and the Oil Palm Sector

The cultivation and production of oil palm has caused considerable social tensions between private sector operators and communities in Indonesia. While recognizing that under the right conditions, oil palm can contribute to positive development, some communities see oil palm plantations as a threat to their forests and land in a locale where regulations for land appropriation lack clarity and do not always recognize traditional communal property.

In July 2007, the CAO received a complaint from NGOs, indigenous peoples' organizations, and smallholders living and working in Indonesia, regarding IFC's support for the Wilmar Group, one of the world's largest processors and merchandisers of palm oils, and one of the largest plantation companies in Indonesia and Malaysia (see map, pp. 42–43). The 19 signatories, under the lead of Forest Peoples Programme, Sawit Watch, and Serikat Petani Kelapa Sawit, claimed that the Wilmar Group's activities in Indonesia violated a number of IFC standards and requirements. At the time of the complaint, IFC had undertaken three investments in the company, and the international NGOs had been writing letters to the institution contesting IFC's support for the company for several years.

The complaint was backed by a detailed dossier of information noting concerns about the activities of Wilmar Group's subsidiaries in West Kalimantan: illegal use of fire to clear lands; clearance of primary forests and areas of high conservation value; the take-over of indigenous peoples' customary lands without due process or their free, prior, and informed consent; failure to negotiate with communities or abide by negotiated agreements; failure to establish agreed areas of smallholdings; social conflicts triggering repressive actions by companies and security forces; failure to carry out or wait for approval of legally required environmental impact assessments; and clearance of peat lands and forests without legally required permits. The complainants further specified their concerns with respect to alleged violations of IFC's policies and standards, particularly with respect to compliance with national regulations and laws, as well as the Principles and Criteria of the Roundtable on Sustainable Palm Oil (RSPO), and IFC's failure to ensure compliance with its own operating procedures and due diligence requirements.

#### CAO Facilitated Dialogue between the Communities and Company led to Significant Agreements

The CAO accepted the complaint, and conducted a field assessment in September 2007 to ascertain the views of the communities, company, and other local stakeholders. The CAO Ombudsman was successful in encouraging Wilmar and community members to agree to a mediation process to resolve the conflict. Wilmar entered the CAO process with tremendous good faith and commitment, and announced a moratorium on further land clearance while the mediation was underway. A settlement agreement



Community member protesting against oil palm plantations, Indonesia

was announced in late 2008 in the form of compensation from the Wilmar Group for two communities—over 1,000 people—in West Kalimantan that were the focus of the mediation process. Specifically, Wilmar agreed to increase the proportion of lands to be allocated as smallholdings, and to return those lands that the communities insisted not be cleared. Further, the company agreed that the lands used for oil palm would be leased as community lands and thus would revert to the community, not to the State, on the expiry of the lease. Wilmar also committed to adopting new operational procedures to ensure compliance with the RSPO's standards.

“ *The CAO has shown respect and honor toward the rights and norms of indigenous communities in settling the dispute with an appreciation of customary law.* ”

*Mardiana, Member of Senujub Community Negotiation Team  
Member of Oil Palm Farmers Union of Sambas District  
West Kalimantan, Indonesia*

During the settlement process, the CAO transferred allegations related to IFC's due diligence to its compliance function for appraisal, as these issues had been unresolved between the complainants and IFC. In September 2008, based on the findings of its appraisal, CAO Compliance decided an audit of IFC was merited to examine whether IFC had indeed complied with its standards and procedures.

While the CAO process was underway, IFC had made a fourth loan to the Wilmar Group, despite strong protests from the complainants to IFC's Board. This resulted in a second complaint to the CAO in December 2008 detailing 17 other cases of land conflict between local communities and Wilmar Group subsidiaries in Sumatra. The CAO also accepted this complaint.

The CAO appointed a panel of experts to conduct the compliance audit and a thorough investigation followed, which took almost one year. The lead complainants criticized the lapse in time they felt had occurred between their highlighting issues in the complaint and the CAO delivering a compliance finding (see time line, pp. 42–43). When the CAO did release its Audit Report in August 2009, together with IFC's response, it concluded that IFC not only failed to apply its own standards, but that its actions were counterproductive to its mission and mandate, and to its commitment to sustainable development. With regard to its Wilmar Group investments, the CAO found that IFC applied a *de minimis* approach toward assessing each project's supply chain, and that commercial pressures were allowed to prevail and overly influence the categorization of the project, as well as the scope and scale of IFC's environmental and social due diligence.



Company-community dialogue during the Wilmar negotiations, Indonesia

“ The very thorough audit report by the CAO has triggered serious reflection at the very top of the World Bank about whether and, if so, how they should be involved in the palm oil sector. All the work provides a compelling case that without national legal, institutional, and policy reforms in Indonesia and Sarawak, it is almost impossible for investors to adhere to World Bank Group and RSPO standards and ensure good development outcomes. ”

Marcus Colchester  
Forest Peoples Programme

IFC acknowledged the shortcomings in its response to the audit and committed to a set of actions. However, international NGOs reacted to what they considered a weak response from IFC, and urged the President of the World Bank Group to suspend further financing to the oil palm sector until IFC implemented a revised strategy. In late August 2009, the President suspended IFC financing of oil palm, and after further correspondence with NGOs, extended the suspension to the entire World Bank Group in November 2009. IFC embarked on a global consultation on oil palm in March 2010 to gather recommendations from multiple stakeholders and committed to address issues, including supply chain risk, in IFC’s ongoing Policy Review. Meanwhile, the CAO continues to monitor implementation of agreements between Wilmar and communities in Indonesia, and monitor the outcome of IFC’s actions in response to the audit.

“ CAO’s audit findings are helping inform a number of internal process adjustments at IFC, including how we categorize projects with single commodity traders and how we address supply chain risks. The audit has also served as a catalyst for a stakeholder informed palm oil strategy which we believe will materially enhance our contribution to building a sustainable oil palm sector. ”

Oscar Chemerinski  
Director, Agribusiness Department, IFC

Land mapping, West Kalimantan, Indonesia



Map of the Wilmar Case and Timeline of Activities, 2003–10

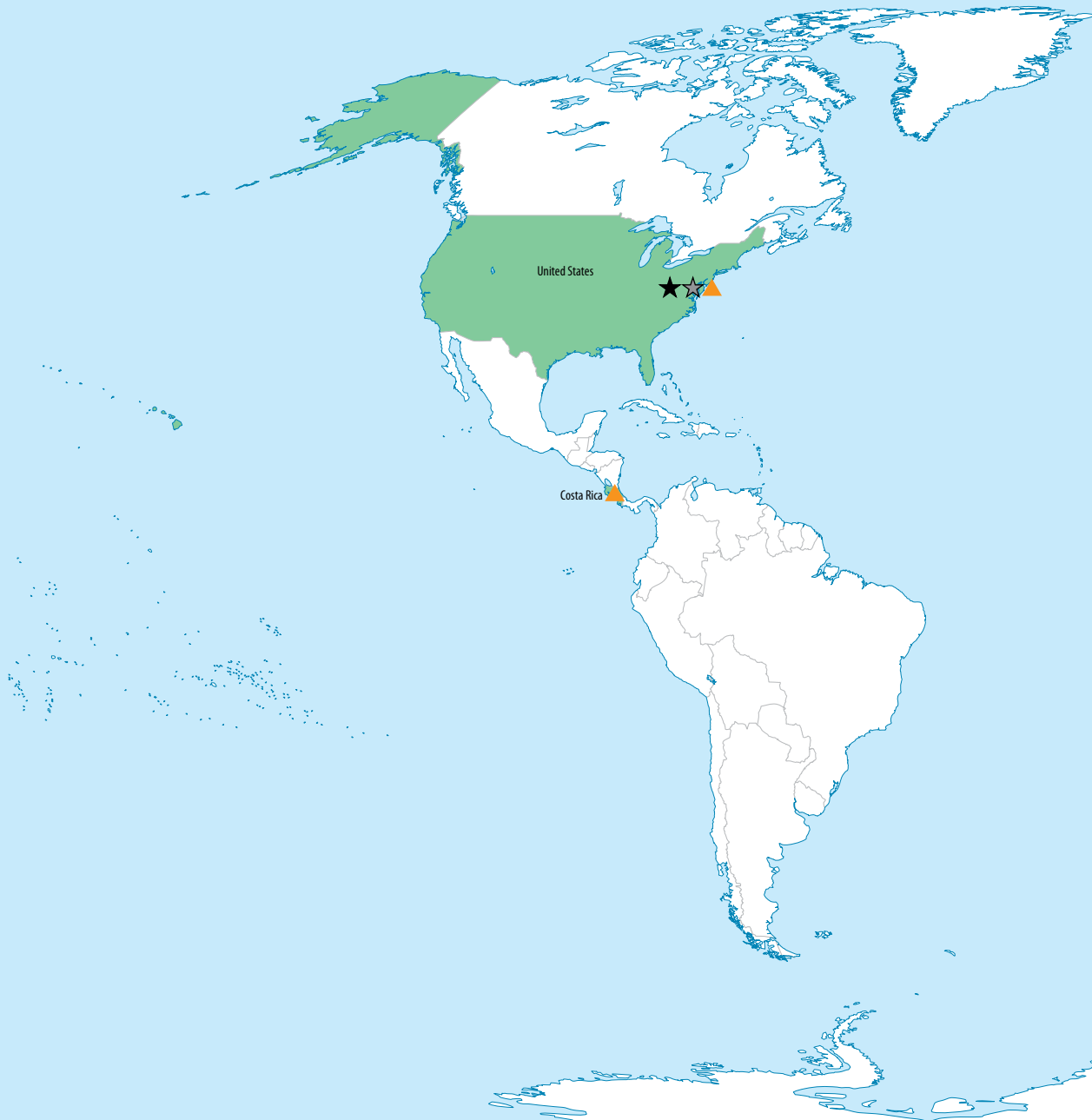
★ IFC/World Bank  
 ☆ CAO

Complainants  
 ● International NGOs  
 ● National NGOs  
 ● Local NGOs/Communities

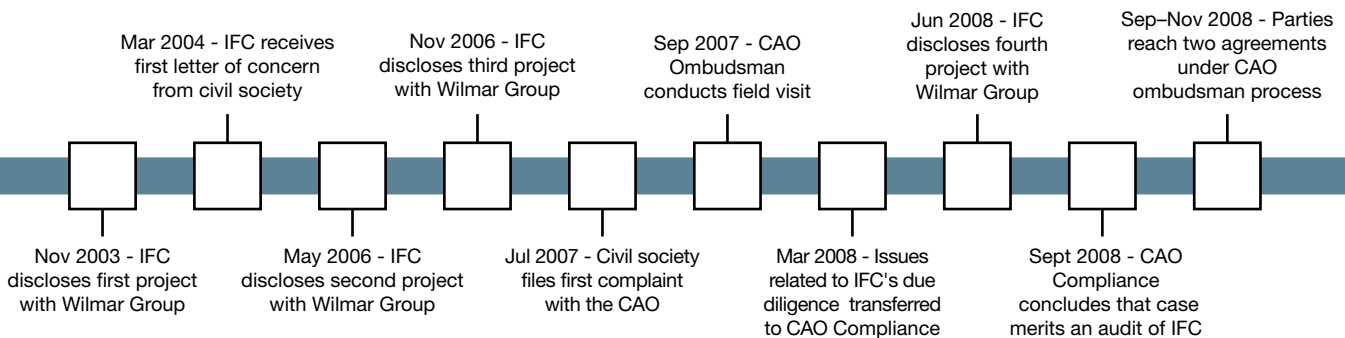
Wilmar  
 ■ Refinery  
 ■ Headquarters  
 ■ Plantations

Wilmar's operations extend over several continents. The Wilmar locations shown in this map are only those specifically relevant to the CAO case.

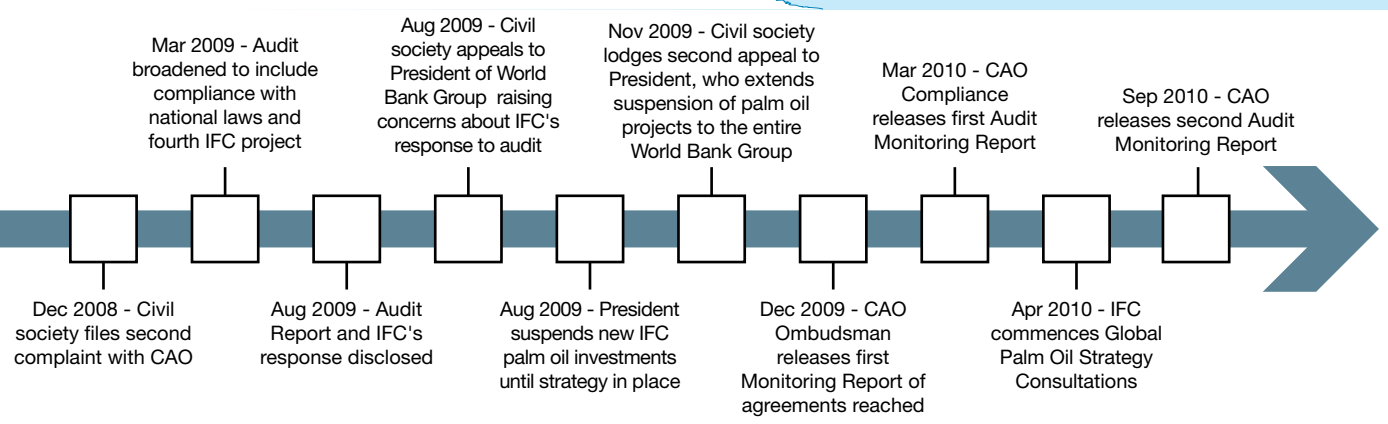
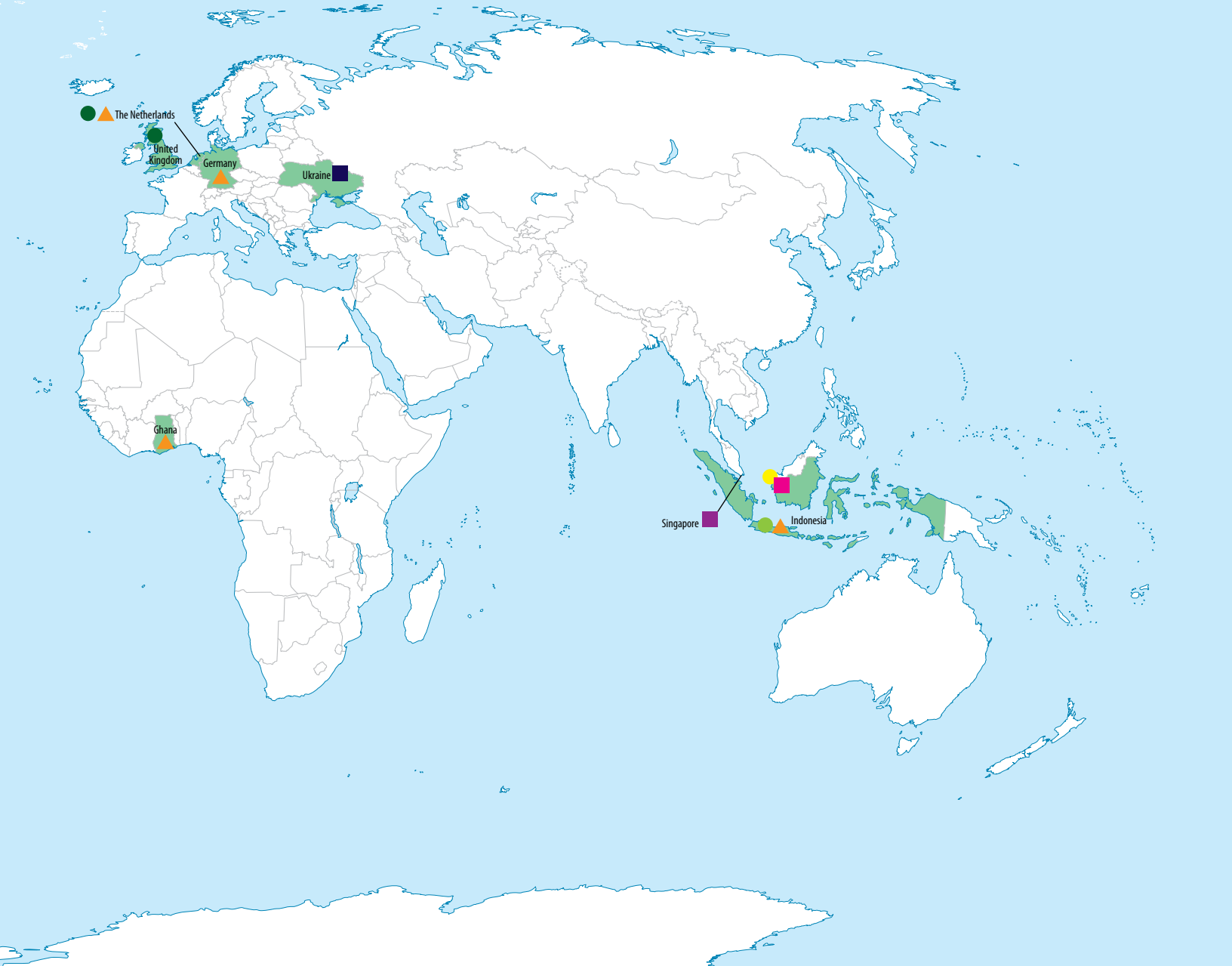
▲ IFC consultations on palm oil



*This map was produced by the Map Design Unit of the World Bank. The boundaries, colors, denominations, and any other information shown on this map do not imply, on the part of the World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.*









## THE EVOLUTION OF THE CAO'S ADVISORY ROLE

“ The CAO was an early mover in developing helpful guidance on project-specific grievance mechanisms that clients can use in their project design and implementation. This has helped the entire financial sector—including Equator Principles financial institutions—when reviewing project-level grievance mechanisms in transactions.”

**Shawn Miller**

*Director, Environmental and Social Risk Management, Citigroup  
Chair, Equator Principles Association Steering Committee*

The CAO provides independent advice to the President and management of IFC and MIGA on broader social and environmental issues, including policies, standards, procedures, guidelines, resources, and systems. The CAO does not provide project-specific advice that would compromise its independence. Instead, the CAO provides advice to the institutions gleaned from its caseload on emerging issues, trends, and systemic concerns, with the aim of improving IFC/MIGA's performance.

### Independent Perspectives Grounded in Local Experience

Over the past 10 years, the CAO has prepared a number of Advisory Notes aimed at improving the outcomes of development work on the ground (see box, p. 46). Common to all advice provided by the CAO is its unique perspective as the IFC/MIGA independent accountability and recourse mechanism for project-affected people. The CAO's advisory work is firmly anchored in the local perspective that is central to all of CAO's work. Are host communities empowered to have a say in decisions that affect them or are they bystanders in projects that can change their lives profoundly? Are the institutions capable of hearing and acting on local voices? How can performance improvements be achieved that translate directly into local benefits?

#### POLICY-SPECIFIC ADVICE

Drawing on our experience in the ombudsman and compliance roles, our advice has been both internal to IFC/MIGA and external, to the wider development community. Internally, as a major aspect of our advisory work, the CAO has been consistently active



Water monitoring,  
Minera Yanacocha, Peru



Community meeting about the Cambodia Airport Development project, Cambodia

in giving an independent perspective during the development of IFC's environmental and social policies. IFC adopted its first set of environmental and social Safeguard Policies in 1998, which the CAO then reviewed for their effectiveness in 2003. The CAO's recommendations pointed to increased results-orientation and accountability for performance rather than process compliance, and the need for IFC to incorporate environmental and social values more broadly. IFC adopted the new Policy and Performance Standards on Social and Environmental Sustainability in 2006. The CAO continued to stay involved in IFC's evolving policy framework, commenting on IFC's 18-month review of the new policy framework, and carrying out a larger piece of advisory work in the context of IFC's policy review and update (see p. 75-77).

The CAO has further influenced IFC's/MIGA's sustainability practice through a review of the application of MIGA's Environmental and Social Review Procedures (2002); a review of sustainability concerns in the oil, gas, and mining sectors (2003) that contributed to the World Bank Group Extractive Industries Review; and a gap analysis and a series of workshops for IFC management that started IFC's internal dialogue around the human rights responsibilities of the private sector (2003).

#### ADVICE ON ADDRESSING CONFLICT

In 2008, we published three Advisory Notes to share our experience in building trust and resolving complex disputes at the project level. They are aimed at helping actors work in participatory ways to manage and avoid conflict, while addressing its underlying causes:

- *A Guide to Designing and Implementing Grievance Mechanisms for Development Projects* shares the CAO's extensive experience, as well as dispute resolution approaches implemented by companies around the world.
- *Participatory Water Monitoring: A Guide for Preventing and Managing Conflict* distills lessons from the CAO's work and aims to provide strategic advice on how to establish monitoring programs that build trust and credibility.
- *Improving IFC's and MIGA's Local Development Impact at the Project Level* highlights the need for local engagement and reporting around project impacts, as well as the need to focus on generating benefits for those who are most at risk from projects.



CAO assessment with community members, Webuye, Kenya

Externally, our advisory work has reached a diverse group of stakeholders globally, including private sector companies, financial institutions, international development banks, universities, and civil society. The CAO's advice on grievance mechanisms and participatory monitoring have been used by practitioners throughout the hydropower and mining sectors, including AngloAmerican, which is using the CAO's grievance mechanism advice throughout its operations. Similarly, the Equator Banks ([www.equator-principles.com](http://www.equator-principles.com)) have used the CAO's guidance to help their clients design and implement project-level mechanisms for resolving grievances. Most recently, the CAO and the Centre for Social Responsibility in Mining sponsored a training workshop at the University of Queensland, Australia to transfer practical knowledge from the CAO's Advisory Notes to extractive industry managers and practitioners working with communities to prevent and manage conflict.

## Learning from Past Cases

As we move into our second decade, the CAO's advice will continue to draw on lessons from our cases, benefitting from our local perspective and our work with all stakeholders—ranging from local communities to companies and government. A review of our complaints over 10 years, discussed in the following pages, has helped us to identify common issues of concern to local stakeholders. This type of analysis helps the CAO distill lessons for the Office as well as for IFC and MIGA, and we are exploring ways of analyzing such information more systematically going forward. It helps to ground our advisory work in the realities faced by project-affected stakeholders. Further, to ensure our work and our advice remains relevant, the CAO observes trends in IFC's portfolio and business model: for example, changes in the sector composition of IFC's and MIGA's portfolio, or the prevalence of different product types. We will take such changes into account when we prioritize and develop our advisory work going forward.



CAO meeting with complainants,  
Naokhrebi, Georgia

### CAO ADVISORY WORK, FY2000-10

*A Review of IFC's Safeguard Policies: Core Business—Achieving Consistent and Excellent Environmental and Social Outcomes, January 2003*

*Insuring Responsible Investments? A Review of the Application of MIGA's Environmental and Social Review Procedures, March 2003*

*Extracting Sustainable Advantage? A Review of How Sustainability Issues Have Been Dealt with in Recent IFC and MIGA Extractive Industry Projects, April 2003*

*Safeguard Policy Review Revisited: Has IFC Addressed the Recommendations of the CAO Safeguard Policy Review? 2006*

*Participatory Water Monitoring: A Guide for Preventing and Managing Conflict, June 2008*

*A Guide to Designing and Implementing Grievance Mechanisms for Development Projects, June 2008*

*Improving IFC's and MIGA's Local Development Impact at the Project Level, June 2008*

*Review of IFC's Policy and Performance Standards on Social and Environmental Sustainability and Policy on Disclosure of Information, May 2010*

“When a financing institution can dispense not just money but compassion, it has transformed itself from being cold and rational to being profoundly human. This is the CAO’s achievement in the Philippines. It proved that agreements are made in human needs, not in wants. Closure to heart-rending land conflict can be reached through collaboration and creating safe spaces where needs can be mutually recognized. ”

**Annabelle Abaya**

*Presidential Advisor on the Peace Process,  
The Philippines, CAO mediator, Ambuklao-Binga Case*





# LEARNING FROM 10 YEARS OF CAO CASES

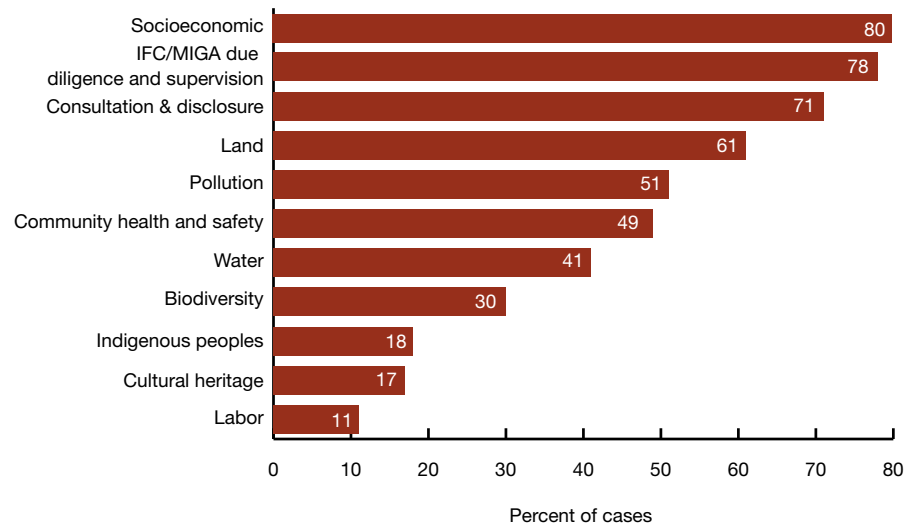
## What Common Themes Have Emerged from CAO Cases over 10 Years?

As the CAO reached its 10 year anniversary, we analyzed what types of issues were generating complaints to the CAO and what the underlying causes for these complaints might be. We reviewed each case, including the original letters of complaint as well as key CAO documentation related to our handling of the case.

Three main themes emerged from our analysis: conflict over natural resources—mainly related to land and water; conflict driven by the distribution of socioeconomic benefits to communities around projects; and conflict arising from uncertainties or inadequacies related to project approval processes and supervision. These issues are discussed in detail below.

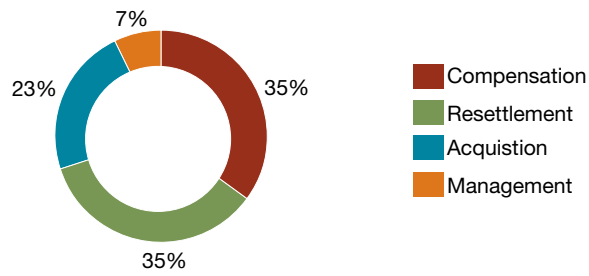
### CAO Cases by Issue, FY2000–10

a. Frequency of Issues Cited in CAO Cases, FY2000-10

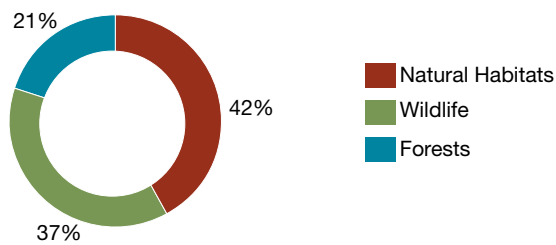


CAO Cases by Issue, FY2000–10 (cont.)

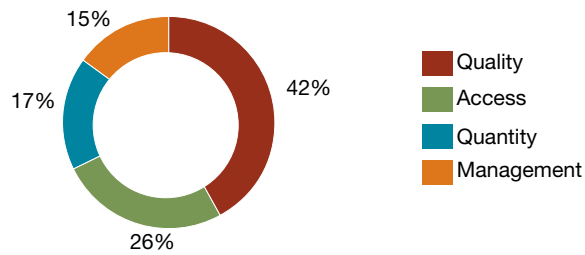
b. Land Issues



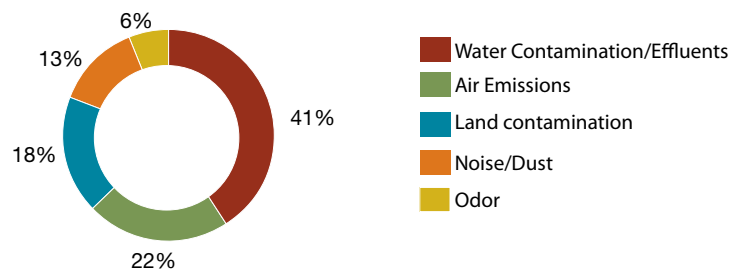
c. Biodiversity Issues



d. Water Issues



e. Pollution Issues



Source: CAO compilations.

Note: Panels a–i are based on data gathered from 76 complaints deemed eligible for assessment by the CAO since FY2000.

## Theme 1. Natural Resources: Resolving Conflicts in a World of Scarce Resources

*“The CAO has pioneered the use of conflict resolution approaches with IFC/MIGA clients and host communities with a good deal of success to help resolve complex disputes related to natural resources.”*



CAO site visit, Maple Energy project, Peru

The four industries that generate the majority of complaints to the CAO—extractives, infrastructure, agribusiness, and manufacturing—have large physical footprints and are typically large physical footprints and are typically resource-heavy in terms of their use of land and water. In complaints to the CAO, communities frequently cite project impacts to land and water, including access to, quantity of, quality of, and compensation for these assets, as well as related impacts to sensitive ecologies that communities depend on, such as forests. Pollution to air, land and water is cited by complainants in 51 percent of CAO cases, within which the single biggest issue of concern is water contamination in 41 percent of cases (see figure, panels a–e, pp. 48–49). Conflicts over land and water have deep roots, as these resources are central to the fabric of life for many of the communities affected by development projects. Complaints received by the CAO focused around access to and impacts on natural resources are highly charged and can seem intractable at the outset for the parties involved. The CAO has pioneered the use of conflict resolution approaches between IFC/MIGA clients and affected communities with a good deal of success to help resolve these complex disputes.

### Land and Conflict

In many countries and across many cultural contexts, people have a complex communal relationship with land that is not easily individually titled, monetized, or transferred. In the last several years, headlines have provided further evidence of the close ties that communities maintain, as land grabs and violent conflict over land have spread.

Private sector projects in sectors like agribusiness, infrastructure, and oil, gas, and mining often require significant quantities of land for their development, increasing competition with other users, and sparking substantial and repeated conflicts over land acquisition, resettlement, and adequate compensation for land.

*“Continuous communication to affected communities about the downside risks and upside benefits during the life of a project is crucial to avoiding conflict, and improving outcomes on the ground.”*

When national institutions do not appropriately reflect or respect this complexity, the allocation of development rights to a private sector operator can result in deep, intractable conflict between the private operator and the community. Processes for allocation of rights to these resources often fail to identify the diversity and complexity of competing interests; they also often do not create systems and approaches for resolving these interests in a constructive and culturally appropriate way.

This complex relationship is clearly reflected in the complaints presented to the CAO by affected communities over the last 10 years. Issues related to land have been significant concerns for host communities in 46 of 76 eligible complaints to the CAO, or 61 percent of cases. In our cases concerning the BTC pipeline, this number was closer to 73 percent, as impacts to land assets, and compensation for land acquisition, dominated concerns raised to the CAO (see BTC case highlight, pp. 22–23).



There are opportunities for addressing these conflicts, but they require attention at the local as well as systemic level. In IFC and MIGA, the CAO has pioneered the use of conflict resolution processes with clients and host communities in helping to resolve complex, multiparty disputes. These approaches have been quite successful in helping parties find creative solutions to complex land issues. In the Philippines, the CAO helped resolve a complaint related to expropriated land around two hydroelectric power projects (see Ambuklao-Binga, pp. 47 and 130–31). The ancestral ties two indigenous communities felt to the land provided for an emotionally charged situation, but the CAO's process created an environment where the importance of these land ties could be acknowledged by all the parties, ultimately allowing use of the lands to be transferred back to community management.



CAO assessment of oil palm plantations, Indonesia

Another case in Indonesia illustrates the conflict that can arise around land titling, especially in protecting communal lands when permits for projects are granted by the state (see Wilmar case highlight, pp. 39–43). Discussions were tense at the start, but through the process facilitated by the CAO that respected customary norms, communities were granted access to and use of communal lands that had not been converted to oil palm plantations, and compensation to households for land appropriation. The company's moratorium on further land clearance during the dialogues was instrumental, and paved the way for a constructive process.

Project-level resolutions such as these show how collaboration can lead to constructive agreements over land and have led some companies to take additional steps to build grievance mechanisms into their corporate operations to better anticipate and manage conflicts as they arise. At the sector level, entities such as the Round Table on Sustainable Palm Oil (RSPO) have begun to adopt dispute resolution functions as part of their governance. Wherever IFC/MIGA's business focuses on sectors where large-scale land impacts are likely, particularly in agribusiness, the CAO believes dispute resolution techniques, including the implementation of participatory grievance mechanisms, can provide the tools necessary to manage the complexity and sensitivity of relationships that tie host communities to their land.



Members of the Sajingan Kecil community negotiation team, Wilmar complaint, Indonesia

## Privatizing Assets: Sharing Benefits When Public Becomes Private



Signing ceremony for an historic agreement, Ambuklao-Binga hydro project, The Philippines



CAO meeting with Council of Elders, Tinongdan, The Philippines

A key development trend has been increasing reliance on the private sector to finance and operate projects that have traditionally been seen as public services, such as water supply, power generation, and major transportation infrastructure. Common approaches include public-private partnerships, concession contracts, or outright privatization. These projects are typically large-scale and complex. They can also invoke strong reactions when there is concern that the privatization can create a monopoly, especially if it affects basic human needs such as water or energy. Under these circumstances, there is significant potential for conflict between civil society, developers, and the government. The CAO caseload provides some experience of addressing conflicts under highly challenging circumstances.

In the Philippines, the National Power Corporation has embarked on a major program of privatizing its power assets, spanning some 300 projects. In 2008, IFC partnered with a local developer, SN Aboitiz, to privatize and rehabilitate a large-scale hydroelectric facility. Indigenous communities and the municipal council sought to delay the proceedings until long-standing land claims were addressed. The CAO designed a participatory process that culminated in formal agreements between the company, community, and local government for benefit-sharing and land-use rights. The Secretary for Energy in the Philippines described the CAO process as a “new model” for the power sector: one that could benefit communities and projects throughout the country as they seek to build a shared vision for development (see Ambuklao-Binga, pp. 130–31). In Guayaquil, Ecuador, a private company and MIGA client, Interagua, was granted the concession contract to manage the city’s water supply. The company was receiving a high volume of complaints about its services; it was also criticized heavily by local civil society organizations, which were concerned about the role of the private sector in managing the public water supply. After a complaint was filed by water users early in 2008, the CAO worked with the key parties to create agreements for debt reduction and establish tariffs to help the poorest customers get the water they need. The company also launched an open and transparent grievance system to deal with user complaints on a sustained basis (see Interagua, p. 122–23).

What we have found in these cases, and others like them, is that project developers and governments can be better prepared if they anticipate the possibility of conflict between diverse stakeholders. There are structured approaches, such as grievance mechanisms, that work to address conflict, especially if integrated upfront in project design. We have also found that governments are willing to participate in problem-solving processes, including alternative dispute resolution, if given the appropriate incentives and assurances. Finally, we have seen that the offer of dialogue, inclusion, participation, and collaboration is not enough in itself. Projects have been successful the flow of tangible benefits are timely, appropriate, and have value to communities and other stakeholders involved—which requires commitment and attention from the designers of the process.

## Water and Conflict

**David Atkins**

*Hydrologist, Watershed Environmental and Technical Advisor to the CAO*



Participatory water monitoring program  
Minera Yanacocha, Peru

Concerns about impacts to water are central to many of the issues presented to the CAO: 31 of a total of 76 complaints accepted between FY2001 and FY2010 (41 percent) specifically listed impacts to water. This statistic reflects community apprehension regarding development at the most basic level: How will this project affect my life and livelihood? Conflict over water is especially marked for development sectors where projects are large in scale, such as infrastructure, extractive industries, and agribusiness.

Access to clean water lies at the heart of poverty reduction; the lack of access is a key factor in the spread of disease. While development can improve the availability of clean water, it can also put water resources at risk. For example, agricultural communities need clean, sustainable water sources to grow crops. Development can compete with this traditional use, and local users often do not have sufficient access to the infrastructure necessary to make up for the change in demand or changes in quality. Company proponents of new development often respond to community concerns by demonstrating compliance with the many local, national, and international regulations to which the project must adhere, whereas to some community members, citing compliance with these abstract standards from far away obscures the reality of performance on the ground.

What do community members and their advocates expect when there is a disagreement about impacts to a resource as fundamental as water? People want external verification of everything that interests them—from how benefits are distributed in sustainable development programs to the quality of water in a farmer's canal—and they want to participate in the process and understand the implications of what the experts find.

The approach the CAO has taken when technical matters are in dispute focuses on generating the information people need to truly understand the impacts they care about in a way that generates trust and understanding. One notable example is the CAO's intervention in Cajamarca, Peru (see Yanacocha/Cajamarca cases, pp. 104–05 and p. 119). There, citizens presented a complaint alleging negative impacts on society and the environment from the Yanacocha gold mine, with specific emphasis on impacts to water resources. The Yanacocha mine started operation in 1993, is the largest gold mine in Latin America, and since the beginning has had a contentious relationship with the surrounding communities.



CAO visit to the Dead Sea, Jordan



Community farming projects supported by the CAO Pangué hydro project, Chile

In late 2001, the CAO began a dialogue process with the mine and community to understand the major concerns and reach agreement on a path forward. Out of this process, the Dialogue Table began a participatory water monitoring program that focused on generating data that would be credible to community members, interpreted in a way they could understand, and disseminated as broadly as possible. Participants developed questions that focused on their concerns, such as “Could we drink the water from this source?” These questions, rather than whether the mine was in compliance with some far-away standards, drove the monitoring program. Analysts and community members compared sampling results to international standards that were stronger than the legal, applicable standards and not enforceable in Peru. Although this decision caused some consternation on the part of the company, these comparisons were necessary to answer the questions driving the work and for the results to have credibility with the community at large. The program was also designed to address community perceptions on a nearly equal footing with the prevailing view of the professional and regulatory community.

The CAO used this experience to prepare an Advisory Note, *Participatory Water Monitoring: A Guide for Preventing and Managing Conflict* in 2008, which presents practical advice for including community members in technical studies. IFC’s Peru office adopted the note for its mining portfolio, and industry, Equator Banks, and other practitioners, especially in the hydropower and mining sectors, have shown interest in the work.

Participatory monitoring is not only relevant to water. There are many other areas where companies and communities are at odds over impacts to the environment and community health. The CAO has used the learning instilled in the Advisory Note to help design a health study of the cause of chronic kidney disease in Nicaragua (see Nicaragua case highlight, pp. 30–31).



Location of the Allain Duhangan hydro project, Himachal Pradesh, India

## Theme 2. People: The Socioeconomics of Development

“ Without stronger rules for public participation and clearer ways of showing community benefits from development projects, social tensions will continue to flare between governments, businesses, and communities. The CAO provides IFC and its clients an innovative and effective model for transforming these dynamics.”

Antonio Bernales

*Futuro Sostenible, CAO Mediator*

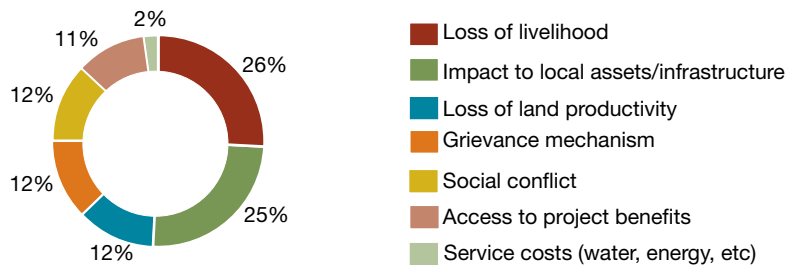


Over the past 10 years, socioeconomic concerns have been raised in 80 percent of complaints to the CAO—or 61 out of 76 complaints (see figure below). The social and economic impacts raised in these complaints revealed how communities experience real and perceived costs around private sector projects, including loss of livelihood, impact to local assets, and increases in the cost of services.

The most commonly felt socioeconomic effect has been loss of livelihood. The underlying cause has varied, and has included concerns following IFC’s exit from a project (Konkola Copper Mines, Zambia), changes to a business (Mahindra Farm Services, India), and business losses and closures (Pan African Paper, Kenya). Impacts to hard assets and compensation for losses accounted for a quarter of the socioeconomic issues raised, specifically related to land productivity and integrity of water supplies (Allain-Duhangan in India, and Yanacocha in Peru); buildings (BTC in Georgia); and local roads (Ruskiy Mir II in Russia).

### CAO Cases by Issue, FY2000–10 (cont.)

f. Socioeconomic Issues



**DISTRIBUTION OF PROJECT BENEFITS**



CAO meeting with community members, Wilmar project, Indonesia

The CAO has found that underlying these concerns is often the distribution and allocation of project benefits. The foundation for conflict is laid where those who face the most risk or hardship from adverse impacts from an investment differ from those who expect to benefit. The effect is varied—but ultimately manifests in divisions within the community, such as power imbalances among local leaders, conflict with migrant workers, protests against the company, and strained relationships with other local stakeholders.

Common to many complaints has been the perception that project benefits have not flowed to the community hosting the project—whether because valuable commodities (minerals, oil) have been extracted and removed from the locality; the ultimate benefits have been delivered downstream, such as electricity from hydropower; or costs of basic services (energy, water) that stem from efficiency improvements have risen, especially concerning privatization projects (see discussion on privatization, p. 52). Often, these problems have been compounded by a lack of, or poor awareness of, a company grievance mechanism, or systemic lack of information about the project and its anticipated impacts and benefits.

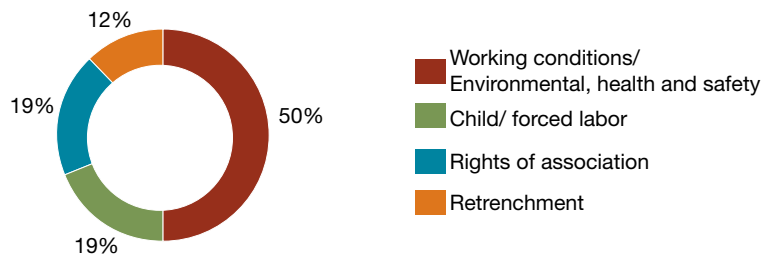
The reality is that small changes—whether in project planning and implementation, or the business fundamentals themselves—can have profound impacts on affected communities, especially for the most marginalized and poor. They can also provide the key to addressing concerns and ultimately resolving a conflict. This turn of events underscores a finding that we have documented in the CAO’s Advisory work: that continuous communication to those affected by development projects about both the downside risks and upside benefits unfolding during the life of a project is crucial to avoiding conflict, and improving outcomes on the ground.

**Labor**

The CAO’s data set on labor issues is small, just eight cases, of which 50 percent raise concerns about working conditions and/or environmental, health, and safety (EHS) in the workplace. These issues, in addition to retrenchment, rights of association, and child/forced labor, are provisions articulated in IFC’s Performance Standard 2 on Labor and Working Conditions (see pp. 160–61). The CAO started to receive more labor-related cases following IFC’s adoption of this standard in 2006 (see figure below and box opposite).

**CAO Cases by Issue, FY2000–10 (cont.)**

g. Labor Issues





A worker voting, Standard Profil, Turkey



Workers line up to vote for their representatives, Standard Profil, Turkey

## BUILDING PROCESSES FOR BETTER LABOR RELATIONS IN TURKEY

Standard Profil is the kind of company that investors dream about. It started as a small privately held firm in Turkey, producing automotive parts for Europe's growing car industry. In the last few years, it has grown quickly, rapidly increasing production and building new factories in China and South Africa. It has achieved all this in the context of a global recession that has significantly strained the automotive industry. It is part of a growing new breed of smaller, national companies that are going global and taking advantage of emerging markets.

Going global presents its own challenges. As Standard Profil has grown, the importance of effective labor relations has risen. One manager put it succinctly: "One of our biggest challenges is to communicate better with one another about the present and the future." IFC's investment in the company, together with concerns expressed to the CAO by a local labor union, brought opportunities for the company to move to a new paradigm—one where workers and management share information, participate in process innovation, and explore options for improvement.

Over the last eight months, with help from the CAO, company management and worker representatives—representing over 2,000 of their peers at the Duzce factory in Turkey—have met regularly on a consultative committee to discuss workforce issues. The company is also revising its human resources policy and grievance procedures to reflect best practices. More challenges lie ahead, but as one committee member said, "This is the new way. This process gives us the opportunity to work together to create outcomes that are reasonable for both sides."

Subsequent to the CAO's involvement in the Standard Profil case, as well as another labor case (Assan Aluminyum-01/Dilovasi, p. 137), IFC has developed a labor handbook for clients entitled: "Measure and Improve Your Labor Standards Performance." The handbook, due in 2011, is a practical tool both for IFC clients and staff, and will be accompanied by an e-learning tool for training and dissemination.

## Gender in Conflict Resolution Processes

**Susan Wildau**

*Partner, Collaborative Decision Resources (CDR) Associates, and CAO Strategic Advisor*



Pehuenche women, Pangué, Chile

Across powerful institutions from the World Bank to the U.S. military's Joint Chiefs of Staff to aid organizations like CARE, there is a growing recognition that focusing on women and girls is the most effective way to fight global poverty and extremism. For over a decade, the CAO has promoted gender equality in its conflict resolution initiatives. It has opened the way for women's voices to meaningfully and powerfully raise awareness about the issues they face and contribute innovative solutions—whether land access, meaningful and inclusive consultation, compensation and royalties, control over the tangible benefits of development, or participation in community leadership and decision making. This is particularly pertinent because the impacts of development are not gender neutral. The CAO recognizes that women can experience the consequences of development in different and often more profound ways than men, and may be more likely to pay the costs without enjoying the benefits. Through its groundbreaking conflict resolution work, the CAO has consistently assured women a respectful place “at the table.” Even in cultures and contexts where traditional decision-making structures do not include women's voices, the CAO has found respectful ways to engage them. Indeed, the CAO has recognized historically what many are awakening to today—that in the words of an ancient Chinese Proverb, women hold up half the sky.

## Human Rights



In many complaints to the CAO, communities have articulated their concerns in the language of human rights. Of the 76 cases we have handled since FY2000, 62 percent (47 cases) alleged impact or abuse of “human rights” or “rights” in the original letter of complaint. Most of the cases regarding the BTC project included this language. Additional examples of these claims can be found in communities' request for assistance on Uganda: Bujagali; Botswana: Kalahari Diamond; Guatemala: Marlin; Democratic Republic of Congo: Anvil Mining Congo; and Uruguay: Celulosas de M'Bopicua and Orion.

While the CAO has not yet conducted a robust analysis of human rights aspects in our caseload, other organizations have contributed studies of their own to this discussion. A study by the University of Washington's School of Law in 2009 determined that 100 percent of CAO's cases include aspects relating to the articles of the International Covenant on Economic, Social and Cultural Rights. In particular, they found two rights relevant to many CAO cases—the right to an adequate standard of living and the right to health. A study by the Center for International Environmental Law, Bank Information Center, BankTrack, Oxfam Australia, and the World Resources Institute in 2008 used the Danish Institute for Human Rights' “Human Rights Compliance Assessment Tool” to analyze CAO cases to see whether, and in what circumstances, a human right might have applied. Their study found a number of rights related to CAO complaints including





Short-term relief for ASOCHIVIDA members, NSEL project, Nicaragua

the rights to adequate food, housing, and standard of living; right to health; right to own property; right to life, liberty and security of person; freedom of movement; freedom from torture and other cruel, inhuman, or degrading treatment and punishment; right to peaceful assembly and freedom of association; right to participate in cultural life and right to freedom of opinion, expression, conscience, thought, and religion.

More broadly, “human rights” provide a commonly understood reference that CAO complainants often use as a vehicle for expressing their needs and/or the harm they have experienced. Yet while rights-based terminology is familiar to communities and other stakeholders, IFC/MIGA policies lack recognizable human rights language. Where such language does exist, such as in IFC’s Performance Standard on Labor and Working Conditions, which follows the core conventions of the International Labor Organisation (ILO), these references can help communities map their grievances to a specific IFC/MIGA policy commitment. We have seen this demonstrated in an upswing of labor-related issues in complaints to the CAO since IFC adopted the labor standard in 2006.

The policy framework for better managing business and human rights challenges proposed by the U.N. Special Representative on Business and Human Rights, John Ruggie, rests, among other factors, on the responsibility of corporations to respect human rights and provide access by victims to effective nonjudicial remedy. According to the Special Representative, companies increasingly are including elements of human rights in corporate social responsibility initiatives. However, these initiatives often deal with human rights in an ad hoc way—typically decoupled from companies’ internal control and oversight systems—and many are weak on external accountability practices.

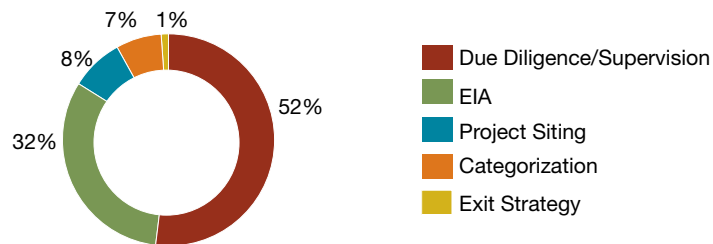
As private companies move toward a better understanding of their responsibilities in respecting human rights, the question remains whether IFC/MIGA will move toward incorporating more recognizable human rights language in their policies. The CAO’s experience indicates that this could help impacted communities understand how these policies are designed to prevent harm and promote their rights with respect to the social and environmental issues experienced on the ground. To inform this ongoing debate, the CAO may conduct a more comprehensive analysis in the future of how key elements of the international human rights regime apply to issues raised in our cases. However, we know through our work with communities and outreach to civil society that IFC/MIGA policy provisions, and the protections they offer, are not well known or understood. Finding better ways to communicate the existence of the policies, and their content, will likely remain a challenge.

### Theme 3. Process: Due Diligence, Consultation, and Disclosure

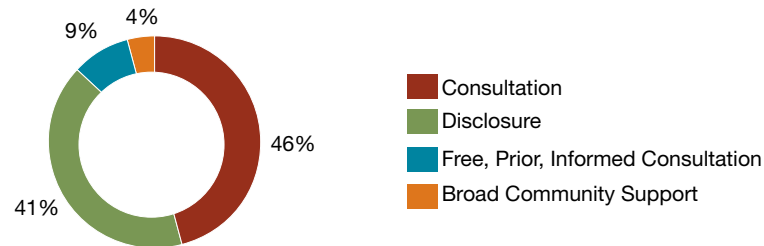
“Effective local engagement can help companies identify and address concerns of local stakeholders early, and before they become causes for conflict”

#### CAO Cases by Issue, FY2000–10 (cont.)

##### h. IFC/MIGA Due Diligence Issues



##### i. Consultation and Disclosure Issues



Two umbrella issues related to process span the set of environmental and social issues cited in complaints to the CAO since 2000—whether concerning land, water, labor, community health, indigenous rights, or social benefits. The first encompasses IFC/MIGA processes for the review, appraisal, implementation, supervision, and exit of projects (due diligence). The second is information disclosure and consultation with communities. Complainants typically cited the two types of process issues together. In 56 of 76 cases (78 percent), “due diligence” was a crunch issue; “consultation” and “information disclosure” were cited in nearly as many cases (54 of those same 76 cases, or 71 percent).

We looked at the complaints that raised these particular issues to understand the perceptions of communities and what types of situations gave rise to these concerns. The cases varied greatly in terms of the CAO process, outcomes, and findings. In many cases, the CAO did not make a determination as to whether indeed IFC/MIGA’s due diligence or consultation and disclosure was in question. Through our ombudsman

work, we do not judge the merits of claims made in a complaint, but try to get to the root cause of the issues and solve them. However, our ombudsman assessments may uncover IFC/MIGA process issues not raised in the complaint that are cause for concern. When such issues are transferred to the CAO's compliance function, we do make a determination on due diligence and other processes. We included findings from both our ombudsman and compliance reports in the analysis for this report.

#### WHAT TYPES OF PROJECTS RAISED DUE DILIGENCE, CONSULTATION AND DISCLOSURE ISSUES?

These concerns were typically raised for large projects and fell within the four dominant sectors in complaints to the CAO—infrastructure, extractives, manufacturing, and agribusiness. Among examples were: hydropower (Ambuklao-Binga, the Philippines; Bujagali Falls, Uganda); mining (Bulyanhulu, Tanzania; Comsur, Bolivia; Konkola Copper, Zambia; Marlin, Guatemala; Yanacocha, Peru); oil development and transportation (BTC Pipeline, Georgia; Lukoil, Kazakhstan; Russkiy Mir II, Russia); paper and pulp mills (Orion, Uruguay; Pan African Paper, Kenya); and plantations (Amaggi, Brazil; Wilmar, Indonesia). Complaints raised questions related to project siting; communication about Environmental Impact Assessments; categorization and subsequent supervision of the project; and poor application of policies deemed necessary to provide adequate protections to mitigate impacts that local residents were already experiencing.

It is important to note that while these complaints cited due diligence, consultation and disclosure issues, the CAO does not make a determination on the merits of the claims unless a thorough compliance appraisal and audit is conducted that finds them substantiated. We also understand that references to policy violations, and lack of due diligence and consultation, are sometimes made by complainants to capture attention quickly and focus it on a project of concern. Equally, communities may feel processes are lacking because IFC/MIGA and/or its project operators have communicated poorly about the actual work being done on the ground. We also notice in our complaints that communities do not typically distinguish between the responsibilities of IFC/MIGA and their clients, or other influential parties such as governments with regard to these processes. An example of this is project siting, which may already have taken place long before IFC/MIGA involvement.

Nevertheless, the processes of due diligence, disclosure of project information, and supervision are within IFC/MIGA's direct and indirect control. External stakeholders recognize this, and hold the institutions accountable for them.

#### WHY ARE THESE TWO ISSUES SO CLOSELY LINKED?

“Due diligence” typically refers to IFC/MIGA's assessment process before seeking Board approval for a project. Subsequent supervision and monitoring of the commitments made occurs after the project is approved. “Consultation and disclosure” by companies as projects are prepared and implemented enables affected communities to gain access to and take part in, decisions that affect them.



Save Taman! poster, Russkiy Mir project, Russia



Signing agreements, Wilmar complaint, Indonesia

IFC/MIGA's disclosure and consultation requirements are linked to different stages of the "investment cycle." In the first instance, client companies are responsible for disclosure and consultation to communities around project impacts. IFC/MIGA then carry out their due diligence and assure themselves that company-community engagement with project affected stakeholders has effectively taken place. After IFC/MIGA carry out their project assessment during the "appraisal stage," the institutions disclose information about the project and its environmental and social impacts, 30 or 60 days before the project is presented for Board approval. The length of this disclosure window is determined by IFC's internally assessed environmental and social risk level of the project, or the project's environmental and social risk categorization. In this context, IFC/MIGA assess the boundaries that the client has drawn around the project, defining who they believe will be impacted by a project and who will not.

Effective local engagement should help companies identify and address local stakeholder concerns early, and before they become cause for conflict. In reality, however, the CAO has found that disclosure and consultation activities of IFC/MIGA clients often do not meet the expectations of local stakeholders. Where local engagement is not effective, IFC/MIGA disclosures occur too late to fill the gap, as the disclosure window is too short for real changes to be made. This may lead to the perception among affected stakeholders that the project is already a "done deal." Further, local, national, and regional NGOs that work with communities often only find out that such consultations have taken place from IFC and MIGA project disclosures, which is too late to support these communities in their engagement with project operators.

Another frequent cause for concern raised in complaints to the CAO is how IFC/MIGA and their clients make the determination about which communities are affected by a project, and which are not. Further, social and environmental project impacts may not be solely local, underlining the importance of wider information disclosure and consultation. IFC and MIGA currently do not disclose any information about projects after Board approval. While some development impact information is being collected by IFC, this is reported only in aggregate, and not at the project level. This makes it almost impossible for interested parties to follow up on whether IFC/MIGA fulfilled their commitments.

CAO team with complainants, Maple Energy project, Nuevo Sucre, Peru





CAO dialogues with civil society in Delhi, India, 2009



Community meeting, Taman (Russkiy Mir II project), Russia



Civil society outreach, Mozambique, 2008

## INVISIBLE INSTITUTIONS: FINDINGS FROM CAO'S OUTREACH TO CIVIL SOCIETY

### **IFC and MIGA are not well known to civil society**

Openness and access to information by the public ensures institutional accountability and provides stakeholders the opportunity to identify and voice concerns. However, the CAO's experience in communicating with stakeholders globally reveals a very different reality from that ideal: IFC and MIGA's role, activities, and policies are not well known by civil society in the countries where IFC/MIGA do business. Findings from an independent assessment conducted as part of the CAO's civil society outreach program revealed that two-thirds of respondents had no knowledge of IFC/MIGA and their projects in their country before attending a CAO outreach event (see pp. 78–81). Nearly 75 percent said they were unaware of the existence of IFC's policies and standards before meeting with the CAO. The survey sample, while small—around 200 individual inputs, including surveys, workshop evaluations and interviews with civil society organizations—confirmed what we have learned in our work elsewhere.

### **Project-affected stakeholders lack awareness about IFC/MIGA**

Interviews with local stakeholders as part of our advisory work for IFC's Policy Review found that this lack of awareness also extends to many project-affected stakeholders. Across five select projects, the CAO found that very few community stakeholders knew of the existence of IFC and knew even less about the policies and standards committed to by IFC's client companies. In one project, of 31 stakeholders interviewed, only IFC and the company representatives were aware of IFC's involvement in the particular project. In addition, our surveys and interviews told us that language is a major barrier to accessing information and systemic improvements can be made to update public information about IFC/MIGA projects routinely on the Web. Since 2007, the CAO has conducted "Google mapping" of IFC/MIGA projects for its outreach program to very positive feedback from civil society. The CAO collaborated with IFC in FY2010 to help develop a project mapping tool for IFC's website, which was launched in May 2010.

### **IFC's Disclosure Policy: A presumption in favor of disclosure?**

IFC's Policy on Disclosure of Information sets out the rules that govern public access. Our advice to the institution is that IFC enhance transparency and openness by implementing "presumption in favor of disclosure" as instilled in the policy. The CAO's finding was that the current policy undermines this clause by defining what information can be disclosed. This contrasts with the approach adopted by the World Bank in its new Access to Information Policy, which makes all documents publicly available except those on a limited list of exceptions. We believe this provides compelling grounds for presumption in favor of disclosure to be implemented by IFC/MIGA in its revised Disclosure Policy.



CEO of Interagua with complainant, Ecuador

Where IFC or MIGA believe a project may involve significant impacts, client companies are expected to engage in a deeper participatory engagement process with their host communities (“free prior informed consultation”), and it is IFC/MIGA policy to go ahead with such projects only where they achieve “broad community support.” The implementation of such local approval processes involves some of the most difficult questions that the private sector has to navigate in implementing complex projects with potentially adverse impacts: How is community support achieved? Whose support is needed within that community? What if the community is divided in opinion? What if community support changes over time?

As part of CAO’s advisory work for IFC’s policy review and update in 2010, we conducted project reviews and a Local Stakeholder Perceptions Study (see page 75–77). Our findings show that IFC’s current consultation and disclosure practices can be improved: the process is not transparent to local stakeholders, who sometimes are unaware how their support for a project was ascertained, and the current policies restricts this determination of “broad community support” to a very small number of the most sensitive projects in its portfolio.

Each project and complaint to the CAO has many dimensions and complexities. But lack of local involvement in the processing of projects understandably is a cause for concern. IFC/MIGA disclosures prior to Board Approval need to occur earlier for effective involvement of local stakeholders and consultation to occur as part of an ongoing relationship between companies and their host communities throughout the life of the project.

#### WHERE AND HOW THE CAO HELPS IMPROVE IFC/MIGA PROCESSES

The CAO can play a role in providing accountability for the process in several ways. When CAO Compliance investigates process issues raised in complaints by looking at the documentation, we can assess how diligently IFC/MIGA have approached an investment, and what the outcomes were. We can also challenge IFC/MIGA’s decision on categorization, as we did in our recent investigation of IFC’s investments in oil palm in Indonesia (see Wilmar case highlight, pp. 39–43). While settling a case in Sri Lanka this year, the CAO identified process issues that led IFC to commit to reviewing its appraisal processes for Advisory Services projects (Rainforest Ecolodge Linkages, p. 142).

In addition to these interventions, the CAO has also provided advice to IFC/MIGA on public disclosures and reporting procedures through its advisory work, as we did in our 2008 Advisory Note, *Improving IFC’s and MIGA’s Local Development Impact at the Project Level*, and most recently in our Advisory Note for IFC’s Policy Review and update, which focused on implementation challenges at the project level (see pp. 75–77).



Meg Taylor with medical expert from the University of León, Nicaragua, NSEL project, Nicaragua

### SYSTEMATIZING LEARNING FROM THE CAO'S CASELOAD


The CAO's mission is to serve claimants while working to change IFC/MIGA for the better. Handling this balance between independence and influence is challenging. But as the Office has matured, we have worked to systematize ways of sharing insights and findings from our work with IFC/MIGA to help plug gaps and tackle the kind of systemic issues that improve project outcomes.

Specifically, the CAO reports quarterly to the President of the World Bank Group, as well as to IFC's Corporate Risk Committee. This has helped the CAO leverage its audit findings, as well as critical issues related to IFC/MIGA processes raised in our ombudsman work. For example, the Corporate Risk Committee, which includes the Vice Presidents of IFC, set up a working group to look at exit plans following the CAO's work in Kenya on a failing paper mill (Pan African Paper, pp. 128–29).

Annual reporting to the Board's Committee on Development Effectiveness (CODE), which mandated the CAO's outreach program to civil society, and the joint CAO/ IFC/MIGA Management Action Tracking Record (MATR), which tracks management responses to our cases, have also helped embed the CAO, and its work, in the institution. While we have gained traction in recent years, we will continue to work hard at aggregating learning from our cases to systematize our advice to IFC/MIGA as an independent accountability mechanism.

An active partnership: Sajingan Kecil community members and Wilmar's company staff, Indonesia





“ We see the CAO as a valued advisor that can step in and provide an independent assessment and analysis of problems that might arise during the course of a project, and also offer guidance on solutions aimed at improving MIGA’s performance and development impact. We particularly value the CAO’s role as ombudsman to communities, clients and other stakeholders to help resolve difficult issues so that the project moves forward: for example, in Ecuador, where the CAO’s work is ongoing to ensure a water project supported by MIGA stays on track to help improve health and living conditions for the local population. ”

**Izumi Kobayashi**

*MIGA Executive Vice President*





# CAO Activities, FY2010





## SUMMARY OF THE CAO'S ACTIVITIES, FY2010

FY2010 was an active year for the CAO in all three of its roles. The CAO received 15 new complaints, all on IFC projects, of which 7 were eligible for assessment. In addition, the CAO continued to manage responses to a further 18 cases carried over from previous fiscal years. During the year, the CAO closed 15 percent of cases after ombudsman settlement and 15 percent of cases after a compliance appraisal.

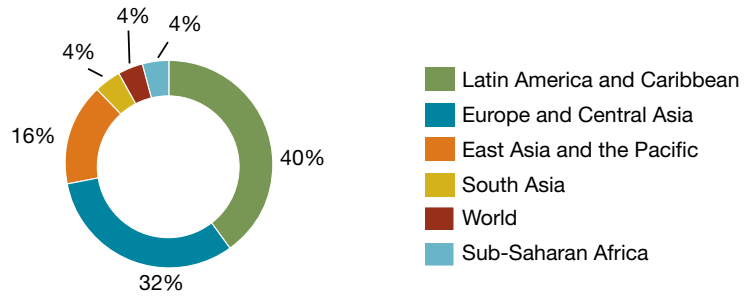
Of the 7 new complaints received by the CAO, five related to projects in Infrastructure; one in Oil, Gas, Mining, and Chemicals; and one in Advisory Services. Issues presented in those complaints related to land appropriation; rights of indigenous peoples; environmental pollution and discharges; and impacts on water sources. A summary of the geographical distribution and sector distribution of all cases handled by the CAO in FY2010 is presented in the figure that follows.



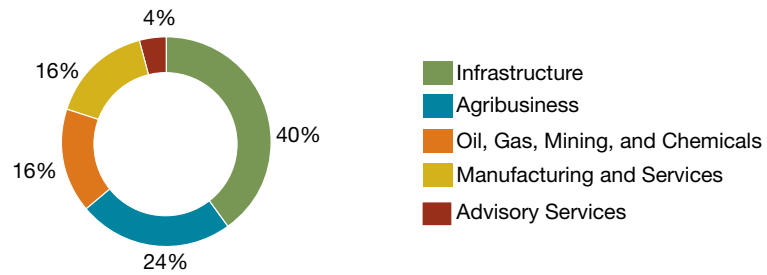
Environmental sampling,  
NSEL project, Nicaragua

### CAO Cases, FY2010

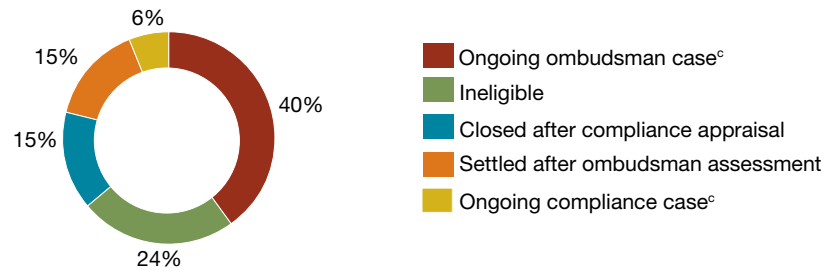
a. Cases by Region<sup>a</sup>



b. Cases by Industry Department



c. Status of Cases Reviewed<sup>b</sup>



Source: CAO compilations.

Note: Complaints accepted as eligible for assessment by the CAO are referred to as cases.

a. Panels a and b are based on 25 cases reviewed by the CAO in FY2010, including ongoing cases from previous fiscal years.

b. Panel c shows the status of 33 complaints reviewed by the CAO in FY2010. It includes new complaints received (including those ineligible for assessment) and ongoing cases from previous fiscal years.

c. Two cases are undergoing concurrent ombudsman and compliance processes. They are each counted twice for the purposes of these figures.



## OMBUDSMAN UPDATE, FY2010

**At a glance:** In FY2010, the CAO Ombudsman handled a total of 27 complaints: 15 were new complaints received during the fiscal year—of which 8 were deemed not eligible for assessment—and 12 were ongoing cases from previous fiscal years. For descriptions, see *Summary of CAO Cases, FY2010*, pp. 139–143. Full reports of each case are available on the CAO website.

Significant issues and cases in FY2010 included:



Local community member,  
Nuevo Sucre, Peru

**Nicaragua:** The CAO created an innovative agreement to address claims from almost 1,800 local community members who believe that the activities of large-scale sugar producers have contributed to a medical condition known as chronic renal insufficiency (CRI). The CAO dialogue process has been widely recognized as fair and principled. It has attracted the endorsement of civil society organizations, as well as the entire corporate membership of the regional sugar association. The CAO has helped unlock significant resources from local corporations, including two IFC clients, to undertake research on causes of CRI, as well as to promote better health care and livelihood support to those that are most in need of help (see case highlight, pp. 30–31).

**Indonesia:** The CAO continues to work with local companies and community members, as well as civil society and the host government, to address complaints relating to land acquisition in the oil palm sector. The CAO has focused its response on mentoring local dispute resolution approaches, building capacity with company and community members, and using its experience to promote lesson learning and systemic improvements with local governments and civil society. As an example, the Roundtable on Sustainable Palm Oil has initiated its own dispute resolution facility in part as a response to the CAO's work with the Wilmar Group, and is actively engaged in seeking the advice of the CAO on its experiences and Operational Guidelines (see case highlight, pp. 39–43).



ASOCHIVIDA members discussing how to improve quality of care at the Health Center, Chichigalpa, NSEL project, Nicaragua

**Colombia, Panama, and Peru:** Cases in these three countries this year raised systemic concerns relating to potential cumulative impacts. Although these cases are quite different, in each the complainants have raised issues that fall outside the immediate management control of the company implicated in the project. These issues—such as collective water management in a shared aquifer, minimum ecological flows as a result of multiple developments in a river system, and impacts on fishing stocks as a result of port development—are clearly impacted by a single company. However, no single company is wholly responsible for the cumulative impacts of the wider development. In each of these types of cases, there are limits to the influence that IFC or its project sponsor can exert, the types of interventions that can be implemented, and the assurance that implementation will indeed deliver the desired results.

Cumulative impacts are one of several issues that are sometimes the responsibility of host governments through regulators or other agencies. Increasingly, partly as a result of the growth in privatizations of utilities and public-private partnerships, the CAO has found it is helpful and constructive to engage host governments in its dialogue processes.

**The Philippines, Indonesia, Kenya, and Cambodia:** Cases in these countries raised issues related to land acquisition and resettlement. In the Philippines, the involvement of the Secretary for Energy and National Power Corporation was essential to securing the agreements and subsequent closure of a highly complex case involving land claims from indigenous peoples. Similarly, the Governments of Indonesia and Kenya were involved at local and provincial levels in securing agreements between the parties. In Cambodia, the host government is responsible for managing land acquisition and resettlement, and has been receptive to the CAO's collaborative problem-solving approach.

Community meeting, Sihanoukville, Cambodia Airport Development project, Cambodia



**Ombudsman Cases,  
FY2010**

Country/Case	Institution	Department	Status <sup>a</sup>
Cambodia: Cambodia Airports-01/Preah Sihanouk	IFC	Infrastructure	Assessment ongoing
Chile: Aconcagua-01/Santa Barbara	IFC	Infrastructure	Closed after assessment, Jun 2010
Colombia: TCBuen-01/Buenaventura	IFC	Infrastructure	Assessment ongoing
Ecuador: Interagua-01/Guayaquil	MIGA	Infrastructure	Monitoring of settlement
Georgia: BTC Pipeline-30/Vale	IFC	Oil, Gas, Mining, and Chemicals	Closed after settlement, Oct 2009
Georgia: BTC Pipeline-32/Vale	IFC	Oil, Gas, Mining, and Chemicals	Closed after settlement, Oct 2009
Indonesia: Wilmar-01/West Kalimantan	IFC	Agribusiness	Monitoring of settlement <sup>b</sup>
Indonesia: Wilmar-02/Sumatra	IFC	Agribusiness	Ongoing <sup>p</sup>
Kenya: Pan African Paper-01/Webuye	IFC	Manufacturing & Services	Closed after settlement, Dec 2009
Nicaragua: Nicaragua Sugar Estate Limited-01/León and Chinandega	IFC	Agribusiness	Ongoing
Panama: Pando Montelirio-01/Chiriqui	IFC	Infrastructure	Assessment ongoing
Peru: Agrokasa-01/Ica	IFC	Agribusiness	Assessment ongoing <sup>p</sup>
Peru: Maple Energy-01/Nuevo Sucre and Canaan	IFC	Oil, Gas, Mining, and Chemicals	Assessment ongoing
Philippines: Ambuklao-Binga Hydroelectric Power-01/Binga	IFC	Infrastructure	Closed after settlement, June 2010
Russian Federation: Ruskkiy Mir II-03/Tamen	IFC	Infrastructure	Closed after assessment, Dec 2009
Sri Lanka: Rainforest Ecolodge Linkages-01/Deniyaya	IFC	Advisory Services	Ongoing
Turkey: Standard Profil II-01/Duzce	IFC	Manufacturing & Services	Ongoing
Turkey: Assan Aluminium-01/Dilovasi	IFC	Manufacturing & Services	Ongoing
Uruguay: Orion-02/Gualeguaychú	IFC	Manufacturing & Services	Transferred to Compliance Jan 2010; Closed after appraisal March 2010

Source: CAO compilations.

a. Status as of June 30, 2010.

b. Case undergoing concurrent compliance audit.



## COMPLIANCE UPDATE, FY2010

**At a glance:** In FY 2010, CAO Compliance conducted 5 new appraisals, after which an audit was initiated on 1 case (Agrokasa) and 4 cases were closed. One audit (Wilmar Group) was carried over from FY2009, and IFC's response to the audit was being monitored as of June 30, 2010. For descriptions, see Summary of CAO Cases, FY2010, pp. 139–143. Full reports of each case are available on the CAO website.

Significant issues and cases for CAO Compliance in FY2010 included:

**World, SN Power projects:** From 2005 to 2008, CAO Ombudsman was engaged in the Allain Duhangan project in India. In 2008, questions were raised by external stakeholders about the health and safety of workers at the Allain Duhangan site, as well as two other sites in South America where IFC's client, SN Power, was engaged in similar construction projects. The CAO Vice President requested an appraisal of all IFC and MIGA involvements with the client, in order to determine whether an audit was merited regarding IFC's and MIGA's assessment of the client's capacity and IFC's and MIGA's monitoring of all investments with this client. The CAO's appraisal concluded that an audit of IFC/MIGA was not merited. The CAO visited the Allain Duhangan site in India in May 2010 to verify IFC's monitoring, and closed the case in June (see p. 138).

**Indonesia, Wilmar Group investments:** In FY2010, the CAO concluded an audit of IFC's involvement in the Indonesian oil palm sector, identifying systemic issues relating to supply chain risks and IFC's categorization of trade finance investments. This resulted in a suspension on investments in the oil palm sector across the World Bank Group, instigated by the World Bank Group President in late 2009, until a strategy has been agreed by management. The President also instructed IFC to act on all the findings in the CAO's audit. The CAO released its first monitoring report in April 2010 concluding that, while it is still too early to assess the effect of IFC's actions, IFC has made substantial commitments toward meeting the audit findings. As of June 30, 2010, the audit was open and under monitoring (see case highlight, pp. 39–43).



Turbine, Allain Duhangan hydro project, India

### Compliance Cases, FY2010

Country/Case	Institution	Department	Transferred from Ombudsman	Merits an audit?	Status <sup>a</sup>
Indonesia: Wilmar-01/West Kalimantan	IFC	Agribusiness	Mar 2008	Yes	Under monitoring
Kazakhstan: Lukoil Overseas-03/Berezovka	IFC	Oil, Gas, Mining, and Chemicals	Apr 2009	No	Closed after appraisal, Oct 2009
Peru: Agrokasa-01/Ica	IFC	Agribusiness	Mar 2010	Yes	Under audit
Russian Federation: Russkiy Mir II-01/Taman	IFC	Infrastructure	Jun 2008	No	Closed after appraisal, Oct 2009
Russian Federation: Russkiy Mir II-02/Taman <sup>b</sup>	IFC	Infrastructure	Aug 2008	No	Closed after appraisal, Oct 2009
Uruguay: Orion-02/Gualeguaychú	IFC	Manufacturing & Services	Jan 2010	No	Closed after appraisal, Mar 2010
World: SN Power-01/CAO Vice President request	IFC	Infrastructure	Dec 2008	No	Closed after appraisal, Jun 2010

Source: CAO compilations.

a. Status as of June 30, 2010.

b. The CAO conducted one appraisal for both Russkiy Mir cases.

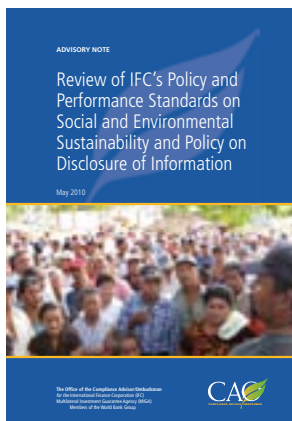
Lukoil facility, Kazakhstan







## ADVISORY UPDATE, FY2010



CAO's Advisory Note for IFC's policy review and update

**At a glance:** In its advisory capacity in FY2010, the CAO completed a substantial review of IFC's Social and Environmental Policy and Performance Standards and Policy on Disclosure of Information (IFC's Sustainability Framework). This review, published in a new Advisory Note in May 2010, was the CAO's contribution to IFC's policy review and update, expected to conclude in early 2011.

This year's activities in our advisory role focused on the CAO's contribution to IFC's ongoing Sustainability Framework review and update. The CAO has long been involved in the evolution of IFC's environmental and social policies: development of the current framework resulted from the CAO's review of the Safeguard Policies in 2003, and more recently, the CAO commented on IFC's Progress Report on the first 18 months of application of the Policy and Performance Standards on Social and Environmental Sustainability.

The CAO's contribution focused on aspects of the Sustainability Framework relating to implementation at the project level, and issues of direct relevance to project-affected communities. We aimed to answer the following questions:

- Has the Sustainability Framework translated into positive outcomes for project-affected communities?
- Have project-affected communities been informed about anticipated risks and impacts?
- Have they been enabled to participate in decisions that affect them?
- Has IFC as an organization set up management systems that support effective risk management and encourage its private sector clients to engage proactively with their host communities?

To find answers to these questions, the CAO carried out a mini portfolio review of 30 IFC projects; conducted a Local Stakeholder Perceptions Study of five projects; and drew on experience and feedback from CAO's civil society outreach program (see figure, p. 76).

### Core Activities of the CAO's Review of IFC's Sustainability Framework



The CAO released its Advisory Note, *Review of IFC's Policy and Performance Standards on Social and Environmental Sustainability and Policy of Disclosure of Information*, in May 2010, with the following core findings:

- Gaps exist in engagement between IFC clients and communities at the project level.
- There is a significant difference between IFC's environmental and social requirements for its Financial Intermediary (FI) clients and implementation in practice.
- Low-capacity clients (particularly smaller businesses) need additional support from IFC to meet the required standards.
- Opportunities exist to enhance IFC's own management system to support strong environmental and social project outcomes.

The CAO's recommendations focused on three priority areas (see table, p. 77):

- Improve project-level engagement between client companies and communities to enhance predictability around project impacts, mitigation, and benefits.
- Address gaps in environmental and social performance of IFC's financial intermediary portfolio.
- Enhance IFC's capability to incorporate environmental and social risk factors into decision-making processes.

IFC's management committed to implementing the majority of the CAO's recommendations in the course of its policy review. The CAO continues to monitor the implementation of these recommendations, and participated extensively in IFC's global consultations with stakeholders in FY2010 on the proposed policy revisions. The CAO's Advisory Note in English and Spanish, and IFC's management response, are available at [www.cao-ombudsman.org](http://www.cao-ombudsman.org).

Complainants, Interagua staff, and the CAO in Guayaquil, Ecuador



**Priority  
Recommendations  
from the CAO's Review  
of IFC's Sustainability  
Framework**

<b>A. Improve project-level engagement</b>	
<b>Findings:</b>	<b>Recommendations:</b>
<ul style="list-style-type: none"> <li>• Action Plans are often not disclosed to communities, and communities are not updated on implementation progress.</li> <li>• Communities are not being consistently involved in discussions around impact mitigation activities.</li> <li>• Gaps in feedback to communities and in reporting on development benefits undermine efforts to build constructive relations and community support.</li> <li>• Local development benefits and jobs are priorities for host communities.</li> <li>• IFC does not provide up-to-date information about its investments.</li> </ul>	<ul style="list-style-type: none"> <li>» Address gaps in client company engagement around E&amp;S mitigation measures.</li> <li>» Ensure that client companies disclose Action Plans and update communities on progress at least annually.</li> <li>» Improve project-level reporting by client companies and IFC.</li> <li>» Encourage client companies to engage communities around project benefits.</li> <li>» Adapt incentives for IFC investment staff to reflect the value of E&amp;S performance.</li> </ul>
<b>B. Address gaps in E&amp;S performance of IFC's Financial Intermediary portfolio</b>	
<b>Findings:</b>	<b>Recommendations:</b>
<ul style="list-style-type: none"> <li>• There is still a substantial gap between theoretical E&amp;S requirements and their practical application.</li> <li>• Internal constraints inhibit IFC's efforts to improve E&amp;S performance of FI clients: <ul style="list-style-type: none"> <li>– Weak support from investment staff hinders IFC's effectiveness in achieving sound E&amp;S performance.</li> <li>– E&amp;S specialists working with FIs carry out their work under significant resource constraints.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>» Increase staffing level for E&amp;S appraisal and supervision of IFC's FI portfolio.</li> <li>» Champion E&amp;S concerns in the Financial Markets Department through management awareness, and accountability through departmental and investment staff incentives.</li> </ul>
<b>C. Enhance IFC's capability to incorporate E&amp;S risk factors into decision-making processes</b>	
<b>Findings:</b>	<b>Recommendations:</b>
<ul style="list-style-type: none"> <li>• Choosing committed client companies is critical to achieving strong E&amp;S performance.</li> <li>• Working with companies that start at lower levels of capacity is resource-intensive but has significant development impact potential.</li> <li>• IFC's E&amp;S risk categorization still fulfills important internal functions.</li> <li>• IFC's E&amp;S risk categorization for corporate loans mixes actual risks with mitigating/exacerbating factors.</li> </ul>	<ul style="list-style-type: none"> <li>» Categorize projects based solely on their underlying E&amp;S risk.</li> <li>» In addition to project risk, separate and professionalize the assessment of: <ul style="list-style-type: none"> <li>– Client company commitment</li> <li>– Client company capacity, and</li> <li>– IFC's sphere of influence/leverage.</li> </ul> </li> <li>» Make investment and resource allocation decisions based on careful consideration of all risk factors listed above.</li> </ul>

Source: The CAO's Review of IFC's Sustainability Framework.



## OUTREACH UPDATE, FY2010

*The CAO's global outreach program aims to ensure that people most likely to need the CAO's services are aware of our existence, understand our mandate, and are able to raise issues of concern about IFC/MIGA projects.*

**At a glance:** In FY2010, the CAO continued to allocate dedicated staff and resources to communications and outreach—building on the CAO's improved visibility through our new website, launching a newsletter, meeting with IFC/MIGA staff, and conducting outreach to civil society around the world.



CAO outreach, The Philippines, July 2010

The primary goal of the CAO's civil society outreach program is to ensure that the people most likely to need the CAO are aware of our existence, understand our mandate, and can access our services. The CAO launched its outreach program in FY2008 at the request of members of CODE, which asked the CAO to improve its visibility to civil society and other stakeholders. Since that time, the CAO has met with over 600 civil society organizations from more than 40 countries worldwide. In FY2010, we met with civil society representatives from Algeria, Argentina, Brazil, Colombia, Costa Rica, Egypt, Ghana, India, Indonesia, Jordan, Kazakhstan, Lebanon, Libya, Mexico, Morocco, Peru, Tunisia, Turkey, and Yemen, as well as NGOs from the United States and Europe. Some of the CAO's outreach activities from the past year are described in the box on p. 80 and the table on p. 81.

As IFC and MIGA continue to expand their activities and decentralize operations to the field, the CAO has increased efforts to conduct outreach to staff to share information about its mission and mandate. This year, we organized learning events about significant cases, participated in staff induction programs, met with country office staff, and briefed both institutions on recommendations from the CAO's Advisory Note for IFC's policy review and update. In addition, CAO staff and consultants participated in IFC's policy review consultations and palm oil strategy consultations globally.

## Results from the CAO's Outreach Program



CAO and friends in Cairo, Egypt, October 2009

During FY2010, we contracted Consensus Building Institute (CBI), a not-for-profit dispute resolution organization based in Boston, to conduct an assessment of the CAO's outreach activities. The assessment was designed to ascertain whether the outreach is meeting its objectives and to identify areas for potential improvement. The assessment gathered information from a survey of 450+ outreach participants (response rate was about 1 in 5), as well as workshop evaluations and targeted interviews with key civil society representatives, IFC specialists, and senior staff from the independent accountability mechanisms.

Findings showed that the CAO's outreach is having an impact by filling basic information gaps about IFC/MIGA and the role of the CAO, and by changing perceptions about the World Bank Group. The CAO has targeted the right audience and worked efficiently by partnering with other independent accountability mechanisms. Many civil society groups expressed interest in assisting the CAO to conduct outreach to bring core messages about accountability and access to recourse to local communities, particularly around high-impact projects. Survey respondents also suggested that social media and other online tools should be used more proactively to disseminate information about IFC/MIGA and their projects, as well as the CAO.

Some of this feedback was in response to the CAO's "Google Mapping" of IFC/MIGA projects. This involves "mapping" the locations of active projects using Google's satellite mapping technology online, which helps direct stakeholders to project information on IFC's and MIGA's websites. The outreach assessment confirmed that such project mapping was welcomed by civil society and other stakeholders by improving access to, and transparency of, IFC/MIGA activities. In FY2009, the CAO recommended that IFC consider undertaking its own project mapping to improve its information disclosure—a recommendation that was reiterated in CAO's Advisory Note for IFC's policy review and update. The CAO collaborated with IFC during FY2010 to help develop a project mapping tool for IFC's website, which was launched in May 2010.



Civil society outreach workshop, Mexico City, May 2010

Broader findings from the outreach assessment indicate that CAO's outreach efforts are hampered by a noticeable lack of knowledge among the majority of civil society organizations about IFC and MIGA projects and policies. Based on sensitization to these issues through the CAO's outreach program, a wide range of interviewees globally highlighted valuable opportunities that could be generated should IFC/MIGA develop a coherent, institutional level outreach strategy to civil society in member countries (see box, p. 63).



CAO outreach in Belém, Brazil, September 2009

### OUTREACH HIGHLIGHT: CIVIL SOCIETY OUTREACH WORKSHOPS, BRAZIL

In September 2009, the CAO conducted three civil society outreach workshops in Brazil, in partnership with IFC and the Office of Accountability of the U.S. Overseas Private Investment Corporation (OPIC), to raise awareness about access to recourse and accountability. The workshops—in Sao Paulo, Brasilia, and Belem—were convened and facilitated by Instituto Ethos and attended by over 60 organizations.

In questionnaires circulated by the CAO before the workshop, almost half the participants expressed knowing little about the workings of the international financial institutions or their accountability mechanisms. Participants were interested to learn about private sector projects financed by IFC in Brazil; learn about how these institutions promote transparency, accountability, and access to recourse; and develop closer institutional ties. Topics of interest included IFC's involvement in the agribusiness sector, particularly in the Amazon.

Participant recommendations focused on improved communications and risk analysis by IFC and better communication of client company commitments at the project level. Specific suggestions were to improve information sharing about the CAO and IFC projects to local communities, perhaps using channels such as regional NGO networks and local media. Participants suggested that IFC could enhance its risk analysis by using data gathered from sectoral roundtables, such as soybean and livestock roundtables, and could enhance social analysis in investment decisions, particularly on labor and human rights issues. In terms of client commitments, participants said that better communications by IFC sponsors on their progress in meeting social and environmental commitments would be helpful for local communities and interested regional civil society organizations



CAO outreach, Bogotá, Colombia, June 2010

### Partnering with the Independent Accountability Mechanisms

In its global outreach effort, the CAO partners often with the Independent Accountability Mechanisms (IAMs) of other multilateral and bilateral institutions (see p. 159). The IAMs view outreach as a critical way to raise civil society's understanding of the accountability mechanisms so they are better positioned to provide effective support to project-affected communities.

The CAO meets annually with the IAMs to share good practice and lessons learned from its work. The Seventh Annual Meeting of Independent Accountability Mechanisms was hosted by the Japan Bank for International Cooperation and Nippon Export and Investment Insurance (NEXI) in Tokyo in June 2010. CAO staff attended the meeting along with the principals from the independent mechanisms of the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank, European Union, Inter-American Development Bank, Overseas Private Investment Corporation, and World Bank Inspection Panel.

### CAO Outreach Workshops, FY2010

Country	Date	Event
<b>Morocco</b>	July 2009	Three-day workshop for civil society from Algeria, Egypt, Libya, Morocco, and Tunisia convened by Bank Information Center (BIC), African Development Bank Compliance Review and Mediation Unit, the CAO, and World Bank Inspection Panel
<b>Brazil</b>	September 2009	Brazil Outreach Dialogues in Sao Paulo, Brasilia, and Belem convened by Instituto Ethos, the CAO, OPIC Office of Accountability, and IFC
<b>Egypt, Jordan, Lebanon</b>	October 2009	Meetings with civil society organizations and academia in Cairo, Amman, and Beirut convened by the CAO, OPIC Office of Accountability, and IFC
<b>Mexico</b>	May 2010	Civil Society Outreach Workshop, Mexico City convened by Centro Mexicano de Derecho Ambiental (CEMDA), the CAO, OPIC Office of Accountability, Inter-American Development Bank Independent Investigation and Consultation Mechanism (MICI), and Inspection Panel
<b>Colombia</b>	June 2010	IFC Policy Consultation and meetings with civil society from Argentina, Colombia, Mexico, and Peru convened by Inter-American Association for Environmental Defense (AIDA)
<b>Turkey</b>	June 2010	IFC Policy Consultation and meetings with civil society from Kazakhstan, Turkey, and Yemen convened by BIC
<b>India</b>	June 2010	IFC Policy Consultation and meetings with civil society convened by BIC
<b>Romania</b>	June 2010	Meetings with mediators and civil society organizations in Bucharest convened by the CAO.



CAO staff at workshop, Belém, Brazil, September 2009



# MONITORING AND EVALUATION UPDATE, FY2010



Knowledge sharing workshop, Nicaragua

## Cases Surveyed, Monitoring and Evaluation, FY2010

In FY2009, the CAO initiated a monitoring and evaluation process to assess the overall effectiveness of the Office. This process enables periodic reporting on performance in the CAO's case handling process and helps identify potential areas for improvements aimed at enhancing case outcomes.

Since FY2009, the CAO has conducted surveys with complainants, project sponsors, IFC/MIGA project teams, and its mediators. These surveys are designed to better understand the effectiveness of CAO interventions through the procedural phases of its ombudsman and compliance roles.

The pilot phase of the program in FY2009 highlighted a need for alterations and clarifications to the survey process. Accordingly, the CAO adjusted the evaluation system in FY2010 to simplify the process, collect more data, and tailor the survey more specifically to the procedural phases of CAO interventions. The surveys undertaken during FY2010 involved eight cases, which led to various findings related to the CAO's ombudsman and compliance work (see table below).

Case	CAO process	Activity surveyed
Ecuador: Interagua-01/Guayaquil	Ombudsman	Assessment
Kenya: Pan African Paper-01/Webuye	Ombudsman	Assessment
Georgia: BTC Pipeline-30/Vale	Ombudsman	Assessment
Philippines: Ambuklao-Binga Hydroelectric Power-01/Binga	Ombudsman	Settlement
Sri Lanka: Rainforest Ec lodge Linkages-01/ Deniyaya	Ombudsman	Settlement
Uruguay: Orion-02/Gualeguaychú	Compliance	Appraisal
Russian Federation: Russkiy Mir II-01/Taman	Compliance	Appraisal
Indonesia: Wilmar-01/West Kalimantan	Compliance	Audit

Source: CAO compilations.

Note: Total response rate = 68% (34 of 50 surveys sent by the CAO to stakeholders solicited responses)



Surveys of the CAO's ombudsman work included the assessment phases of three cases, and two cases for which a settlement agreement had been reached and implemented. Feedback from the key stakeholders included the following:

- The CAO provided access to efficient mediators. Participants benefited from tangible outcomes from the ombudsman process—more so than if they had only pursued compliance avenues. The process built the capacity of complainants to engage in dialogue and implementation of agreements. The CAO's contribution to monitoring and follow-up on agreements and implementation was valued.
- CAO interventions helped IFC/MIGA client companies understand issues of importance to the complainants.
- Agreements adopted through an ombudsman process were flexible enough to sustain future changes in circumstances, and addressed the resources needed for their implementation.



Food aid for ASOCHIVIDA members, NSEL project, Nicaragua

Surveys of the CAO's compliance work included two cases that underwent appraisal and one case that was audited by the CAO. Feedback from key stakeholders included the following:

- Nearly all respondents were satisfied with CAO's Appraisal Report conclusions. They believed that appraisals were conducted in accordance with CAO Operational Guidelines, and that the process was procedurally fair.
- Most respondents believe the CAO's audit process was conducted with transparency, predictability, integrity, and quality, and most of the concerns raised were addressed.
- Audit findings addressed IFC/MIGA's policies and procedures, development strategy, and institutional behavior.

Information collected through these surveys are providing useful guidance to inform our evaluation of the CAO's ombudsman and compliance interventions and ensure better outcomes. From surveys conducted to date, we have identified areas where process improvements are needed: for example, improving understanding by project sponsors, complainants, and IFC/MIGA staff of the CAO process, time frame, and how to interpret our reports and findings. In the upcoming fiscal year, we plan to implement periodic reporting of the CAO's interventions throughout the different phases of our complaint-handling process. This will allow for a comprehensive evaluation of the CAO's entire caseload, so we can understand better where we can be most effective.



# REPORTS AND PUBLICATIONS, FY2010

## Advisory Work

*Review of IFC's Policy and Performance Standards on Social and Environmental Sustainability and Policy on Disclosure of Information, May 2010*

## Ombudsman Reports

*Assessment Report, Complaint Regarding Labor Rights Concerns at Assan Aluminyum, July 2009 (CAO case: Turkey/Assan Aluminyum-01/Dilovasi)*

*Ambuklao-Binga Hydroelectric Power Project, Philippines Complaint Conclusion Report, August 2009 (CAO case: Philippines/Ambuklao-Binga Hydroelectric Power-01/Binga)*

*Wilmar Group Assessment Report Regarding Community and Civil Society Concerns of Second Complaint in Relation to Activities of the Wilmar Group of Companies in Indonesia, October 2009 (Indonesia/Wilmar Group-02/Sumatra)*

*Wilmar Group Conclusion Report, CAO Ombudsman's Work in Sambas, Indonesia, October 2009 (CAO case: Indonesia/Wilmar Group-01/West Kalimantan)*

*Needs Assessment: Options to Improve Immediate and Long-term Care for People Suffering from Chronic Renal Insufficiency, October 2009 (CAO case: Nicaragua/Nicaragua Sugar Estates Limited-01/León and Chinandega)*

*Scoping Study Epidemiology of Chronic Kidney Disease in Nicaragua, Boston University School of Public Health, December, 2009 (CAO case: Nicaragua/Nicaragua Sugar Estates Limited-01/León and Chinandega)*

*Assessment Report, Complaints Regarding the Sociedad Agrícola Drokasa S.A. Project #26821 ("Agrokasa"), Ica Valley, Peru, December 2009 (CAO case: Peru/Agrokasa-01/Ica)*

*Assessment Report, Community and Civil Society Concerns in Relation to IFC Project Orion, Uruguay, December 2009 (CAO case: Uruguay/Orion-02/Gualeguaychú)*

*Assessment Report, Complaint Regarding the Rainforest Ecolodge Company, Sri Lanka February 2010 (CAO case: Sri Lanka/Rainforest Ecolodge Linkages-01/Deniyaya)*

*Conclusion Report: Group of Issues Presented by Community Members in Goyena and Abangasca Regarding Nicaragua Sugar Estates Limited (NSEL), April 2010 (CAO case: Nicaragua/Nicaragua Sugar Estates Limited-01/León and Chinandega)*

*Pan African Paper Conclusion Report, Complaint Regarding Pan African Paper Mills Project, Kenya, May 2010 (CAO case: Kenya/Pan African Paper-01/Webuye)*

*Aconcagua Assessment Report, Community and Civil Society Concerns in Relation to Hydropower Investments in Chile, Including IFC Project Aconcagua, June 2010 (Chile/Aconcagua-01/Santa Barbara)*

*BTC Vale Final Assessment Report, June 2010 (CAO case: Georgia/BTC Pipeline-30/Vale)*

*BTC Vale Final Assessment Report, June 2010 (CAO case: Georgia/BTC Pipeline-32/Vale)*

## Compliance Reports

*CAO Appraisal for Audit of IFC: Karachaganak Project, Case of Green Salvation/Residents in the Village of Berezovka, October 2009 (CAO case: Kazakhstan/Lukoil Overseas-03/Berezovka)*

*CAO Appraisal for Audit of IFC, Case of Save Taman/North Caucus Environmental Watch and a Local Stakeholder, Russkiy Mir II Project, Russian Federation, October 2009 (CAO case: Russian Federation/Russkiy Mir II-01/Taman)*

*CAO Appraisal for Audit of IFC: Cases of Save Taman/North Caucus Environmental Watch and a Local Stakeholder, Russkiy Mir II Project, Russian Federation, October 2009 (CAO case: Russian Federation/Russkiy Mir II-02/Taman)*

*CAO Appraisal for Audit of IFC: Case of IFC's Involvement in the Orion Pulp Plant in Uruguay, March 2010 (CAO case: Uruguay/Orion-02/Gualeguaychú)*

*CAO Monitoring of Audit of IFC: Wilmar Group, Monitoring and Update of IFC's Response to the CAO Audit of June 2009, April 2010 (CAO case: Indonesia/Wilmar Group-01/West Kalimantan)*

*CAO Appraisal for Audit of IFC: Case of IFC's Involvement with Agrokasa/Corporacion Drokasa, June 2010 (CAO case: Peru/Agrokasa-01/Ica)*

*CAO Appraisal for Audit of IFC/MIGA: Case of IFC and MIGA Involvement with SN Power, with Special Focus on the Allain Duhangan Hydropower Project in India, June 2010 (CAO case: World/SN Power-01/CAO Vice President request)*



## FUNDING, FY2010

In FY2010, the CAO had an administrative budget of \$3,444,200 (see table, p. 87). The Office also has an agreement with IFC and MIGA whereby additional funds from a Contingency Fund will be made available, on request, in the event of an unexpected volume of complaints, a large-scale mediation effort, or other ombudsman-related activity. The Contingency Fund is \$1 million. In FY2010, the CAO used \$767,952 from the Contingency Fund.

The CAO funds all assessments of complaints from its own operating budget. For complaints that are assessed, and for specific mediation activities to be organized and/or managed by CAO Ombudsman, the parties to a dispute may contribute funds to a separate account managed by the CAO. If parties sign an agreement to mediate or a Memorandum of Understanding to negotiate, the CAO works with the parties to resolve payment issues. For parties that are not in a position to contribute, the CAO has the option to draw on its Contingency Fund.

No arrangements exist for separate funding on compliance cases or advisory work. The cost of compliance appraisals and audits, and CAO advisory work, are funded from the CAO's administrative budget.

Ibaloi community members, Ambuklao-Binga hydro project, The Philippines

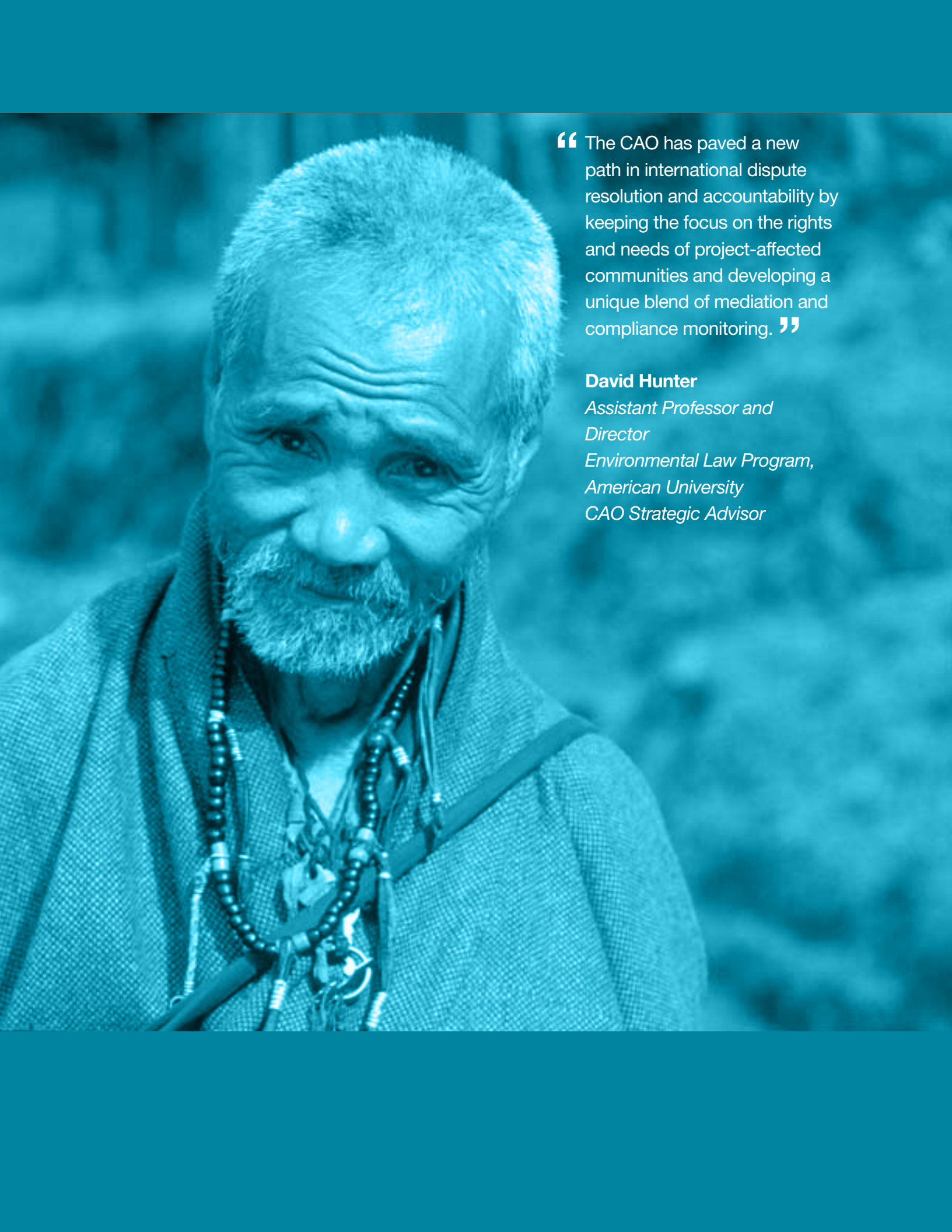


**The CAO's  
Administrative Budget,  
FY2010  
(U.S. dollars)**

Salaries	1,235,500
Benefits	617,800
Consultants	599,800
Travel	429,100
Contractual services	260,800
Publications	90,700
Communications and IT services	72,200
Temporaries	11,700
Representation and hospitality	10,500
Equipment and building services	3,900
Other expenses	20,900
<b>Total expenses</b>	<b>3,352,900</b>
<b>Current budget</b>	<b>3,444,200</b>

Community members, Maple Energy project, Canaan, Peru





“ The CAO has paved a new path in international dispute resolution and accountability by keeping the focus on the rights and needs of project-affected communities and developing a unique blend of mediation and compliance monitoring. ”

**David Hunter**

*Assistant Professor and  
Director*

*Environmental Law Program,  
American University  
CAO Strategic Advisor*



# Appendixes

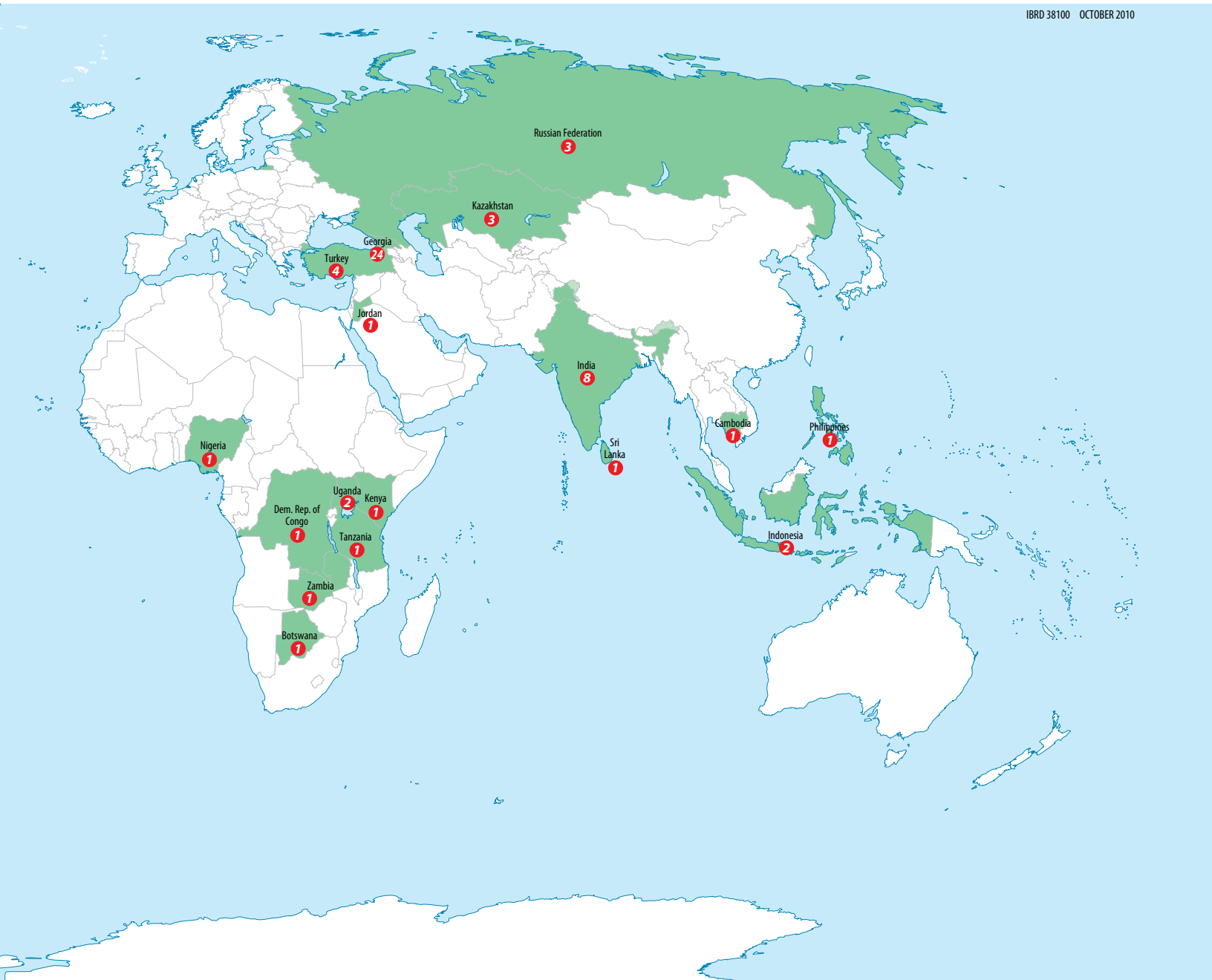


## APPENDIX A

## WORLD MAP OF CAO CASES, FY2000–10







a. This denotes the case of World/SN Power-01, a compliance appraisal on seven IFC/MIGA projects with SN Power in four countries, but with a particular focus on a project in India.

## APPENDIX B

## CAO COMPLAINT LOG, FY2000–10

This log presents the entire history of complaints received by the CAO since FY2000. It includes those complaints that were deemed not eligible for assessment by the CAO.

Complaint	Date submitted	Eligible for assessment?	Ombudsman activities	Transfer to Compliance	Eligible for audit?	Compliance activities	Date case closed
<b>FY 2000</b>							
No complaints							
<b>FY 2001</b>							
Chile: Empresa Electrica Pangué S.A.-01/Upper Bio-Bio Watershed	Aug 2000	Yes	Settled	—	—	—	Jan 2005
Peru: Compañía Minera Antamina S.A.-01/Huarmey	Sep 2000	Yes	Assessed and transferred to Compliance	Sep 2000	Yes	Review	Jan 2005
Uganda: Bujagali-01/ Bujagali Falls	Nov 2000	No	—	—	—	—	Dec 2000
Jordan: Jordan Gateway Projects Co.-01/Bet Shean Valley	Dec 2000	No	—	—	—	—	Dec 2000
Peru: Yanacocha-01/ Cajamarca	Dec 2000	Yes	Settled	—	—	—	Nov 2003
Jordan: Jordan Gateway Projects Co.-02/Bet Shean Valley	Jan 2001	Yes	Settled	—	—	—	Jan 2005
Peru: Yanacocha-02/ Cajamarca	Mar 2001	Yes	Settled	—	—	—	Mar 2006

Complaint	Date submitted	Eligible for assessment?	Ombudsman activities	Transfer to Compliance	Eligible for audit?	Compliance activities	Date case closed
Nigeria: Niger Delta Contractor Revolving Credit Facility-01/Niger Delta	Jun 2001	Yes	Settled	—	—	—	Jan 2005
Uganda: Bujagali-02/ Bujagali Falls	Jun 2001	Yes <sup>a</sup>	Settled	—	—	—	Jan 2005
<b>FY 2002</b>							
Uganda: Bujagali-03/Canada	Jul 2001	Yes	Settled	—	—	—	Jan 2005
Tanzania: Bulyanhulu Project-01/ Kankola	Jan 2002	Yes	Settled	—	—	—	Jan 2005
India: Chemplast-01/ Cuddalore District	Jun 2002	Yes	Settled	—	—	—	Jan 2005
<b>FY 2003</b>							
Chile: Empresa Electrica Pangué S.A.-02/Upper Bio-Bio Watershed	Jul 2002	Yes	Settled	—	—	—	Feb 2006
Bolivia: Comsur V-01/Bosque Chiquitano	Jun 2003	Yes	Assessed and transferred to Compliance	Nov 2003	Yes	Review	Jul 2004
<b>FY 2004</b>							
Zambia: Konkola Copper Mines Plc (KCM)-01/ Ming'omba and Kawama	Jul 2003	Yes	Settled	—	—	—	Jan 2005
Georgia: BTC Pipeline-01/ Switzerland	Dec 2003	No	—	—	—	—	Dec 2003
Georgia: BTC Pipeline-02/ Rustavi	Mar 2004	Yes	Settled	—	—	—	Apr 2004
Georgia: BTC Pipeline-03/ Switzerland	Mar 2004	No	—	—	—	—	Apr 2004
Georgia: BTC Pipeline-04/ Switzerland	May 2004	No	—	—	—	—	May 2004

Complaint	Date submitted	Eligible for assessment?	Ombudsman activities	Transfer to Compliance	Eligible for audit?	Compliance activities	Date case closed
Georgia: BTC Pipeline-05/ Rustavi City	May 2004	No	—	—	—	—	Jun 2004
Georgia: BTC Pipeline-06/ Bashkovi	May 2004	Yes	Settled	—	—	—	Feb 2005
Georgia: BTC Pipeline-07/Dgvari	May 2004	Yes	Settled	—	—	—	Feb 2005
Georgia: BTC Pipeline-08/ Sagrasheni	May 2004	Yes	Settled	—	—	—	Feb 2006
Georgia: BTC Pipeline-09/ Tetrtskaro	May 2004	Yes	Settled	—	—	—	Feb 2005
Georgia: BTC Pipeline-10/ Tetrtskaro	May 2004	Yes	Settled	—	—	—	Jan 2007
Georgia: BTC Pipeline-11/ Tsikisjvari	May 2004	Yes	Settled	—	—	—	Jun 2006
Georgia: BTC Pipeline-12/Tba, Tsemi, Sadgeri	May 2004	Yes	Settled	—	—	—	Jan 2005
<b>FY 2005</b>							
Georgia: BTC Pipeline-13/Tsalka	Jul 2004	Yes	Settled	—	—	—	May 2005
Georgia: BTC Pipeline-14/Vale	Aug 2004	Yes	Settled	—	—	—	Dec 2005
Kazakhstan: Lukoil Overseas-01/ Berezovka	Sep 2004	Yes	Assessed and transferred to Compliance	Aug 2006	Yes	Audit	Apr 2009
India: AD Hydro Power Limited-01/ Himachal Pradesh	Oct 2004	Yes	Settled	—	—	—	Mar 2008
Brazil: Amaggi Expansion-01/ IFC Executive Vice President request	—	—	—	Nov 2004	Yes	Audit	Jun 2005
Botswana: Kalahari Diamond-01/ Kalahari	Nov 2004	Yes	Settled	—	—	—	Jun 2006

Complaint	Date submitted	Eligible for assessment?	Ombudsman activities	Transfer to Compliance	Eligible for audit?	Compliance activities	Date case closed
Georgia: BTC Pipeline-15/ Tetritskaro	Dec 2004	Yes	Settled	—	—	—	Feb 2006
Georgia: BTC Pipeline-16/ Tetritskaro	Dec 2004	Yes	Settled	—	—	—	Feb 2006
Georgia: BTC Pipeline-17/ Tadzrisi	Dec 2004	Yes	Settled	—	—	—	Jan 2007
Georgia: BTC Pipeline-18/ Tetritskaro	Dec 2004	Yes	Settled	—	—	—	Feb 2006
Indonesia: Megaplast	Jan 2005	No <sup>a</sup>	—	—	—	—	Feb 2005
Guatemala: Marlin-01/ Sipacapa	Jan 2005	Yes	Settled	—	—	—	May 2006
Argentina: Holding Intergas S.A.	Mar 2005	No <sup>a</sup>	—	—	—	—	Mar 2005
Georgia: BTC Pipeline-19/Atskuri	Apr 2005	Yes	Settled	—	—	—	Feb 2006
Georgia: BTC Pipeline-20/Atskuri	Apr 2005	Yes	Settled	—	—	—	Feb 2006
Romania: BCR	May 2005	No <sup>a</sup>	—	—	—	—	May 2005
Turkey: BTC Pipeline-21/Posof	Jun 2005	Complaint withdrawn	—	—	—	—	Jul 2005
Georgia: BTC Pipeline-22/Tsemi	Jun 2005	Yes	Settled	—	—	—	Jan 2007
Georgia: BTC Pipeline-23/Tsemi	Jun 2005	Yes	Settled	—	—	—	Aug 2006
Peru: Compañía Minera Antamina S.A.-02/Huarmey	Jun 2005	Yes	Settled	—	—	—	May 2006
<b>FY 2006</b>							
Democratic Republic of Congo: Anvil Mining Congo, SARL-01/World Bank President request	—	—	—	Jul 2005	Yes	Audit	Feb 2006
Yemen: Aden Free Zone Development	Jul 2005	No <sup>a</sup>	—	—	—	—	Jul 2005
Georgia: BTC Pipeline-24/Vale	Aug 2005	No	—	—	—	—	Sep 2005

Complaint	Date submitted	Eligible for assessment?	Ombudsman activities	Transfer to Compliance	Eligible for audit?	Compliance activities	Date case closed
Georgia: BTC Pipeline-25/Vale	Aug 2005	No	—	—	—	—	Sep 2005
India: AD Hydro Power Limited-02/ Jagat Sukh	Aug 2005	No	—	—	—	—	Sep 2005
India: Ramky-01/ Gummidipoondi	Aug 2005	No	—	—	—	—	Oct 2005
India: Ramky-02/ Mumbai	Sep 2005	No	—	—	—	—	Oct 2005
Uruguay: Celulosas de M'Bopicua (CMB) & Orion-01/ Argentina and Uruguay	Sep 2005	Yes	Assessed and transferred to Compliance	Nov 2005	Yes	Audit	Mar 2006
Russian Federation: DeltaCredit Bank	Oct 2005	No <sup>a</sup>	—	—	—	—	Oct 2005
Georgia: BTC Pipeline-26/ Krtsanisi	Dec 2005	Yes	Assessed and transferred to Compliance	Jun 2006	No	Appraisal	Apr 2007
Pakistan: DG Khan-01/Kahoon	Dec 2005	No	—	—	—	—	Jan 2006
South Africa: African Bank	Dec 2005	No <sup>a</sup>	—	—	—	—	Jan 2006
Belize: NOVA Companies (Belize) Ltd. and Ambergris Aquaculture Ltd.-01/Ladyville	Jan 2006	No	—	—	—	—	Jan 2006
Peru: Yanacocha-03/ Cajamarca Dept.	Mar 2006	Yes	Settled	—	—	—	Aug 2006
Kenya: AEF Lesiolo Grain Handlers Limited-01/Nakuru	Apr 2006	No	—	—	—	—	Apr 2006
Southeast Asia: Gender Discrimination	May 2006	No <sup>a</sup>	—	—	—	—	May 2006

Complaint	Date submitted	Eligible for assessment?	Ombudsman activities	Transfer to Compliance	Eligible for audit?	Compliance activities	Date case closed
Georgia: BTC Pipeline-27/Tbilisi	Jun 2006	Yes	Assessed and transferred to Compliance	Sep 2006	No	Appraisal	Apr 2007
India: Atul Ltd.-01/ Gujarat	Jun 2006	Yes	Settled	—	—	—	Jun 2007
Argentina: Cencosud	Jun 2006	No <sup>a</sup>	—	—	—	—	Jul 2006
<b>FY 2007</b>							
Argentina: Los Gigantes-Dioxitek	Jul 2006	No <sup>a</sup>	—	—	—	—	Aug 2006
Turkey: BTC Pipeline-28/Adana & Ceyhan	Jul 2006	Yes	Settled	—	—	—	Feb 2007
Argentina: GEF Streetlight	Jul 2006	No <sup>a</sup>	—	—	—	—	Aug 2006
Georgia: BTC Pipeline-29/Tsalka	Jul 2006	Yes	Settled	—	—	—	Jul 2007
United States: Microfinance Investment Vehicles	Oct 2006	No <sup>a</sup>	—	—	—	—	Oct 2006
India: Mahindra Farm Services-01/ Confidential	Oct 2006	Yes	Assessed and transferred to Compliance	Mar 2008	No	Appraisal	Jun 2008
India: Mahindra Farm Services-02/ Confidential	Oct 2006	Yes	Assessed and transferred to Compliance	Mar 2008	No	Appraisal	Jun 2008
Ghana: Kayogbo Youth Club	Oct 2006	No <sup>a</sup>	—	—	—	—	Nov 2006
Peru: Tecnosul-01/ Ica	Nov 2006	No	—	—	—	—	Jan 2007
Netherlands: ABCI Investments	Jan 2007	No <sup>a</sup>	—	—	—	—	Jan 2007
Ethiopia: National Land Claims	Feb 2007	No <sup>a</sup>	—	—	—	—	Feb 2007
India: Mahindra Farm Services-03/ Confidential	Feb 2007	Yes	Assessed and transferred to Compliance	Mar 2008	No	Appraisal	Jun 2008

Complaint	Date submitted	Eligible for assessment?	Ombudsman activities	Transfer to Compliance	Eligible for audit?	Compliance activities	Date case closed
India: Mahindra Farm Services-04/ Confidential	Mar 2007	Yes	Assessed and transferred to Compliance	Mar 2008	No	Appraisal	Jun 2008
Kazakhstan: Lukoil Overseas-02/ Berezovka	Apr 2007	Yes	Assessed and transferred to Compliance	Nov 2007	No	Appraisal	Jan 2008
Middle East: GAL	May 2007	No <sup>a</sup>	—	—	—	—	Jul 2007
<b>FY 2008</b>							
Indonesia: Wilmar-01/West Kalimantan	Jul 2007	Yes	Ongoing case	Mar 2008	Yes	Audit, Ongoing case	Open
Brazil: Globalbix	Aug 2007	No <sup>a</sup>	—	—	—	—	Sep 2007
Georgia: BTC Pipeline-30/Vale	Aug 2007	Yes	Settled	—	—	—	Oct 2009
South Asia: Pakistan Banking	Sep 2007	No <sup>a</sup>	—	—	—	—	Oct 2007
India: Ramky-03/ Gummidipoondi	Oct 2007	Yes	Assessed and transferred to Compliance	Mar 2008	No	Appraisal	Jun 2008
Russian Federation: Russkiy Mir II-01/ Taman	Oct 2007	Yes	Assessed and transferred to Compliance	Jun 2008	No	Appraisal	Oct 2009
Bangladesh: IFC/ BICF Employment	Dec 2007	No <sup>a</sup>	—	—	—	—	Feb 2008
Ecuador: Interagua-01/ Guayaquil	Jan 2008	Yes	Ongoing case	—	—	—	Open
Papua New Guinea: Digicel	Jan 2008	No <sup>a</sup>	—	—	—	—	Jan 2008
Russian Federation: Russkiy Mir II-02/ Taman	Feb 2008	Yes	Assessed and transferred to Compliance	Aug 2008	No	Appraisal	Oct 2009
Kenya: Pan African Paper-01/ Webuye	Feb 2008	Yes	Settled	—	—	—	Dec 2009
Georgia: BTC Pipeline-31/ Naokhrebi	Feb 2008	Yes	Assessed and transferred to Compliance	Jun 2008	No	Appraisal	Nov 2008



Complaint	Date submitted	Eligible for assessment?	Ombudsman activities	Transfer to Compliance	Eligible for audit?	Compliance activities	Date case closed
Bolivia: Sinchi Wayra (formerly COMSUR)	Mar 2008	No <sup>a</sup>	—	—	—	—	May 2008
Nicaragua: Nicaragua Sugar Estates Limited-01/León and Chinandega	Mar 2008	Yes	Ongoing case	—	—	—	Open
Costa Rica: Alterra	May 2008	No <sup>a</sup>	—	—	—	—	May 2008
Kazakhstan: Lukoil Overseas-03/Berezovka	May 2008	Yes	Assessed and transferred to Compliance	Apr 2009	No	Appraisal	Oct 2009
Peru: Compañía Minera Antamina S.A.-03/Huarmey	Jun 2008	No	—	—	—	—	Jun 2008
Zambia: Konkola Copper Mines Plc (KCM)-02/Kawama	Jun 2008	No	—	—	—	—	Jun 2008
Philippines: Ambuklao-Binga Hydroelectric Power-01/Binga	Jun 2008	Yes	Settled	—	—	—	Jun 2010
<b>FY 2009</b>							
Bangladesh: RAK Ceramics	Aug 2008	No <sup>a</sup>	—	—	—	—	Sep 2008
Turkey: Standard Profil II-01/Duzce	Sep 2008	Yes	Ongoing case	—	—	—	Open
Georgia: BTC Pipeline-32/Vale	Sep 2008	Yes	Settled	—	—	—	Oct 2009
Russian Federation: Russkiy Mir II-03/Taman	Sep 2008	Yes	Settled	—	—	—	Dec 2009
Turkey: Assan Aluminium-01/Dilovasi	Sep 2008	Yes	Ongoing case	—	—	—	Open
Chile: Empresa Electrica Pangué S.A.-03/Mulchen	Oct 2008	No	—	—	—	—	Oct 2008
Indonesia: Wilmar-02/Sumatra	Dec 2008	Yes	Ongoing case	—	—	—	Open

Complaint	Date submitted	Eligible for assessment?	Ombudsman activities	Transfer to Compliance	Eligible for audit?	Compliance activities	Date case closed
World: SN Power-01/CAO Vice President request	—	—	—	Dec 2008	No	Appraisal	Jun 2010
Egypt: Makka Leasing	Mar 2009	No	—	—	—	—	Mar 2009
Serbia: Gemax & Lemna	Mar 2009	No <sup>a</sup>	—	—	—	—	Mar 2009
India: Crompton	May 2009	No	—	—	—	—	May 2009
Peru: Agrokasa-01/Ica	Jun 2009	Yes	Ongoing case	Mar 2010	Yes	Audit, Ongoing case	Open
<b>FY 2010</b>							
Uruguay: Orion-02/ Gualeguaychú	Aug 2009	Yes	Assessed and transferred to Compliance	Jan 2010	No	Appraisal	Mar 2010
Sri Lanka: Rainforest Ec lodge Linkages-01/ Deniyaya	Aug 2009	Yes	Ongoing case	—	—	—	Open
Chad-Cameroon: Chad-Cameroon Pipeline	Oct 2009	No <sup>a</sup>	—	—	—	—	Oct 2009
Pakistan: Twin City Centrum	Oct 2009	No	—	—	—	—	Oct 2009
United States: DTT	Oct 2009	No	—	—	—	—	Oct 2009
Chile: Aconcagua-01/ Santa Barbara	Nov 2009	Yes	Settled	—	—	—	Jun 2010
Colombia: TCBuen-01/ Buenaventura	Dec 2009	Yes	Ongoing case	—	—	—	Open
Cambodia: Cambodia Airports-01/Preah Sihanouk	Dec 2009	Yes	Ongoing case	—	—	—	Open
Panama: Pando Montelirio-01/ Chiriqui	Jan 2010	Yes	Ongoing case	—	—	—	Open
Malaysia: Reges	Feb 2010	No <sup>a</sup>	—	—	—	—	Feb 2010
Togo: Heidelberg Cement	Feb 2010	No	—	—	—	—	Feb 2010

Complaint	Date submitted	Eligible for assessment?	Ombudsman activities	Transfer to Compliance	Eligible for audit?	Compliance activities	Date case closed
United States: TD Bank	Feb 2010	No	—	—	—	—	Feb 2010
Russian Federation: Quadriga Capital	Mar 2010	No <sup>a</sup>	—	—	—	—	Mar 2010
Peru: Maple Energy-01/Nuevo Sucre and Canaan	Apr 2010	Yes	Ongoing case	—	—	—	Open
Ethiopia: Coca-Cola Sabco	Apr 2010	No <sup>a</sup>	—	—	—	—	Jun 2010

Source: CAO compilations.

a. The CAO assessed and handled any issues raised by the complainant that dealt with IFC/MIGA. However, the complainant also raised issues outside of the CAO's mandate. The CAO referred these issues to other relevant parts of the World Bank Group.












Lunch with Maple Energy complainants, Nuevo Sucre, Peru



## APPENDIX C

## CAO CASES, FY2000–10

## Legend:

-  IFC/MIGA due diligence and supervision
-  Pollution
-  Water
-  Land
-  Biodiversity
-  Consultation and disclosure
-  Socioeconomic impacts
-  Labor
-  Community health and safety
-  Indigenous peoples
-  Cultural heritage

Cases are listed alphabetically by fiscal year and country, in the order in which they were received. Only cases that were deemed eligible for assessment are described. Project information listed is from IFC's and MIGA's websites.

## CAO case names consist of

- The country where the project is located
- The IFC/MIGA project name, along with the cumulative number of cases the CAO has handled on that project
- The location of the complainant(s), if their location is not confidential.

## FY2000 (July 1999–June 2000)

No cases.

## FY2001 (July 2000–June 2001)

## CHILE

## PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**

Empresa Electrica Pangué S.A. 2067

**Department:** Infrastructure

**Company:** Empresa Electrica Pangué S.A.

**Sector:** Utilities

**Region:** Latin America & the Caribbean

**Country:** Chile

**Environmental Category:** A

**Commitment:** 2.5% (Equity Interest) & \$170 million (Loan)

**Empresa Electrica Pangué S.A.-01/Upper Bio-Bio Watershed**

*IFC, Infrastructure; Received August 2000; Closed January 2005*



In August 2000, the CAO received a complaint from a Pehuenche individual who had been resettled as a result of the Pangué hydroelectric project (see Empresa Electrica Pangué S.A.-02/Upper Bio-Bio Watershed in FY2003 section, p. 108) and alleged that he had not received due compensation. The CAO Ombudsman visited the region in June 2001 and helped negotiate an agreement between the complainant and the company, which was signed in 2001. In January 2005, the CAO closed the complaint. (see case highlight, pp. 18–19).

## JORDAN

### Jordan Gateway Projects Co.-02/Bet Shean Valley

IFC, Global Manufacturing and Services; Received January 2001; Closed January 2005




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#### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**

Jordan Gateway Projects Co.  
10112

**Department:** Manufacturing  
& Services

**Company:** Jordan Gateway  
Projects Co

**Sector:** Construction and  
Real Estate

**Region:** Middle East & North  
Africa

**Country:** Jordan

**Environmental Category:** A

**Commitment:** \$10 million  
(Loan)

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In December 2000, a complaint (Jordan Gateway Projects Co.-01/Bet Shean) was filed by Friends of the Earth, Middle East, but was deemed not eligible for assessment as it did not make clear how the complainant would likely be affected by the project. In January 2001, local residents filed a complaint expressing concerns about the environmental and social impacts of the Gateway industrial park project, and contended that the historical and cultural significance of the Jordan River would be negatively impacted. The CAO Ombudsman sent an Assessment Report to the complainants in February 2001, and sent a memorandum to the World Bank Group President. The CAO's recommendations to IFC and to the World Bank Group Board recommended that: the project and IFC management prepare a project brief and circulate it to affected people; Jordan Gateway Project management and IFC management work to encourage community dialogue over time and as the phases of development unfold; and the IFC project team ensure that in ongoing project supervision, communities on the Israeli and Jordanian sides are visited and their opinions and suggestions actively canvassed. The Board requested that IFC accept the CAO's recommendations. The complaint was closed in January 2005.

## NIGERIA

### Niger Delta Contractor Revolving Credit Facility-01/Niger Delta

IFC, Oil, Gas & Chemicals; Received June 2001; Closed January 2005




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#### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**

Niger Delta Contractor  
Revolving Credit Facility  
10683

**Department:** Oil, Gas &  
Chemicals

**Company:** Niger Delta  
Contractor Revolving Credit  
Facility

**Sector:** Finance & Insurance

**Region:** Sub-Saharan Africa

**Country:** Nigeria

**Environmental Category:** FI

**Commitment:** \$10 million  
(Loan)

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In June 2001, Environmental Rights Action, the Nigerian chapter of Friends of the Earth, filed a complaint regarding lack of consultation and transparency in preparing the Loan Facility; the security situation in the Delta; the choice of the Shell Petroleum Development Company (SPDC) as a partner, given its past and current environmental and social record; the environmental and social performance of Shell contractors; the employment practices of Shell contractors; the current record of community development by Shell; and lack of preexisting conditions of regulation and enforcement that would support compliance with the procedures for any Facility operating in the Delta and in the oil economy. The CAO Ombudsman appraised and accepted the complaint in June 2001. The Assessment Report, completed in August 2001, suggested that IFC and the Facility partners should consider criteria to ensure that the Facility serve contractors that are local and indigenous to the Delta; develop a participatory monitoring and evaluation program; and improve marketing to local contractors about the availability of low-interest loans. It also recommended that IFC/World Bank examine complementary facilities that would cater to the needs of small-scale entrepreneurs for microcredit and to ensure access to credit in the Delta. The complainants did not agree with the CAO's recommendations. The CAO Ombudsman closed the complaint in January 2005.

## PERU

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### PROJECT INFORMATION

**Institution:** MIGA

**Project Name & Number:**

Compania Minera Antamina 732

**Department:** Mining

**Company:** EDC, Teck Corp, Rio Algom Ltd and Noranda Inc.

**Sector:** Mining

**Region:** Latin American & the Caribbean

**Country:** Peru

**Commitment:** \$67.5 million

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### Compañía Minera Antamina S.A.-01/Huarmey

*MIGA, Mining; Received September 2000; Transferred to Compliance September 2000; Closed January 2005*



A local union chapter of the Federation of Peruvian Fishermen filed a complaint alleging inadequate consultation with local people, problems with the resettlement, and incomplete disclosure about mining activities and their environmental impacts concerning construction of a concentration plant and loading dock at Huarmey. The CAO Ombudsman assessed the complaint and the CAO Vice President requested a compliance review of MIGA's social and environmental due diligence in September 2000. CAO Compliance conducted an audit of MIGA. The case was closed in January 2005.

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### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**

Yanacocha III 4449

**Department:** Mining

**Company:** Minera Yanacocha S.A.

**Sector:** Oil, Gas and Mining

**Region:** Latin America & the Caribbean

**Country:** Peru

**Environmental Category:** A

**Commitment:** \$20 million (A Loan) & \$40 million (B Loan)

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### Yanacocha-01/Cajamarca

*IFC, Mining; Received December 2000; Closed November 2003*



In December 2000, the CAO received a complaint from the Frente de Defensa de Choropampa, citizens affected by a June 2000 mercury spill, in which a truck contracted by the Yanacocha gold mine spilled elemental mercury along 41km of public road. Some local residents collected the mercury and were exposed to harmful levels of mercury. The complaint alleged that health problems were worsening, and that Yanacocha was failing to honor its commitments to the spill-affected people. The CAO Ombudsman had overseen an independent investigation of the mercury spill, made public in October 2000, which found there were several gaps in the company's hazardous waste management and emergency response procedures. In response to the complaint, the CAO Ombudsman met with the parties, who agreed that an independent health evaluation would help address health concerns. Over the next two and half years, the CAO Ombudsman helped implement recommendations in the evaluation and encountered several barriers from the Ministry of Health and civil society organizations. The CAO did not pursue the health study because it did not have institutional or social support. A group of people affected by the spill filed suit against one of the project sponsor companies, Newmont Mining, in U.S. and Peruvian courts. The cases continue to be deliberated in U.S. and Peruvian courts. The CAO closed the case in November 2003 (see pp. 53-54).



Community member from Cajamarca, Peru

### Yanacocha-02/Cajamarca

*IFC, Mining; Received March 2001; Closed March 2006*



In March 2001, the CAO received a complaint filed by the Federation of Rondas Campesinas (FEROCAFENOP), which alleged various adverse social and environmental impacts of the Yanacocha gold mine on local farming communities in the Department of Cajamarca. Recognizing the need for a comprehensive approach to addressing community-mine conflicts, the CAO supported the creation of a multistakeholder Dialogue Roundtable, the Mesa de Diálogo y Consenso, in Cajamarca.

The Mesa began functioning in September 2001. Over the next four and a half years, it sought to create an open forum for dialogue to help prevent and resolve conflicts between Cajamarca communities and Yanacocha. To this end, the Mesa facilitated conflict mediation training in 2002 and oversaw a 20-month independent participatory study of the mine's impact on water in the region, which was completed in October 2003. The Mesa subsequently led a participatory water monitoring program and presented the results to local groups throughout 2005 and the first quarter of 2006. These efforts contributed to dialogue and public understanding of water issues in the region and received positive recognition from a wide range of community, company, and government participants. In February 2005, the CAO commissioned an independent evaluation of the Mesa, which was made public in May 2005. The CAO concluded its phased withdrawal from the Mesa and also closed the complaint in March 2006. Both the Mesa and the monitoring work have concluded. In June 2007, the CAO published a series of monographs on the history, challenges, and lessons learned from its four-and-a-half-year intervention in Cajamarca (see pp. 45 and pp. 53–54).

## UGANDA

### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**  
Bujagali Energy Ltd 24408

**Department:** Infrastructure

**Company:** Bujagali Energy Limited

**Sector:** Utilities

**Region:** Sub-Saharan Africa

**Country:** Uganda

**Environmental Category:** A

**Commitment:** \$100 million  
(A & C Loan)

### Bujagali-02/Bujagali Falls

*IFC, Infrastructure; Received June 2001; Closed January 2005*



A complaint (Bujagali-01/Bujagali Falls) lodged by the National Association of Professional Environmentalists (NAPE) was filed with the CAO in November 2000 before IFC had accepted an Environmental Impact Assessment from the project sponsor, and while IFC was in negotiations with the sponsor regarding some of the issues raised in the complaint. Therefore, the CAO deemed the complaint ineligible for assessment and closed it in December 2000.

This second complaint, also lodged by NAPE, focused on broad issues related to economic viability of the project, cost to low-income consumers, benefit to the people of Uganda, and key issues relating to the guidelines of the World Commission on Dams (WCD) and their application to the Bujagali project. The CAO Ombudsman facilitated a response from IFC, which replied directly to the complainant, to ensure that the Power of Purchase be released by the government.

Other issues raised by the complainant referred directly to the activities of another member of the World Bank Group, the International Development Association (IDA). The CAO suggested that these matters be referred to the Inspection Panel, the independent recourse mechanism for IDA and the International Bank for Reconstruction and Development (IBRD). The complaint also raised issues of corruption and bribery, which were referred to the World Bank's Fraud and Corruption Unit. The CAO closed the complaint in January 2005.

## FY2002 (July 2001–June 2002)

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### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**

Chemplast 10492

**Department:** Oil, Gas, & Chemicals

**Company:** Chemplast

Sanmar Limited

**Sector:** Chemicals

**Region:** South Asia

**Country:** India

**Environmental Category:** A

**Commitment:** \$10 million (Equity) & \$20 million (A loan)

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### PROJECT INFORMATION

**Institution:** MIGA

**Project Name & Number:**

Kahama Mining Corp. Ltd. 3661

**Company:** Barrick Gold

Corp. of Canada

**Sector:** Mining

**Region:** Sub-Saharan Africa

**Country:** Tanzania

**Commitment:** \$56.25 million (Guarantee)

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## INDIA

### Chemplast-01/Cuddalore District

*IFC, Oil, Gas & Chemicals; Received June 2002; Closed January 2005*



CorpWatch India and the Cuddalore District Consumer Federation Council filed a complaint on behalf of communities that would be affected by the project in Cuddalore. The complaint was closed in January 2005 because IFC did not renew the project.

## TANZANIA

### Bulyanhulu Project-01/Kankola

*MIGA, Mining; Received January 2002; Closed January 2005*



The Tanzanian NGO, Lawyers Environmental Action Team (LEAT), filed a complaint on behalf of the Small-scale Miners Committee of Kakola, Tanzania, alleging the mine's operations were not in compliance with World Bank Group standards. The CAO Ombudsman visited the site in March 2002 and found that the available evidence did not indicate that the mine was responsible for the miners' deaths. The CAO Ombudsman also found that claims were exaggerated about the number of people forcibly relocated by the mine at the time of land clearance. On environmental issues, the mine's activities were found to be in line with best practice in the mining industry. The CAO Ombudsman did not trigger a compliance audit, but recommended that the mine, the communities, local civil society organizations, and the government work together to strengthen their partnership, which might lead to greater investment in local communities. The complaint was closed in January 2005.



## UGANDA

### Bujagali-03/Canada

*IFC, Infrastructure; Received July 2001; Closed January 2005*



The complainant, a Ugandan-born Canadian, claimed that the grave of his grandfather and others were located on Dumbell Island, which was to be submerged in the Bujagali Falls reservoir. The complainant alleged that Bujagali Falls in general, and his grandfather's gravesite in particular, were sacred sites that should be preserved, and that the project did not comply with World Bank Group policies regarding burial sites and protection of indigenous culture and traditions. The CAO Ombudsman concluded that the evidence provided by the complainant could not be verified. The complaint was closed in January 2005.

### FY2003 (July 2002–June 2003)

## BOLIVIA

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#### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**

Comsur V 9670

**Department:** Oil, Gas,

Mining, & Chemicals

**Company:** Sinchi Wayra S.A.

**Sector:** Oil, Gas and Mining

**Region:** Latin America & the Caribbean

**Country:** Bolivia

**Environmental Category:** B

**Commitment:** \$10 million

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### Comsur V-01/Bosque Chiquitano

*IFC, Oil, Gas, Mining, & Chemicals; Received June 2003; Transferred to CAO*

*Compliance November 2003; Case closed and compliance review published July 2004*



A complaint was filed by Coordinating Entity for the Ethnic People of Santa Cruz (CPESC), a CSO of representatives from communities in the Bosque Chiquitano. The complaint alleges that during implementation and development of the Don Mario mining project, there was inadequate consideration of the ecological value and sensitivity of the ecosystems, leading to a flawed Environmental Impact Study; that indigenous people in the project area were not adequately consulted or given enough information; that there were no Indigenous People's Development Plans (IPDPs), and no compensation for project impacts despite numerous objections; that the rights of indigenous people were violated, in violation of International Labour Organization (ILO) Convention No. 169 and the Environmental Law of Bolivia; and that appropriate World Bank guidelines were not followed. In July 2003, the CAO Ombudsman investigated and commissioned an independent review of COMSUR to evaluate its capacity for effective management of the social and environmental aspects of operations. The complaint was transferred to CAO Compliance in November 2003 to undertake this review. The review was completed and published in July 2004. The complaint was closed in July 2004.

## CHILE

### Empresa Electrica Pangué S.A.-02/Upper Bio-Bio Watershed

IFC, Infrastructure; Received July 2002; Closed February 2006



CAO with Pehuenche women, Pangué, Chile

In July 2002, a group of Pehuenche women filed a complaint alleging that the Pangué hydroelectric project was adversely impacting indigenous communities and the environment in the Upper Bio-Bio watershed, and that the project was failing to mitigate these impacts. The complaint also stated that the company had not adequately compensated people affected by the project. The CAO assessed the complaint and issued a report in May 2003. With CAO support, the complainants and the project sponsor arrived at an agreement that resolved the compensation issues. At the request of the complainants, the CAO Ombudsman continued to monitor the settlement, and in 2005 and early 2006, worked with local, indigenous organizations to address the broader cultural impacts of the project. A settlement agreement focusing on local development capacity building was finalized in February 2006. The CAO is continuing to monitor implementation of this agreement (see case highlight, pp. 18–19).

## FY2004 (July 2003–June 2004)

## GEORGIA

### Cases Concerning the BTC Pipeline

*The Baku-Tbilisi-Ceyhan (BTC) oil and gas pipeline is a 1,768 km-long crude oil pipeline stretching from the Caspian Sea to the Mediterranean Sea. It is the second longest oil pipeline in the world and passes through Azerbaijan, Georgia, and Turkey. IFC has invested \$250 million since 2003 and the total project cost is approximately \$3.6 billion. The project is operated by BTC Co., which comprises a consortium of 11 partners. As of 2010, the CAO has received 32 complaints in relation to the project, ranging from individuals to communities to local organizations—mostly from Georgia.*

*Complaints lodged with the CAO regarding the BTC Pipeline project in December 2003 (BTC Pipeline-01/Switzerland), March 2004 (BTC Pipeline-03/Switzerland), and May 2004 (BTC Pipeline-04/Switzerland and BTC Pipeline-05/Rustavi City) were not deemed eligible for assessment.*

**PROJECT INFORMATION****Institution:** IFC**Project Name & Number:**Baku Tbilisi-Ceyhan Pipeline  
11251**Department:** Oil, Gas,  
Mining, & Chemicals**Company:** Baku Tbilisi-  
Ceyhan Pipeline**Sector:** Oil, Gas and Mining**Region:** Europe & Central  
Asia**Country:** Georgia, Turkey  
and Azerbaijan**Environmental Category:** A**Commitment:** \$125 million  
(A loan) \$125 million (B loan)**BTC Pipeline-02/Rustavi***IFC, Oil, Gas, Mining, & Chemicals; Received March 2004; Closed April 2004*

Residents of subdistricts 18 and 19 in Rustavi, Georgia filed a complaint alleging they were not informed that the pipeline would pass within 250 meters of their homes until after construction had begun. They also raised issues about pipeline safety and the effects of construction and traffic vibration on their homes and apartment buildings. BTC Co. increased engagement with this community and some concerns were resolved. The CAO closed the case in April 2004.

**BTC Pipeline-06/Bashkovi***IFC, Oil, Gas, Mining, & Chemicals; Received May 2004; Closed February 2005*

An individual filed a complaint in May 2004, claiming to have lost significant income from his apiary because vegetation was removed from a pipeline right-of-way during construction. The complainant alleged he should have been provided with assistance to move his bees at least 7 km from the pipeline route. BTC Co. rejected the claim as being outside the physical boundary of claims qualifying for compensation and was unwilling to reopen negotiations on this case—despite claimant's request for special consideration. The CAO closed the complaint in February 2005.

**BTC Pipeline-07/Dgvari***IFC, Oil, Gas, Mining, & Chemicals; Received May 2004; Closed February 2005*

Residents of Dgvari village filed a complaint alleging that BTC Co. did not assess the effects of pipeline construction in the area, a severe landslide zone, and as a result, was unable to determine adequate mitigation measures. An ombudsman assessment found it unlikely that pipeline construction would change the landslide risk to Dgvari, based on BTC Co. studies demonstrating its landslide risk mitigation in the region. The CAO closed the complaint in February 2005.

**BTC Pipeline-08/Sagrasheni***IFC, Oil, Gas, Mining, & Chemicals; Received May 2004; Closed February 2006*

See summary of BTC Pipeline complaints 15–20 under FY2005, pp. 112–13.

**BTC Pipeline-09/Tetrtskaro***IFC, Oil, Gas, Mining, & Chemicals; Received May 2004; Closed February 2005*

An individual filed a complaint alleging that his telephone line and a wall surrounding his property were damaged by construction trucks. He also alleged that the movement of heavy trucks along the street adjacent to his house damaged water pipes. The parties were unwilling to negotiate a settlement, and the CAO believed no further progress could be made with this complaint. The CAO closed the complaint in February 2005.

**BTC Pipeline-10/Tetrtskaro***IFC, Oil, Gas, Mining, & Chemicals; Received May 2004; Closed January 2007*

See summary of BTC Pipeline complaints 15–20 under FY2005, pp. 112–13.

**BTC Pipeline-11/Tsikhisjvari***IFC, Oil, Gas, Mining, & Chemicals; Received May 2004; Closed June 2006*

The complainant, a landowner, filed a complaint alleging that sponsors' trucks and other vehicles drove across his pasture, using it as a short-cut road. He was promised compensation but did not receive it. The company was unwilling to negotiate a settlement, and the CAO believed no further progress could be made to resolve the complaint. The CAO closed the complaint in June 2006.

**BTC Pipeline-12/Tba, Tsemi, and Sadgeri***IFC, Oil, Gas, Mining, & Chemicals; Received May 2004; Closed January 2005*

Three villages in the Borjomi district submitted complaints that raised issues about pipeline construction affecting village water supplies and the potential impact of oil spills and pipeline sabotage on agriculture and tourism. The complaints also charged that BTC Co. provided no or insufficient communication related to the pipeline. BTC Co. installed a new domestic water system to serve the three villages. The CAO closed the case in January 2005. However, Tsemi village filed a subsequent complaint (see BTC Pipeline-22/Tsemi in the FY2005 section, p. 113) alleging continued problems with domestic drinking water.

## ZAMBIA

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### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**

Konkola Copper Mines Plc  
(KCM) 8570

**Department:** Oil, Gas,  
Mining, & Chemicals

**Company:** Konkola Copper  
Mines Plc

**Sector:** Oil, Gas and Mining

**Region:** Sub-Saharan Africa

**Country:** Zambia

**Environmental Category:** A

**Commitment:** \$30 million  
(Equity)

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### Konkola Copper Mines Plc (KCM)-01/Ming'omba and Kawama

*IFC, Oil, Gas, Mining, & Chemicals; Received July 2003; Closed January 2005*



The CAO received a complaint in July 2003 from a local CSO, Citizens for a Better Environment (CBE), on behalf of people in Ming'omba and Kawama, who were involuntarily resettled as a result of mining operations. The complaint alleged that because of Anglo Gold's exit from the Konkola Copper Mine (KCM), IFC prematurely abandoned the project before full implementation of the Resettlement Action Plan (RAP), in violation of its own safeguard policies. The complaint also alleged that IFC did not consult or publicly disclose to the affected communities its decision to exit the project and the Resettlement Action Plan, contradicting its policy on public consultations and disclosure. The CAO Ombudsman found that neither IFC's operational procedures nor its investment and subscription agreements obligated it to remain engaged in the environmental and social performance of KCM after its exit as an investor and shareholder. However, at the time of exit, IFC did engage with KCM to help it continue its environmental and social programs and to ensure completion of the Resettlement Action Plan. The CAO Ombudsman recommended no further action on the complaint, but did advise that the resettlement should include coordination, partnership, patience, and creativity, and that IFC should find sources of technical support for KCM to increase capacity to fulfill its social agenda. IFC reported it had exited the project with many environmental and social commitments incomplete, but indicated that its involvement had led to considerable improvements in environmental and social conditions, as compared to before its investment. The CAO closed the case in January 2005.

## FY2005 (July 2004–June 2005)

## BOTSWANA

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### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**

Kalahari Diamond 20426

**Department:** Oil, Gas,  
Mining, & Chemicals

**Company:** Kalahari Diamond  
Resources PLC

**Sector:** Oil, Gas and Mining

**Region:** Sub-Saharan Africa

**Country:** Botswana

**Environmental Category:** B

**Commitment:** \$2 million  
(Equity)

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### Kalahari Diamond-01/Kalahari

*IFC, Oil, Gas, Mining, & Chemicals; Received November 2004; Closed June 2006*



San people representing the group First People of the Kalahari, Botswana, filed a complaint in November 2004 regarding a proposed diamond mine, alleging they were illegally evicted from their traditional hunting grounds because of the project. The CAO Ombudsman assessed the complaint in January 2005 and found that the San people had been displaced under a policy of the Government of Botswana unrelated to the diamond exploration activities. The CAO Ombudsman released a preliminary Assessment Report in March 2005, which observed that the mine did not appear to be invasive or disruptive to the San's traditional hunting and gathering way of life. After receiving feedback from the complainants, project sponsors, and IFC, the CAO revised the Assessment Report, which was released in June 2005. The complaint was closed in June 2006.

**PROJECT INFORMATION****Institution:** IFC**Project Name & Number:**

Amaggi Expansion 22561

**Department:** Agribusiness**Company:** Amaggi Exportação e Importação Limitada**Sector:** Agriculture and Forestry**Region:** Latin America & the Caribbean**Country:** Brazil**Environmental Category:** B**Commitment:** \$30 million (A loan)**BRAZIL****Amaggi Expansion-01/IFC Executive Vice President Request***IFC, Agribusiness; Requested November 2004; Case closed and compliance audit published June 2005*

In November 2004, the Executive Vice President of IFC asked the CAO to audit IFC's environmental categorization of a soybean investment—Grupo André Maggi Participações Limitada, or “Amaggi”—located in the Brazilian state of Mato Grosso. The audit was published in June 2005.

**GEORGIA****BTC Pipeline-13/Tsalka***IFC, Oil, Gas, Mining, & Chemicals; Received July 2004; Closed May 2005*

The complainants, individuals from the village of Tsalka, alleged that a pipeline construction work camp in their village caused multiple instances of flooding of homes and outbuildings because of an increase in impermeable surfaces and lack of adequate storm water management during BTC Co. work camp construction. The CAO found that BTC Co. and its subcontractor, Spie-Capag and Petrofac Joint Venture (SPJV), had responded to some of the complainants' concerns, had provided some compensation to individuals, and had made some repairs to municipal roads and ditches. The CAO recommended that the complaint process be streamlined by BTC Co. and SPJV. The CAO closed the complaint in May 2005.

**BTC Pipeline-14/Vale***IFC, Oil, Gas, Mining, & Chemicals; Received August 2004; Closed December 2005*

An individual filed a confidential complaint regarding land compensation. BTC Co. and the complainant agreed to a settlement facilitated by the CAO and Georgia Young Lawyers Association. The complaint was closed in December 2005.

**BTC Pipeline-15/Tetrtskaro****BTC Pipeline-16/Tetrtskaro****BTC Pipeline-17/Tadzrisi**

CAO at Tadzrisi, Georgia

**BTC Pipeline-18/Tetrtskaro**



**BTC Pipeline-19/Atskuri**



**BTC Pipeline-20/Atskuri**



Water pipe installed after CAO process, Tsemi, Georgia

*IFC, Oil, Gas, Mining, & Chemicals: In fiscal years 2004 and 2005, the CAO received eight complaints, each alleging cracks to homes and buildings as a result of vibration from BTC Co.'s construction traffic and blasting. Complaints 15, 16, 17, and 18 were filed in December 2004. Complaints 19 and 20 were filed in May 2005. Complaints 15, 16, 18, 19, and 20 (along with BTC Pipeline-08/Sagrasheni, filed in FY2004) were closed in February 2006. Complaint 17 (along with BTC Pipeline-10/Tetrtskaro, filed in FY2004) was closed in January 2007.*

The CAO grouped all eight complaints together since they involved similar technical issues. A series of negotiations between BTC Co. and the communities resulted in an independent technical analysis of the methods BTC Co. used to assess construction-related vibrations and the risks to buildings along the right-of-way. The independent consultant's report concluded that while BTC Co.'s methods for assessing vibration risks did not meet international standards, the observed cracks in buildings were unlikely to have been caused by construction vibration. Six complaints were closed in February 2006: Atskuri (two complaints), Tetrtskaro (three complaints), and Sagrasheni. Two other complaints, in Tetrtskaro and Tadzrisi, were closed January 2007, after a settlement agreement was reached between the parties.

**BTC Pipeline-22/Tsemi**

*IFC, Oil, Gas, Mining, & Chemicals; Received June 2005; Closed January 2007*



Residents from Tsemi Village in the Borjomi region filed a complaint in June 2005 seeking compensation for impacts to the village's drinking water supply and a consequent drop in tourism during the summers of 2004 and 2005. The impact occurred during construction of a BTC pipeline right-of-way, when topsoil from the project washed into the spring that serves as the domestic water supply for Tsemi and three other villages. BTC Co. acknowledged the problem and constructed a new head facility, but the delivery system into Tsemi village continued to impact the water. In December 2005, a CAO team met with the complainants and BTC representatives and facilitated a settlement among the parties. In December 2006, the CAO Ombudsman received a copy of a letter to BTC Co., signed by complainants from Tsemi, confirming that the terms of the agreement had been met. Following receipt of the letter, the CAO confirmed the authenticity of the letter with the complainants and company, and closed the complaint in January 2007.

**BTC Pipeline-23/Tsemi***IFC, Oil, Gas, Mining, & Chemicals; Received June 2005; Closed August 2006*

An individual from Tsemi Village alleged that his hay was damaged because of construction traffic and that BTC Co.—in assessing the claim—took the only copy of his land ownership documents for review and lost them. BTC Co. rejected the allegation of damaged hay and was unwilling to engage with the CAO or the complainant to resolve it. The CAO made a series of inquiries to help resolve the issue of the land ownership documents. BTC Co. responded that it does not have the documents. The CAO encouraged the CSO representing the complainants to pursue the matter through local government records offices to secure a copy of the documents. The complaint was closed in August 2006.

**GUATEMALA****Marlin-01/Sipacapa***IFC, Oil, Gas, Mining, & Chemicals; Received January 2005; Closed May 2006***PROJECT INFORMATION****Institution:** IFC**Project Name & Number:**

Marlin 21766

**Department:** Oil, Gas,  
Mining, & Chemicals**Company:** Montana  
Exploradora de Guatemala  
S.A.**Sector:** Oil, Gas and Mining**Region:** Latin America & the  
Caribbean**Country:** Guatemala**Environmental Category:** A**Commitment:** \$45 million

A CSO representing indigenous people from the municipality of Sipacapa filed a complaint in January 2005, alleging that the Marlin gold mine would harm local water supply quality and quantity, harm the environment, and cause negative social impacts. The complainant also alleged that indigenous residents were not adequately consulted about the project. During its assessment of the complaint, the CAO Ombudsman met with the IFC project team, visited the project area in April 2005, conducted a desk review of project documentation, and commissioned an independent technical review of the project's environmental documentation. An Assessment Report was released in September 2005. The CAO Ombudsman conducted two follow-up missions, one in October 2005 and the other in early 2006, and released a report. The CAO closed the complaint in May 2006 and requested that the parties monitor and report on the implementation of the CAO recommendations.



CAO team on assessment trip,  
Marlin project, Guatemala



## INDIA

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### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**

AD Hydro Power Limited  
11632

**Department:** Infrastructure

**Company:** AD Hydro Power  
Limited

**Sector:** Utilities

**Region:** South Asia

**Country:** India

**Environmental Category:** A

**Commitment:** \$45 million (A  
+ C loan)

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### AD Hydro Power Limited-01/Himachal Pradesh

*IFC, Infrastructure; Received October 2004; Monitoring of agreement concluded March 2008; Closed March 2008*



In October 2004, a complaint was filed by village residents of Himachal Pradesh concerning the diversion of the Duhangan River by Allain Duhangan Power Company Ltd. (AD Hydro). The project was supported by IFC with commitment of \$7 million in equity in 2005, and approximately \$46 million in debt in 2006. In 2008, IFC was expected to invest an additional \$32.75 million in the form of an A loan and an additional \$9.25 million in equity. The complainants feared the diversion of the river would dry up village water supplies. They also raised questions about the completeness of the Environmental and Social Impact Assessment (ESIA) and the extent to which the sponsor would fulfill its commitments regarding social and environmental protection, and local developmental benefits.

The CAO Ombudsman facilitated an initial agreement between the parties in March 2005. However, the community made further complaints to the CAO in late 2005 and June 2006 that these agreements had not been kept. Subsequently, the CAO conducted two field visits in July and October 2006 to provide capacity-building support to the parties to help reach a mutually satisfactory conclusion.

In response to the complaint, the sponsor has provided new water infrastructure to communities. In addition, the sponsor makes monthly progress reports to communities on a commitments register prepared by the CAO and based on the original ESIA. After monitoring more than six months of reports and receiving periodic supervision reports from IFC, the CAO ended its involvement in the case and released a conclusion report in March 2008.

## KAZAKHSTAN

### Cases Concerning the Lukoil Overseas Project

*The Lukoil Overseas Project is an IFC-financed investment in the Karachaganak Oil and Gas Condensate Field in the Western Kazakhstan Oblast. The field was purchased by the consortium, Karachaganak Petroleum Operating B.V. (KPO) (then "Karachaganak Integrated Operating") in 1998 to develop the fields and double crude oil and condensate production. Lukoil's share of project costs is \$575 million and IFC provided \$150 million in loans. The CAO received three complaints concerning this project, one in fiscal year 2005, one in fiscal year 2006, and one in fiscal year 2008.*



CAO assessment meeting, Allain Duhangan hydro project, Himachal Pradesh, India

**PROJECT INFORMATION****Institution:** IFC**Project Name & Number:**

Lukoil Overseas 9953

**Department:** Oil, Gas,  
Mining, & Chemicals**Company:** Lukoil Overseas  
Karachaganak B.V.**Sector:** Oil, Gas and Mining**Region:** Europe & Central  
Asia**Country:** Kazakhstan**Environmental Category:** A**Commitment:** \$50 million  
(A), \$75 million (B) & \$25  
million (C) loans**Lukoil Overseas-01/Berezovka***IFC, Oil, Gas, Mining, & Chemicals; Received September 2004; Compliance audit released March 2008; Audit closed April 2009*

In September 2004, Crude Accountability, an NGO based in the United States, lodged a complaint with the CAO on behalf of residents of Berezovka. The complainants, who are seeking relocation of the village, raised concerns about the health and well-being of Berezovka residents related to air emissions and quality of drinking water.

CAO's Assessment Report was completed in April 2005 and found that health and air quality data not made available previously ought to be released to the public and that without baseline data, it is difficult to distinguish the health and environmental effects of the current project from those unrelated problems caused previously. In February 2006, the CAO released a progress report that recommended a process for establishing a multiparty monitoring initiative. Both parties' responses indicated their lack of willingness to engage in a collaborative process. Therefore, in August 2006, the case was transferred to CAO Compliance for appraisal for audit.

In an Appraisal Report, April 2007, CAO Compliance determined that issues related to emissions to air satisfied the requirements for further investigation in the form of an audit of IFC. The CAO deemed that other issues related to water quality and relocation did not fulfill the audit criteria.

In its Audit Report, completed in April 2008, the CAO found IFC to be out of compliance on issues related to how IFC assured itself that emissions to air from the Karachaganak Project complied with IFC requirements. The CAO continued to monitor actions by IFC in order for the CAO to assure itself that IFC would fulfill its compliance obligations. In January 2009, Lukoil ended its contractual obligations to IFC by prepaying its outstanding balance and therefore ending IFC's obligations to assure itself of project performance. Nevertheless, IFC remained concerned, and engaged directly with the project to verify compliance.

Following a site visit by CAO's audit team in January 2009, a monitoring report was issued, which listed the issues related to the project's performance reporting that remained outstanding: reporting of stack emissions, completeness of ambient air quality monitoring programs, and adequacy of the selection of ambient air quality monitoring sites. In January 2009, the project committed to an action plan that, if adhered to, would resolve outstanding issues related to the project's performance. By April 2009, the CAO had received confirmation that the project had adhered to the action plan. The issues related to IFC's assurance process, however, remained unaddressed. Nevertheless, since the noncompliances related to the project performance had been addressed by the project and IFC's client had ended its contractual relationship, the CAO closed the audit, leaving the issues related to IFC's assurance process unaddressed.



CAO with residents of Berezovka,  
Kazakhstan

## PERU

### Compañía Minera Antamina S.A.-02/Huarmey

*MIGA, Mining; Received June 2005; Closed May 2006*



CAO mediator Antonio Bernales with complainants at Huarmey, Peru

In May 2005 a local union chapter of the Federation of Peruvian Fishermen and a CSO, Life and Environmental Impacts, filed a complaint claiming that the port facilities of the Antamina copper and zinc mine (a project guaranteed by MIGA) were harming the marine environment of Huarmey Bay. In November 2005, the CAO visited Huarmey to help parties identify steps toward resolution. The CAO also contracted an independent hydrologist to conduct a technical review of the potential impacts on the marine environment of the bay and groundwater sources near the town of Huarmey. In March 2006, the CAO returned to Huarmey to release the Assessment Report and results of the technical review. Although the technical assessment found no significant impacts from Antamina's operations on the marine environment, other issues regarding groundwater and information disclosure emerged during investigations by the independent hydrologist. The complaint was closed in May 2006. At the request of the parties, the CAO Ombudsman returned to Huarmey in July 2006 to facilitate a workshop to assist the parties in designing a more collaborative approach for addressing issues of joint concern, including strategies for wastewater storage and treatment, and systematic approaches to data and information sharing.

## TURKEY

### BTC Pipeline-21/Posof

*IFC, Oil, Gas, Mining, & Chemicals; Received June 2005; Closed July 2005*



At the request of the complainants, this confidential complaint relating to land compensation was closed in July 2005, before the CAO could determine whether it was eligible for assessment.

## FY2006 (July 2005–June 2006)

### DEMOCRATIC REPUBLIC OF CONGO

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#### PROJECT INFORMATION

**Institution:** MIGA

**Project Name & Number:**

Anvil Mining Congo, SARL  
5054

**Company:** RBM International  
(Dublin) Limited

**Sector:** Mining

**Region:** Sub-Saharan Africa

**Country:** Democratic  
Republic of Congo

**Commitment:** \$13.6 million  
(Guarantee)

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#### Anvil Mining Congo, SARL-01/World Bank President Request

*MIGA, Mining; Requested July 2005; Case closed and compliance audit published February 2006*



In July 2005, the President of the World Bank Group requested the CAO to audit MIGA's due diligence for the Dikulushi Copper-Silver Mining Project in Katanga Province of the Democratic Republic of the Congo. A key issue addressed by the audit related to MIGA's due diligence with respect to security and human rights. The audit was completed in February 2006.

### GEORGIA

*Complaints lodged with the CAO regarding the BTC Pipeline project in August 2005 (BTC Pipeline-24/Vale and BTC Pipeline-25/Vale) were not deemed eligible for assessment and were closed in September 2005.*

#### BTC Pipeline-26/Krtsanisi

*IFC, Oil, Gas, Mining, & Chemicals; Received December 2005; Case closed and compliance appraisal published April 2007*



CAO received a complaint in December 2005 from residents of Krtsanisi over issues related to air pollution, water access, pipeline safety, participation, relocation, and compensation. BTC Co. was unwilling to negotiate the issues through a CAO ombudsman process, and in June 2006 the complaint was transferred to the CAO compliance function for appraisal. CAO Compliance determined that the issues did not meet the criteria for an audit. The appraisal was completed and published in April 2007. Both the appraisal and the complaint are closed.

#### BTC Pipeline-27/Tbilisi

*IFC, Oil, Gas, Mining, & Chemicals; Received June 2006; Case closed and compliance appraisal published April 2007*



The CAO received a complaint in June 2006 from a land user who asserted that a land compensation package from BTC Co. did not accurately reflect the true value of his land and that BTC Co. unfairly restricted his access to the land. The CAO Ombudsman was unable to help the parties negotiate an agreement and transferred

the case in September 2006 to the CAO compliance function for appraisal. CAO Compliance determined that the issues did not meet the criteria for an audit. As a result the case was closed and the appraisal decision made public in April 2007.

## INDIA

### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**

Atul Ltd 20509

**Department:** Oil, Gas,  
Mining, & Chemicals

**Company:** Atul Limited

**Sector:** Chemicals

**Region:** South Asia

**Country:** India

**Environmental Category:** B

**Commitment:** \$7.5 million  
(Equity) & \$15 million (A loan)

### Atul Ltd.-01/Gujarat

*IFC, Oil, Gas, Mining, & Chemicals; Received June 2006; Closed June 2007*



A complaint was lodged by the Brackish Water Research Information Center, a CSO in Gujarat, claiming that the chemical manufacturing project did not provide access to environmental and social documentation. In an agreement facilitated by the CAO Ombudsman, the company agreed to provide environmental and social documentation to the CSO. The complainants confirmed to the CAO Ombudsman that they were satisfied with the information provided. The CAO closed the complaint in June 2007.

## PERU

### Yanacocha-03/Cajamarca Department

*IFC, Oil, Gas, Mining, & Chemicals; Received March 2006; Closed August 2006*



In March 2006, the CAO received a petition for assistance from 30 canal users who jointly submitted a request for CAO assistance in obtaining information about the current and potential impact of mining on the quantity of water in their canals, rivers, and mountain streams. The petition expressed satisfaction with the collaborative water quality work that stemmed from CAO's four-year dialogue process in Cajamarca, and a desire to continue this type of work through an independent organization such as the CAO. In July 2006, the CAO Ombudsman facilitated an information-sharing workshop with the canal users and representatives from the mine's technical water/environmental staff. During the workshop, the mining company committed to distribute the final version of an area-wide hydrology report to canal users that would contain information responding to their concerns. The CAO concluded its involvement in the case in August 2006 (see pp. 53–54).



Water sampling at local canals,  
Cajamarca, Peru

## URUGUAY

### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**

Celulosas de M'Bopicua  
23681

**Department:** Global  
Manufacturing & Services

**Company:** Empresa  
Nacional Celulosa Espana

**Sector:** Pulp & Paper

**Region:** Latin America & the  
Caribbean

**Country:** Uruguay

**Environmental Category:** A

**Commitment:** \$50 million (A  
Loan) & \$150 million (B Loan)

### Celulosas de M'Bopicua (CMB) & Orion-01/Argentina and Uruguay

*IFC, Global Manufacturing and Services; Received September 2005; Case closed and compliance audit published March 2006*



More than 39,000 people in Argentina and Uruguay signed a complaint in 2005 claiming that proposed IFC and MIGA investments in two pulp mills in Uruguay—the Celulosas de M'Bopicua (CMB) and Orion mills—posed serious environmental and social risks. The CAO assessed the complaint for opportunities to negotiate a settlement. The CAO's preliminary Assessment Report was distributed to stakeholders, and the CAO Vice President triggered a compliance audit. The audit report was publicly disclosed and the case closed in March 2006.

### FY2007 (July 2006–June 2007)

## GEORGIA

### BTC Pipeline-29/Tsalka

*IFC, Oil, Gas, Mining, & Chemicals; Received August 2006; Closed July 2007*



BTC Co. made a settlement offer to a landowner who filed a complaint in July 2006 regarding BTC Co.'s methods for calculating the value of his leased land, BTC Co.'s restoration efforts on the land, and BTC Co.'s adherence to the Resettlement Action Plan. The complainant received some compensation from the sponsor, but contended for several years that the payments were inadequate and did not meet the terms of BTC Co.'s legal obligations. On May 25, 2007, the CAO facilitated a meeting between the parties in Tbilisi, during which a full and final compensation offer was made to the complainant. After a series of negotiations between the parties, a final settlement agreement was reached in May 2007 at a meeting facilitated by the CAO in Tbilisi. The parties agreed not to disclose the terms of the settlement. The CAO closed the complaint in July 2007.

CAO meeting with communities, Georgia



## INDIA

### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**

Mahindra Farm Services

11230

**Department:** Agribusiness

**Company:** Mahindra

Shubhlabh Services Limited

**Sector:** Agriculture and

Forestry

**Region:** South Asia

**Country:** India

**Environmental Category:** B

**Commitment:** \$2.2 million

(Equity)

### Mahindra Farm Services-01, 02, 03, 04/Confidential

IFC, Agribusiness; Received October 2006–March 2007; Transferred to CAO Compliance for appraisal; Closed June 2008



The Mahindra ShubhLabh Services, Ltd. (MSSL) project was intended as an agricultural services project in multiple states of India, focused on increasing agricultural productivity through both private sector extension services and agricultural inputs. IFC approved the project in 2002 and has since invested \$2.2 million in equity.

Between October 2006 and March 2007, the CAO received four separate complaints regarding the project. The complaints, from northern and southern India, claim that the sponsor's business practices led to a loss of livelihood for franchisees of the company's Agricultural Service Centers (ASCs), and to loss of income for the numerous farmers who the ASCs were intended to serve. Today, the company is no longer developing ASCs. It has shifted its business instead to the retail sale of agrichemicals—some of which the complainants believe are environmentally hazardous rather than eco-friendly, as the original IFC-supported project committed. Following an assessment of the four cases and a negotiated process with all the parties, the CAO Ombudsman was unable to help them agree on a strategy for resolving the complaint. This was due to differences of opinion in how the cases should be closed. MSSL requested they be settled through arbitration, while the complainants requested a mediated approach.

In March 2008, in accordance with CAO Operational Guidelines, the four complaints were transferred to CAO Compliance for appraisal to determine whether an audit of IFC was merited. The appraisal determined that nondelivery of potential positive financial outcomes for the ASCs could not to be defined as loss of livelihood (adverse social impacts). However, the appraisal also raises questions about whether small businesses that signed the franchise agreements may have been misled by project projections and/or whether they fully understood the commercial implications of the project—and IFC's leverage in this matter. This could not be answered by an audit of the project's social and environmental outcomes. Consequently, the CAO closed the case in June 2008.



The CAO team visiting Agricultural Service Centers as part of its Mahindra assessment, India

## KAZAKHSTAN

### Lukoil Overseas-02/Berezovka

IFC, Oil, Gas, Mining, & Chemicals; Received April 2007; Compliance appraisal released January 2008; Closed January 2008



In April 2007, the CAO received a second complaint regarding the Lukoil Overseas project. Filed by the NGO, Green Salvation, on behalf of residents of Berezovka, the complaint alleges violations by the sponsor and government of national and environmental protection laws and international covenants, with implications for

relocation of villagers due to concerns about air quality and community health and safety. The CAO Ombudsman concluded that the parties were not willing to seek collaborative resolution of the issues, and the case was transferred to CAO Compliance for appraisal in November 2007. The compliance appraisal concluded that issues related to resizing of the sanitary protection zone and relocation of villagers did not fulfill the criteria for an audit of IFC. However, the issue related to air emissions and violations of IFC policy provisions did fulfill the CAO's criteria for further investigation in the form of an audit. Due to the similarity of the issues, CAO Compliance referred the complainant to its ongoing audit of IFC in relation to Kazakhstan/Lukoil Overseas-01/Berezovka (see p. 116) and closed this appraisal in January 2008.

## TURKEY

### BTC Pipeline-28/Adana & Ceyhan

*IFC, Oil, Gas, Mining, & Chemicals; Received July 2006; Closed February 2007*



In July 2006, a Turkish CSO filed a complaint on behalf of fishermen in the Ceyhan Bay, alleging negative economic impacts to fishermen who BTC Co. had failed to identify as project-affected people. The CAO encouraged a meeting between BTC Co.'s social and environmental specialist, the CSO, and the fishermen to discuss the issues. In September and December 2006, meetings between the company and the CSO were reportedly held. After multiple attempts to contact the CSO for a report on the outcome of those discussions and the status of their complaint, the CSO failed to respond. The CAO informed the parties in advance of its intent to close, and did so in February 2007.

## FY2008 (July 2007–June 2008)

## ECUADOR

### PROJECT INFORMATION

**Institution:** MIGA

**Project Name & Number:**  
International Water Services  
Guayaquil Interagua C. Ltda.  
3901

**Department:** Agribusiness

**Company:** International Water  
Services (Guayaquil) B.V.

**Sector:** Water and Wastewater

**Region:** Latin America & the  
Caribbean

**Country:** Ecuador

**Commitment:** \$18 million  
(Guarantee)

### Interagua-01/Guayaquil

*MIGA; Received January 2008; Ombudsman assessment is ongoing; Open*



International Water Services Project Guayaquil ("Interagua") was supported by an \$18 million MIGA guarantee in 2001. The company aims to improve services and operating performance of the existing water utility in Guayaquil, Ecuador, as a private sector operator. It is regulated by a government agency under the terms of a concession contract that sets out targets for quality of water provision, connections of potable water and sewage, and service coverage.

A complaint was filed in January 2008 by residents of the city of Guayaquil, the Asociacion Movimiento Mi Cometa, and the Observatorio Ciudadano de Servicios Publicos. The signatories raised concerns about cuts of residential water to the poor,





Parties signing agreements, Guayaquil, Ecuador

lack of service hook-ups in poorer neighborhoods, lack of sewage or wastewater treatment, and compliance with the concession contract between the company and the Government of Ecuador.

Following an ombudsman assessment, the parties agreed to continue working together to try and resolve the issues. In October 2008, an Ombudsman team met with the parties in Guayaquil immediately following passage of a Constitutional Referendum that prohibits all forms of water privatization in Ecuador. Although passage of the referendum satisfied most of the complainants' concerns, they requested continued engagement with CAO Ombudsman to resolve 3,533 complaints that water users have submitted to the NGO during the past several years. As a result of the October 2008 meeting, the parties worked together and reached a series of agreements—in November 2008, February 2009, and May 2009—toward resolving the 3,533 cases and addressing additional concerns.

The agreements include options for forgiveness of certain water users' cumulative debts, an awareness campaign to inform senior citizens about the payment programs available to them, improvements to Interagua's community participation and customer relations services, and establishment of a participatory grievance mechanism.

Progress toward implementation of those agreements is reported and discussed by stakeholders at a formal Dialogue Table that meets regularly and includes representatives of water users, the company, and the NGO that filed the complaint on behalf of the water users. The last Dialogue Table meeting was held in February 2010 to review progress and lessons learned from a Conflict Resolution Table established by the stakeholders. The parties are jointly piloting the Conflict Resolution Table, which ultimately will serve as a permanent mechanism for individuals to resolve issues with their water service. As of June 30, 2010, the case was open.

## GEORGIA

### **BTC Pipeline-30/Vale**

*IFC, Oil, Gas, Mining, & Chemicals; Received August 2007; Monitoring of agreement concluded; Closed October 2009*



The CAO received a complaint on August 20, 2007 from landowners in Vale, Georgia regarding the Baku Tbilisi-Ceyhan (BTC) oil and gas pipeline project. The complaint alleges that BTC Co. did not fulfill specific commitments regarding land compensation or implement promised participatory monitoring programs to assess the pipeline's impacts on residents' land and crops. After a six-month negotiation, the parties agreed that following the spring 2009 planting season, they—together with BTC representatives—would jointly monitor the crop yield in September 2009 and determine whether compensation should be paid to the complainant. In September the parties met for the joint monitoring, and both sides recently reported that a compensation package was agreed and paid to the complainants. The CAO has confirmed the validity of the final agreements and formally closed the complaint in October 2009.



Farming land in Vale, Georgia

### **BTC Pipeline-31/Naokhrebi**

*IFC, Oil, Gas, Mining, & Chemicals; Received February 2008; Transferred to CAO Compliance June 2008; Closed after compliance appraisal, November 2008*



On February 28, 2008, the CAO received a complaint filed on behalf of villagers in Naokhrebi, Akhalsikhe District, lodged by two representatives: the head of a community association called Pobresi, and a legal representative of the population. The complaint raises issues about residents' land rights and describes a long-running dispute over registration of lands and implementation of a purchase agreement.

On March 5, 2008, the CAO determined the complaint met its eligibility criteria for further assessment. In April, the CAO traveled to Naokhrebi to work with the parties and discuss options for resolution.

The dispute involves the villagers' claim that they were never compensated for land purchased from the state by BTC Co. for the construction and permanent operation of a gas treatment facility. BTC Co. claims it purchased the land legally and at fair market price from the appropriate Georgian government authorities, whose maps and pre-purchase documentation confirmed the land was state-owned and not in use for agricultural or other purposes. Complainants have been disputing the terms of the purchase agreement for three years, saying they are the rightful owners and users of the land. During the CAO's visit, the complainants produced maps and other land ownership documents that they say contradict BTC Co.'s assertion.

The case is currently being considered in the Georgian courts. The complainants had requested that the CAO Ombudsman assist them in making an out-of-court settlement offer to resolve the matter, which the CAO drafted and presented to BTC Co. during the April 2008 assessment trip. BTC Co. declined the offer on the grounds that the case would set a precedent for similar claims that they believe have no merit, or that they underscore a lack of accountability within the Georgian government.

As a result of BTC Co.'s unwillingness to pursue a negotiated settlement through the CAO Ombudsman, the Naokhrebi complaint was transferred to CAO Compliance for appraisal to determine whether an audit is warranted. CAO Compliance concluded that the case did not merit an audit and closed the case in November 2008.



Community members from Naokhrebi, Georgia

## INDIA

*Complaints lodged with the CAO regarding Ramky in August 2005 (Ramky-01/Gummidipoondi) and September 2005 (Ramky-02/Mumbai) were not deemed eligible for assessment.*

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### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**  
Ramky Infrastructure 23966

**Department:** Infrastructure

**Company:** Ramky  
Infrastructure Ltd.

**Sector:** Construction and Real  
Estate

**Region:** South Asia

**Country:** India

**Environmental Category:** B

**Commitment:** \$3 million  
(Equity)

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### Ramky-03/Gummidipoondi

*IFC, Infrastructure; Received October 2007; Transferred to CAO Compliance for appraisal March 2008; Closed June 2008*



A complaint signed by residents of the village of Gummidipoondi, southern India, and the NGO, Corporate Accountability Desk, was filed with the CAO in October 2007. The complaint related to an integrated hazardous waste treatment facility operated by the Ramky Group in the State Industries Promotion Corporation of Tamil Nadu (SIPCOT) Limited Industrial Area near Gummidipoondi. As of January 2008, IFC publicly stated it had invested \$20 million in the Ramky Group for various activities, including the SIPCOT facility. Complainants stated that the local community did not give statutory permissions to the company to proceed, and the local elected assembly, the Panchayat, issued resolutions against the project. In addition, the complainants say an incomplete ESIA was presented at public hearings for the project, which they believe violates municipal laws and IFC regulations.

In March 2008, after consultation with the principal parties, the CAO Ombudsman concluded that the complaint was not amenable to resolution through a negotiated process. The case was transferred to CAO Compliance for appraisal to determine whether the case merited an audit of IFC. The appraisal disclosed that IFC recently restructured its involvement with the client and is now engaged only with Ramky Infrastructures Limited, a construction company not involved in the solid or hazardous waste sector. IFC never invested in a Ramky company that was involved with the hazardous waste site near Gummidipoondi village. This raised the issue of nondeliverance of promised development outcome, but since there is no link between IFC's involvement and the site near Gummidipoondi, the CAO compliance appraisal concluded that the case did not merit an audit of IFC, and the case was closed in June 2008.



CAO meeting with civil society in  
Kolkata, India

## INDONESIA

### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**

Wilmar Group 25532 & 26271

**Department:** Agribusiness

**Company:** Wilmar Trading

Pte. Ltd.

**Sector:** Agriculture and

Forestry

**Region:** East Asia & the

Pacific

**Country:** Indonesia

**Environmental Category:** C

**Commitment:** \$33.3 million

(Guarantee) & \$17.5 million

(Loan)

### Cases Concerning the Wilmar Group

*The Wilmar Group is a large agribusiness conglomerate specializing in the production and trade of palm oil, operating in Asia, eastern Europe, and Africa. Since 2003, IFC has undertaken four investments in the Wilmar Group. The cultivation and production of palm oil has caused considerable social tensions between private sector operators and communities in Indonesia. Some community members see oil palm plantations as a threat to their forests and land in a climate where regulations for land appropriation lack clarity and do not always recognize traditional communal property. The CAO has received two complaints related to IFC's investments in the Wilmar Group, the first in July 2007, and the second in December 2008.*

### Wilmar Group-01/West Kalimantan

*IFC, Agribusiness; Received July 2007; Ombudsman monitoring and compliance audit is ongoing; Open*



In July 2007, various community groups and international NGOs lodged a complaint with the CAO raising the following concerns about adverse environmental and social impacts of Wilmar Group operations with particular reference to Indonesia:

1. Land clearance without appropriate community approval or completion of Environmental Impact Analysis (EIA) processes
2. Violation of national regulations and laws, as well as the Principles and Criteria of the Roundtable on Sustainable Palm Oil
3. Inadequate compliance with IFC operating procedures and due diligence requirements.

CAO Ombudsman was successful in encouraging Wilmar and community members to agree to a dialogue process to resolve this conflict. A moratorium on further land clearance was announced by Wilmar and the CAO worked with the communities and Wilmar to build capacity for representation and negotiation. A settlement agreement was announced in late 2008 that contained the following provisions:

- Agreement for community access and use of land that had not been converted to plantations
- Compensation to households for appropriation of land
- Enhanced community investment funds for collective benefits and access to development opportunities for the broader community.

A joint monitoring and evaluation team was established to ensure implementation of the agreements and the CAO remains engaged with the parties to address concerns as they arise. Questions relating to IFC's due diligence were transferred to CAOs Compliance in March 2008.

Based on its appraisal findings, CAO Compliance concluded that an audit of IFC was merited in September 2008. An independent team of experts was hired by the CAO to conduct the audit, which was conducted over the following nine months.



Affected community members, West Kalimantan, Indonesia

The CAO's Audit Report together with IFC's official response to the findings, were disclosed publicly in August 2009. Subsequent to the audit, the President of the World Bank Group suspended all new projects in palm oil until a comprehensive strategy is in place. CAO Compliance continues to monitor IFC's response to the audit findings and released its first monitoring report in April 2010. As of June 30, 2010, the CAO's Ombudsman and Compliance interventions in this case were ongoing.

## KAZAKHSTAN

### Lukoil Overseas-03/Berezovka

*IFC, Oil, Gas, Mining, & Chemicals; Received May 2008; Transferred to Compliance April 2009; Appraisal concluded and case closed October 2009*



CAO with Berezovka local, Kazakhstan

The Lukoil Overseas Project is an IFC-financed investment to support crude oil and condensate production in the Karachaganak Oil and Gas Condensate Field in the Western Kazakhstan Oblast. The field is owned and operated by a consortium, Karachaganak Petroleum Operating B.V. (KPO). In September 2004, Crude Accountability, an NGO based in the United States, lodged a third complaint with the CAO on behalf of residents of Berezovka (see Lukoil Overseas-01/Berezovka, p. 116, and Lukoil Overseas-02/Berezovka, pp. 121–22). The complainants, who are seeking relocation of the village, raised concerns about the health and well-being of residents related to air emissions and quality of drinking water.

Specifically, the complaint raised issues regarding IFC's compliance with policies and guidelines at the time of the loan, and the legality of the Kazakh government's reduction of a Sanitary Protection Zone that encompasses the oil field. To resolve the complaint, the signatories demanded that the 1,300 residents of Berezovka be resettled, and that they be compensated for hardships endured since the filing of the first complaint.

An ombudsman assessment entailed nearly eight months of meetings and discussions with the key stakeholders, including a visit to the region in November 2008. In January 2009, while the assessment was ongoing, Lukoil Overseas ended its contractual obligation to IFC by prepaying its outstanding balance. Despite the prepayment, CAO's Ombudsman team remained engaged with the parties to help them determine how to resolve the complaint. Based on CAO's assessment findings and history of the dispute since the first complaint was filed, the CAO proposed that the parties undertake a multistakeholder meeting facilitated by an independent, neutral facilitator contracted through the CAO, in an effort to reach common understanding of their perspectives, interests, and ideas for resolution.



Berezovka, Kazakhstan

The company, KPO, supported the approach of a facilitated dialogue to attempt to resolve the key issues. However, the NGOs did not support the proposal to engage collaboratively with the company, and instead requested a third CAO compliance appraisal to determine whether an audit was merited. Because the parties were unable to agree on a process for jointly resolving the complaint, CAO Ombudsman concluded its involvement and transferred the complaint to CAO Compliance. CAO

Compliance appraised the issues in the complaint and concluded that an audit was not merited, closing the case in October 2009.

## KENYA

### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**  
Pan African Paper Mills Ltd.  
7206

**Department:** Global  
Manufacturing & Services

**Company:** Pan African Paper  
Mills (E.A.) Limited

**Sector:** Pulp & Paper

**Region:** Sub-Saharan Africa

**Country:** Kenya

**Environmental Category:** B

**Commitment:** \$15 million

### Pan African Paper-01/Webuye

*IFC, Global Manufacturing and Services; Received February 2008; Ombudsman assessment concluded and case closed December 2009*



The Pan African Paper Mills (East Africa) Ltd. (PPM) is a project based in Webuye, Kenya in which IFC first invested in 1974. Since then, it has supported the company through nine loans and equity investments. PPM produces more than 80 percent of the country's paper and is one of the largest employers in Kenya.

In February 2008, two Kenyan-based NGOs—Resource Conflict Institute (RECONCILE), and the Center for Environmental and Development Education Programs (CEDEP)—lodged a complaint with the CAO on behalf of residents of Webuye town, Western Kenya. The complaint raised a number of concerns about the environmental and social impacts of the paper mill, and questions about the disclosure of information about the company's activities.

Following an ombudsman assessment and subsequent negotiations between stakeholders, the parties reached agreement to undertake a Stakeholders Forum to discuss the specific complaints regarding social and environmental impacts of the project, as well as broader issues of community and economic development. Shortly after this agreement was reached, however, the company's power was cut due to its inability to pay wages and utility bills, and PPM temporarily ceased operations. In light of this closure, the complainants postponed initiation of the Stakeholders' Forum until the PPM's future was more certain.

After six months of negotiations, PPM and the government were unable to agree on a plan to restructure the company, and PPM closed permanently. Senior management representatives, who previously agreed to work together with the complainants in the facilitated Stakeholders Forum, left Webuye.

Following the company's closure, in April 2009, IFC notified PPM that it formally relinquished its \$36 million debt claim in PPM. According to IFC, after several failed attempts at turning around and restructuring PPM over the past five years, IFC considered its debt to be both irrecoverable and an unsustainable burden for any turn-around plan. Along with relinquishment of its debt, IFC committed to fund a general environmental audit, regardless of whether PPM remains closed or reopens under new ownership. If it reopens, the IFC audit would ensure a safe and proper start-up; if it closes permanently, the audit would ensure a safe and proper decommissioning of the facility.

The environmental audit was completed in August 2009. Following a series of negotiations between IFC and the complainants, IFC agreed to send a representative



Webuye residents, Kenya

from the Nairobi office to present the audit findings at a CAO-facilitated workshop in Webuye, which was completed in November 2009. The workshop was attended by the CEDEP membership and other community members and, as agreed by the complainants, constituted final closure of CEDEP's complaint to CAO. The CAO formally closed the case in December 2009.

## NICARAGUA

### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**

Nicaragua Sugar Estates Limited S.A. 25331

**Department:** Agribusiness

**Company:** Nicaragua Sugar Estates Limited

**Sector:** Agriculture and Forestry

**Region:** Latin America & the Caribbean

**Country:** Nicaragua

**Environmental Category:** B

**Commitment:** \$25 million (A Loan) & \$30 million (B Loan)

### Nicaragua Sugar Estates Limited-01/León and Chinandega

*IFC, Agribusiness; Received March 2008; Ombudsman assessment is ongoing; Open*



Nicaragua Sugar Estates Limited (NSEL) is the owner of an agro-energy complex located northwest of Managua, in the department of Chinandega. This IFC-financed project seeks to expand NSEL's production and processing of sugarcane. In March 2008, the Center for International Environmental Law lodged a complaint with the CAO on behalf of 673 residents of communities in the departments of León and Chinandega and former NSEL employees. The complaint raised the following concerns:

1. Health impacts on local communities, including Chronic Renal Insufficiency (CRI) and respiratory problems as a result of sugarcane burning
2. Labor and working conditions, such as rights of association and restrictions to forming a union
3. Inappropriate land acquisition in relation to indigenous communities
4. Offsite environmental impacts, including water contamination, air pollution and pesticide effluence
5. IFC compliance with performance standards, policies, and procedures.

CAO Ombudsman conducted a field assessment in June 2008 and released an Assessment Report in October 2008. The report found no general objection to the presence of NSEL in León and Chinandega, but rather an expressed desire to work together to resolve issues of mutual concern. Nevertheless, local communities are concerned about the possible impacts to their health and livelihood and the environment as a result of NSEL activities.

Following a site visit in November 2008, the parties agreed to prioritize efforts on health issues related to CRI because of their urgency and severity. All parties expressed their willingness to work with CAO's Ombudsman team to explore options for improved care to affected communities, and detailed research into causes of CRI.

Since February 2009, the CAO has convened a Dialogue Table that is using a collaborative process to address the concerns of community members and NSEL. The parties have so far agreed on a framework to support an independent study to investigate the cause of CRI and explore options to improve care for those suffering from CRI in Chichigalpa. Along with the Dialogue Table, the CAO has assisted community members from Goyena and Abangasca to address concerns together with the company.



Worker clearing burned sugar cane, Nicaragua

Apart from the study, the parties have continued to meet at the Dialogue Table to discuss how best to address the medical needs of community members suffering from CRI. Since June 2009, NSEL has committed to provide community members with basic food provision and educational packages. This support will be given for two years. In addition, a business development expert has been providing support to the parties since January 2010 to help identify income-generating activities.

As of June 30, 2010, the CAO was monitoring implementation of agreements made by the parties and further meetings regarding CRI were expected throughout 2010.

## THE PHILIPPINES

### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**  
Ambuklao-Binga 26996

**Department:** Infrastructure

**Company:** SN Aboitiz Power  
Benguet

**Sector:** Utilities

**Region:** East Asia & the  
Pacific

**Country:** Philippines

**Environmental Category:** B

**Commitment:** \$85 million (A  
Loan) & \$15 million (C Loan)

### Ambuklao-Binga Hydroelectric Power-01/Binga

*IFC, Infrastructure; Received June 2008; Monitoring of agreement concluded and case closed June 2010*



IFC provided finance to the SN Aboitiz company to privatize and rehabilitate two hydroelectric power plants—Ambuklao-Binga Hydroelectric—owned by the National Power Corporation (NPC). In June 2008, members of the Ibaloi indigenous community and residents of Sitio Binga, Barangay Tinongdan, Municipality of Itogon, located in the vicinity of the power plants, lodged a complaint with the CAO. The complainants expressed the following concerns:

1. Displacement of indigenous peoples and deprivation of property, land and livelihoods of local communities
2. Access to jobs and economic opportunities for local community members.

Members of the Ibaloi Indigenous community were displaced over 50 years ago by development of the original hydropower project. The group still refers to themselves as the “displaced peoples.” Privatization of the power facilities awakened historical tensions within the community and a desire to seek redress for what they believe are wrongs of the past.

The CAO conducted an assessment and released a preliminary stakeholder report in July 2008. After review and consultation on the report, the parties reached an agreement for a facilitated dialogue process.

The dialogue process was open and inclusive, involving representatives from the indigenous communities, the Barangay captains, municipal councilors, the provincial governor, the National Power Corporation and its privatized entity known as PSALM, as well as the SN Aboitiz company. The process started with a training program to build skills and trust between the parties for interest-based negotiation and dialogue. This process identified key issues of priority for all the parties.



Ambuklao-Binga assessment,  
The Philippines



The parties signed a final agreement in May 2009. The multiparty agreement between the community leaders and their local government representatives, the National Power Corporation, and the Sponsor contained provisions for:

- Access to land and usufruct rights for communities over communal property, including village infrastructure, facilities, and some houses that were made available as a result of the privatization process
- Creation of an indigenous heritage facility
- Local benefits flowing from corporate social responsibility funds and local government revenues as a result of the project
- Enhanced livelihood opportunities for local people through the government (NPC) watershed development and protection programs.

In addition, SN Aboitiz has made provision for local employment and benefits through contracts for goods and services. The CAO monitored implementation of the agreement for a period of 12 months and formally closed the case in June 2010.

## RUSSIAN FEDERATION

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### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**

Russkiy Mir II 23870

**Department:** Infrastructure

**Company:** JSC SFAT

**Sector:** Transportation and Warehousing

**Region:** Europe & Central Asia

**Country:** Russian Federation

**Environmental Category:** B

**Commitment:** \$45 million (A Loan) & \$55 million (B Loan)

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### Cases Concerning the Russkiy Mir II Project

*The Russkiy Mir II project involves an IFC loan of up to \$100 million to develop the Taman liquid petroleum gas (LPG) and fuel oil terminal and port on the Taman Peninsula of the Black Sea in the Russian Federation. The project involves the purchase and expansion of rail maintenance facilities, purchase of locomotives and rail cars, and purchase of a wheel-making/spare parts manufacturer and other rail-related infrastructure. IFC's investments consist of a \$45 million A-loan and a \$55 million B-loan. It is IFC's second investment in the Russkiy Mir Group; a \$15 million A-loan was approved in April 2004. The CAO received three complaints regarding the Russkiy Mir II project, the first in October 2007, the second in February 2008, and the third in September 2008.*

### Russkiy Mir II-01/Taman

*IFC, Infrastructure; Received October 2007; Transferred to CAO Compliance for appraisal June 2008; Closed October 2009*



A complaint filed in October 2007 by two NGOs—Save Taman! and North Caucasus Environmental Watch—raises concerns about the impacts of the project, and about IFC's due diligence prior to Board approval of the loan. The NGOs believe the company's activities pose a number of threats to the natural and social environment in the region surrounding the Taman Peninsula. They also question IFC's environmental categorization of the project as "B" rather than "A," and believe that the environmental review process failed to comply with IFC policies.

In March 2008, a CAO Ombudsman team conducted an assessment and found that many project-impacted stakeholders who did not sign the complaint regard the issues of social development and community engagement as a high priority. Those stakeholders expressed their support for a facilitated community engagement process

to address issues of social development and investment in the future of the peninsula. However, because those issues were not the focus of the complaint filed with the CAO by the two NGOs, the signatories requested that CAO's involvement focus exclusively on the question of IFC's categorization of the loan to Russkiy Mir, and requested a transfer of the case to CAO Compliance for appraisal.

CAO Compliance released its appraisal report in October 2009 concluding that an audit of IFC was not merited, and closed the case.

### **Russkiy Mir II-02/Taman**

*IFC, Infrastructure; Received February 2008; Transferred to CAO Compliance for appraisal August 2008; Closed October 2009*



CAO assessment, Taman, Russia

In February 2008, a farmer living next to the project site lodged a complaint with CAO expressing concern about the proximity of a gas pipeline near his home. The complainant believes that the location of the pipeline violates Russian legislation and jeopardizes the safety and well being of his family. He requested that the company relocate him to a new location, or that it compensate him for suffering endured as a result of the situation. A CAO Ombudsman team conducted an assessment and site visit in March 2008, and held meetings with the complainant and his family to discuss the concerns. An NGO representing the complainant—Save Taman!—committed to assisting the complainant in scheduling a meeting directly with Russkiy Mir management so that the parties could discuss the situation directly. CAO monitored this verbal agreement, and reported the outcome to Russkiy Mir management.

Several months following the Ombudsman assessment trip, the complainant reported to CAO that the NGO no longer represented his interests, and requested a withdrawal of his case from the CAO complaint handling process. In order to ensure there are no outstanding issues regarding this complaint, the Ombudsman closed this case and the CAO transferred it to its Compliance function for appraisal. The complainant's name remains confidential at his request. CAO Compliance released its appraisal report in October 2009 concluding that an audit of IFC was not merited, and closed the case.

## FY2009 (July 2008–June 2009)

### GEORGIA

#### **BTC Pipeline-32/Vale**

*IFC, Oil, Gas, Mining, & Chemicals; Received September 2008; Closed after Ombudsman assessment; Closed October 2009*



CAO team with complainants,  
Vale, Georgia

On August 18, 2008, the CAO received a complaint from a representative of the Georgian Young Lawyers Association (GYLA), signed by 31 residents of Vale, regarding reinstatement of privately owned land following completion of the BTC pipeline. As with the previous three BTC complaints to the CAO, these complainants state that BTC Co. has not fulfilled the terms of its “Guide to Land Acquisition and Compensation,” which commits to undertaking a final inspection of the whole pipeline territory together with the primary owners/users of the land. Also like the previous complaints, this complaint questions why BTC’s compensation calculations for certain plots are based on 2002 market prices, and are not commensurate with 2007–08 prices.

The CAO Ombudsman team spent several months working with GYLA to obtain permission of the 31 signatories to forward their names to BTC Co. so the company could review the claims. (In response to this complaint, BTC Co. had said it would be able to work to resolve the issues only if it knew which specific land parcels were being disputed, and the names of the owners with whom it might negotiate.) With signatories’ permission, the CAO released the names to BTC Co., which then provided the CAO with a table describing the stages of negotiation that BTC was in with each of the complainants. A number of those signatories, according to BTC’s table, had already signed servitude agreements with the company and had received servitude compensation; several others were in the process of being negotiated. Over several months, in spring 2009, BTC Co. continued to negotiate with the complainants and finalize servitude compensation agreements.

According to BTC Co., all the complaints were being assessed and negotiated individually at the time the complaint was registered with the CAO. The CAO agreed to monitor and assist with the individual negotiations if requested. In October 2009, the last of the 31 signatories to reach agreement with the company confirmed to the CAO that a final settlement had been reached. Subsequently, the CAO closed the case in October 2009.

## INDONESIA

### Wilmar Group-02/Sumatra

*IFC, Agribusiness; Received December 2008; Ombudsman assessment is ongoing; Open*



Impacted community members, West Kalimantan, Indonesia

In December 2008, a second complaint was lodged with the CAO by various community groups and international NGOs. This complaint raises similar issues to the original complaint from July 2007, regarding adverse environmental and social impacts of Wilmar Group operations:

1. Land clearance without appropriate community approval or completion of Environmental Impact Analysis (EIA) processes
2. Violation of national regulations and laws, as well as the certification protocols of the Roundtable on Sustainable Palm Oil
3. Inadequate compliance with IFC operating procedures and due diligence requirements.

The complainants are concerned about environmental and social impacts being experienced by local communities caused by wholly owned subsidiaries (other oil palm plantations) of the Wilmar Group.

The CAO deemed the complaint eligible in January 2009. CAO's Ombudsman team initiated an assessment of the case, in which two community groups agreed to a facilitated mediation process. A local mediator was selected by the parties and the CAO has provided guidance, mentoring, and support to the process, which was ongoing as of June 30, 2010.

## PERU

### Agrokasa-01/Ica

*IFC, Agribusiness; Five complaints filed with CAO in June 2009; Ombudsman assessment is ongoing; issues transferred to Compliance March 2010; Audit is ongoing; Open*



Several letters of complaint were filed with the CAO in June 2009 related to Agrokasa, an IFC client specializing in the production and export of fresh asparagus, table grapes, and avocados. Agrokasa has received four IFC loans since 1999, two of which remain active. The complainants requested their identities be held in confidence.

The complaint raised the following concerns:

- Depletion of the aquifer in the valley of Ica due to overexploitation by the company to expand its agricultural activities
- Negative impacts to water quantity and water quality in the area
- Inadequate mitigation and consideration of water issues in the due diligence of the projects
- Improper disclosure of project information to residents and communities potentially affected
- Lack of appropriate water permits for wells and water extraction.

#### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**

Sociedad Agricola Drokasa S.A. 26821 (withdrawn by client)

**Department:** Agribusiness

**Company:** Sociedad Agricola Drokasa S.A

**Sector:** Agriculture and Forestry

**Region:** Latin America & the Caribbean

**Country:** Peru

**Environmental Category:** B

**Commitment:** Up to \$10 million (withdrawn by client)

In May 2009, the CAO deemed the issues in the complaints eligible for assessment.

In July 2009, a CAO Ombudsman team traveled to Peru to meet with key stakeholders in Lima and Ica to conduct an assessment of the situation and assess options for resolution of the issues with the parties. In its Assessment Report, the CAO identified areas of common ground shared by all the parties, and recommended they undertake a process of assisted negotiation to address the area's critical water situation collaboratively.



CAO assessment, Agroka, Peru

In March 2010, after a period of assisted negotiation, the two groundwater users' associations launched a Working Group involving the other two water users' associations (which depend primarily on surface water) and the two local water authorities from the Ica and Rio Seco parts of the valley. As a member of the Junta de Usuarios de Aguas Subterráneas del Valle de Ica (JUASVI), Agroka is participating in and supporting the Working Group's efforts to jointly address shared concerns regarding the water situation—including concerns raised in the complaints to the CAO.

During CAO's assessment trip in July 2009, the company announced that it planned to withdraw its request for financing of IFC Project 26821, which would have been its third IFC loan. In September 2009, Agroka formally notified IFC that it had cancelled the loan request.

The CAO Ombudsman team is currently serving as facilitator for the Working Group, whose aim is to jointly develop short-, medium-, and long-term strategies for managing the water resources in the Ica basin. Issues that the parties were not willing to negotiate were transferred to CAO Compliance in March 2010 for appraisal. The CAO's appraisal was disclosed in June 2010 and determined that an audit of IFC was merited. As of June 30, 2010, an audit investigation by CAO Compliance was underway.

## RUSSIAN FEDERATION

### Russkiy Mir II-03/Taman

*IFC, Infrastructure; Received September 2008; Ombudsman assessment concluded November 2009; Closed December 2009*



Community discussing issues, Taman, Russia

In March 2009, a resident of Taman Village submitted a complaint to the CAO on behalf of 90 other residents regarding environmental and socioeconomic impacts of the Russkiy Mir project. The complaint states that the construction activities of Russkiy Mir and two other companies working in the region have damaged local roads and homes, and reduced the standard of living for residents. The complaint requests that the company repair the roads, develop a bypass road to divert construction from the settlement, and compensate villagers whose homes have been damaged.

CAO Ombudsman held teleconferences with the individual parties and learned that the complainants had not previously made contact with or notified the company about their concerns. The Ombudsman encouraged a meeting between TNG's social specialist and the lead signatory to the complaint. After several meetings between

those individuals, the company reported it was launching a Working Group aimed at involving key stakeholders in decision making around TNG's social and economic development activities. The complainants received an invitation to participate in the first Working Group meeting, which took place in November 2009.

Following the November meeting, the complainants reported to the CAO that the issue of the roads had been addressed by TNG and the other companies, and that specific timelines for completion of various roads projects were presented to the participants. They also reported that they considered their complaint resolved, and planned to continue their involvement with the TNG Working Group. The CAO formally closed the case in December 2009.

## TURKEY

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### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**

Standard Profil 26098

**Department:** Global

Manufacturing & Services

**Company:** Standard Profil

Otomotiv Ticaret ve Sanayi  
A.S.

**Sector:** Industrial & Consumer  
Products

**Region:** Europe & Central  
Asia

**Country:** Turkey

**Environmental Category:** B

**Commitment:** 25%  
shareholding

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### Standard Profil II-01/Duzce

*IFC, Global Manufacturing and Services; Received September 2008; Ombudsman assessment is ongoing; Open*



IFC invested in two projects relating to the company Standard Profil, a manufacturer of plastic automobile components with production facilities located in Duzce, Turkey. The first investment in 2006 was to facilitate the improvement of operational facilities. The second investment in 2007 was expected to support innovation through the company's R&D capacity in order to create employment opportunities for highly skilled Turkish technicians.

In September 2008, the Confederation of Turkish Trade Unions (Turk-is) lodged a complaint with the CAO and Standard Profil on behalf of workers of the Petroleum Chemical Rubber Workers' Trade Union of Turkey (Petrol-is). The complaint related to labor and working conditions, and more specifically, rights of association and restrictions on formation of a labor union.

CAO Ombudsman conducted a preliminary field visit in November 2008, followed by regional consultation visits to discuss the possible options to achieve a resolution. In the Stakeholder Assessment Report, completed in February 2009, the CAO recommended that Standard Profil take the following actions:

1. Promote awareness of IFC Performance Standard 2 (PS2) on Labor and Working Conditions in the workplace
2. Together with the CAO, assist workers and management to implement a training program to ensure the effective application & understanding of PS2 requirements
3. In consultation with the CAO and IFC, implement an independent labor audit to provide assurance of adherence to IFC's core labor standards.

**PROJECT INFORMATION****Institution:** IFC**Project Name & Number:**

Assan Aluminum 26648

**Department:** Global

Manufacturing &amp; Services

**Company:** Assan Alüminyum

Sanayi ve Ticaret Anonim

Şirketi

**Sector:** Primary Metals**Region:** Europe & Central

Asia

**Country:** Turkey**Environmental Category:** B**Commitment:** \$30 million (A loan) & \$30 million (B Loan)

The CAO received confirmation from the parties that the recommended actions would provide a satisfactory resolution to the complaint. The CAO continued to work with both Standard Profil and IFC to help implement the recommendations, and monitor progress toward these goals. As of June 30, 2010, the case was open.

**Assan Alüminyum-01/Dilovasi**

*IFC, Global Manufacturing and Services; Received September 2008; Ombudsman assessment is ongoing; Open*



Assan Alüminyum is a former state-owned aluminum sheet, coil, and foil manufacturer. It is located in Dilovasi-Gebze, in the Marmara region of Turkey, approximately 40 km from Istanbul. Assan Alüminyum was acquired by the family-owned Kibar Group in 2005, whose flagship company, Assan Demir, is the largest aluminum manufacturer in Turkey.

IFC's involvement in the project provided a large investment program to modernize, upgrade, and expand Assan Alüminyum's plant to improve productivity and efficiency. Corporate governance improvements were also a significant goal of the project.

In October 2008, the Confederation of Turkish Trade Unions (Turk-ıs) lodged a complaint with the CAO on behalf of the Metal Workers' Union of Turkey, stating concerns about the particular issue of rights of association. The complainants sought assurance of the company's support for and conformity with the labor and working conditions enshrined within the IFC Social and Environmental Performance Standards, particularly PS2 on labor conditions.

The CAO accepted the complaint. However, since IFC was at an early stage in its involvement with the project and had not yet completed its own due diligence procedures, the CAO requested that IFC include issues raised in the complaint in its appraisal processes. As a consequence, the client agreed to specific requirements in its Social and Environmental Action Plan to increase visibility of requirements under Performance Standard 2 on Labor and Working Conditions in the workplace and to improve its capacity for managing labor relations.

IFC completed its due diligence processes and the client has finalized the Action Plan, which have both been shared with the CAO. In May 2009, the CAO shared this information with the complainants and closed the case on a "no objection" basis in November 2009. As of June 30, 2010, the CAO was monitoring IFC's implementation of the action items identified with the client and the case was open.



Company-worker dialogue, Standard Profil, Turkey

## WORLD

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### PROJECT INFORMATION

**Institution:** IFC and MIGA

**Project Name & Number:**

AD Hydro Power Limited

11632

Ambuklao-Binga 26996

Magat Hydro 26041

La Confluencia 25472

La Higuera 21315

Norvind S.A. 26207

Himal Power Limited 1297

**Department:** Infrastructure

**Company:** SN Power Group

**Sector:** Utilities/Power

**Region:** World

**Countries:** Chile, India,

Nepal, the Philippines

**Environmental Category:**

A and B

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### World/SN Power-01/CAO Vice President Request

*IFC/MIGA, Infrastructure; Compliance appraisal triggered by CAO Vice President December 2008; Closed June 2010*



IFC and MIGA have supported a number of projects with SN Power, a commercial investor and developer of hydropower projects. In 2004, the CAO received complaints from locally impacted communities regarding the Allain Duhangan project in India, in which both IFC and SN Power hold a share (see AD Hydro Power Limited-01/ Himachal Pradesh, p. 115). CAO Ombudsman facilitated dialogue and agreements between the parties from 2004 to 2008, and concluded its involvement in the case in March 2008. During the ombudsman assessment, issues related to worker safety and labor conditions were raised that were not part of the original complaint. CAO Ombudsman concluded that these issues had been addressed and verified through enhanced supervision by IFC.

In October 2008, independent statements made by SN Power indicated that several of its hydropower projects struggled to implement effective health and safety actions. The acknowledgements by SN Power and its owner companies raised concerns of the effectiveness of both IFC's due diligence and supervision, in terms of specific projects and SN Power, as a repeat client.

In December 2008, the CAO Vice President requested a Compliance Appraisal of IFC/MIGA's due diligence and supervision of health and safety issues on all projects where SN Power was involved. CAO Compliance reviewed the health and safety reporting of seven IFC/MIGA involvements with SN Power in Chile, India, Nepal, and the Philippines, and released its Appraisal Report in December 2009. The CAO concluded that the case did not merit further investigation in the form of an audit. The CAO did find, however, that the Allain Duhangan project highlighted systemic concerns regarding IFC's approach as to how it engages and assures itself of implementation of its standards when investing in, or acting as a minority shareholder in, a joint venture-type project.

CAO Compliance conducted a project site visit to the Allain Duhangan site in May 2010 to verify the accuracy of reporting and closed the case in June 2010.



CAO compliance team visit to Allain Duhangan hydro plant, India



## FY2010 (July 2009–June 2010)

### CAMBODIA

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#### PROJECT INFORMATION

**Institution:** IFC  
**Project Name & Number:**  
 Cambodia Airport II 25332  
**Department:** Infrastructure  
**Company:** Société  
 Concessionaire de l'Aéroport  
**Sector:** Transportation  
**Region:** East Asia & the  
 Pacific  
**Country:** Cambodia  
**Environmental Category:** B  
**Commitment:** \$7.5 million

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#### Cambodia Airport II-01/Preah Sihanouk

*IFC, Infrastructure; Received December 2009; Ombudsman assessment is ongoing; Open*



Société Concessionaire de l'Aéroport, a special-purpose company, holds a 45-year concession from the Royal Government of Cambodia to operate the Phnom Penh International Airport, the Siem Reap International Airport, and the Sihanoukville Airport (SIA). IFC has two active projects with the company, the second of which involves financing capital expenditures and runway investments for SIA and a stand-by loan to finance the construction of the new runway at SIA.

In December 2009, a local NGO in Cambodia filed a complaint with the CAO on behalf of 79 families who believe they have been negatively affected by the project and who hold that the project is not compliant with IFC requirements. The families live in close proximity to the project site and many own land in what is presumed to be the expansion zone of the project.

The complainants raise concerns about improper land acquisition and compensation, loss of livelihoods, noise pollution, environmental impact to a national park, incorrect social and environmental categorization, lack of community consultation, and inadequate disclosure of project information to impacted communities. The complaint was deemed eligible in January 2010.

CAO Ombudsman initiated an assessment and travelled to field in May 2010 to meet with key stakeholders, discuss the situation, and explore possible solutions. The CAO drafted an assessment report laying out the next steps which was shared with the relevant parties. As of June 30, 2010, the case was open.

### CHILE

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#### PROJECT INFORMATION

**Institution:** IFC  
**Project Name & Number:**  
 Aconcagua 2461 and 3526  
**Department:** Infrastructure  
**Company:** Hydroeléctrica  
 Aconcagua  
**Sector:** Power  
**Region:** Latin America & the  
 Caribbean  
**Country:** Chile  
**Environmental Category:** B  
**Commitment:** Equity

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#### Aconcagua-01/Santa Barbara

*IFC, Infrastructure; Received November 2009; Settled after assessment; Closed June 2010*



The CAO received a complaint regarding IFC's intervention in Chile's hydropower sector in November 2009. The complaint raises concerns about a series of social and environmental issues in relation to IFC's Aconcagua project, along with several other hydropower plants. The issues related to IFC's involvement include impact on indigenous populations, health and safety of communities, and lack of a cumulative social and environmental impact assessment.

The CAO deemed the complaint eligible for assessment, and initiated an assessment of the situation, key stakeholders, and their interests to better understand the issues presented in the complaint. Based on information provided by the parties, and discussions with IFC, the CAO understands that IFC is not involved in the project of concern to the complainants, and IFC's relationship with the project operator, Colbun, does not extend beyond the jointly financed Aconcagua project to other corporate activities. The CAO found that this indirect connection to the project of concern to the complainants did not justify the use of Ombudsman resources in an alternative dispute resolution approach and closed the case in June 2010.

## COLOMBIA

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### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**

TCBuen 28479

**Department:** Infrastructure

**Company:** Terminal De  
Contenedores De Buenaventura

**Sector:** Transportation and  
Warehousing

**Region:** Latin America & the  
Caribbean

**Country:** Colombia

**Environmental Category:** A

**Commitment:** \$25 million (A  
loan), \$117 million (B loan),  
\$15 million (C loan)

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### TCBuen-01/Buenaventura

*IFC, Infrastructure; Received December 2009; Ombudsman assessment is ongoing; Open*



IFC's investment in the Terminal de Contenedores de Buenaventura (TCBuen) involves the construction and operation of a new international container terminal in the port city of Buenaventura, Colombia. A complaint was lodged with the CAO on December 10, 2009 by a local network of Afro-Colombian communities. The complainants believe that the proposed project, along with other large development projects in their city, threatens their cultural identities and social practices, and infringes upon their human and collective rights as Afro-Colombians. In relation to IFC's project, the signatories raise concerns about ensuring proper consultations with ethnic minorities such as themselves, ensuring community participation in decision making, protecting their cultural and social ways of life, and guaranteeing access to project information.

The CAO determined that the complaint was eligible for assessment in December 2009 and started exploring options for resolution with the relevant parties. As of June 30, 2010, the case was open.

## PANAMA

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### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**

Pando Montelirio 27975

**Department:** Infrastructure

**Company:** Electron

Investment S.A.

**Sector:** Power

**Region:** Latin America & the  
Caribbean

**Countries:** Panama

**Environmental Category:** A

**Commitment:** \$25 million A  
Loan, \$15 million C Loan, \$5  
million IFC swap

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### Pando Montelirio-01/Chiriqui

*IFC Infrastructure; Received January 2010; Ombudsman assessment is ongoing; Open*



The Pando Montelirio project, approved by IFC in February 2010, consists of two run-of-river hydroelectric power plants to be operated in cascade on the Chiriquí Viejo River in western Panama. The plants, totaling 85 MW in installed capacity (Pando, 33 MW; and Monte Lirio, 52 MW), are being developed by Electron Investment, S.A., a joint venture between Inveravante Inversiones Universales S.L. of Spain and the Panamanian entity Grupo Eleta. The total project cost is estimated to be \$291.7 million.



Community meeting about the Maple Energy project, Peru

In January 2010, 16 community and environmental organizations based in the Chiriqui province filed a complaint with the CAO citing a number of social and environmental concerns, including: lack of participative consultation process with communities; lack of a cumulative impact assessment; possibility of flooding to communities downstream; endangering of fish and other species; over-exploitation of water resources and the river; limited community access to water; high levels of sedimentation that affect water quality and downstream water treatment facilities (such as Baru); and negative impacts on the natural landscape and on mangroves located near the mouth of the river in the Gulf of Chiriqui.

The Inter-American Development Bank (IDB) is also providing long-term financing to the Pando-Monte Lirio project, and the complaint received by the CAO was also submitted to their Independent Consultation and Investigation Mechanism (known by its Spanish acronym, MICI) by the same complainants. The CAO is coordinating closely with IDB staff and MICI.

To better understand the views and perspectives of all stakeholders on the ground, a CAO Ombudsman team traveled to Panama in June 2010 to meet with complainants, company, community members, and local and national authorities. As of June 30, 2010, the case remained open.

## PERU

### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**  
Maple Energy 26110

**Department:** Oil, Gas,  
Mining & Chemicals

**Company:** Maple Energy Plc

**Sector:** Oil, Gas, and Mining

**Region:** Latin America & the  
Caribbean

**Country:** Peru

**Environmental Category:** B

**Commitment:** Up to \$10  
million (equity)

### Maple Energy-01/Nuevo Sucre and Canaán

*IFC, Oil, Gas, Mining, & Chemicals; Received April 2010; Ombudsman assessment is ongoing; Open*



In July 2007, IFC approved a Category B project with Maple Energy, a privately held integrated energy company with operations in Peru. The project will finance the company's capital expenditure program in the short-to-medium term, which includes: drilling and well work-over programs and related activities to extend production of existing hydrocarbon fields; exploration and related activities in hydrocarbon concessions; and development of a greenfield ethanol project.

In April 2010, a complaint was filed with the CAO by local community members of Nuevo Sucre and Canaán in Loreto, Peru, with the assistance of national and international NGOs. The two indigenous communities are located on the Ucayali River in the lower Ucayali region of Loreto, close to the company's two mature crude oil-producing properties. The complaint cites several social and environmental concerns, among them negative impacts to the communities' health and to the environment. The CAO determined that the complaint met its eligibility criteria in April 2010. An ombudsman assessment has been initiated, and the team conducted a field trip in June 2010 to discuss options for resolution with the relevant parties.

## SRI LANKA

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### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**

Rainforest Ecolodge

Linkages 547845

**Company:** Rainforest

Ecolodge Company (REC)

**Sector:** Advisory Services

**Region:** South Asia

**Country:** Sri Lanka

**Environmental Category:** n/a

**Commitment:** \$119,706

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### Rainforest Ecolodge Linkages-01/Deniyaya

*IFC, Advisory Services; Received August 2009; Ombudsman assessment is ongoing; Open*



Located close to the Sinharaja Rainforest in southern Sri Lanka, the Rainforest Ecolodge is a joint venture eco-tourism project set up by several private sector companies in the tourism industry. IFC, through its South Asia Enterprise Development Facility (SEDF), is providing technical advisory services to the project to obtain U.S. Green Building Certification, and promote eco-tourism in the country.

In August 2009, a local NGO—Save the Sinharaja Campaign—filed a complaint with the CAO on behalf of residents of the Deniyaya Village in Sri Lanka. The complainants raise concerns about how the project has benefitted local communities living in and around the area. The complaint also raises environmental concerns, including felling of trees within the 1.6 kilometer prohibition zone and damming of a river tributary, which they believe threaten the rich biodiversity of the Sinharaja Rainforest, a UNESCO World Heritage Site.

CAO's Ombudsman team conducted a field assessment in October 2009 and discussed the claimant's issues with local stakeholders. The company, IFC, and the claimant have accepted all the recommendations of CAO's Assessment Report, which include: public disclosure of environmental permits and impact assessments; a dialogue with government, IUCN, and UNESCO to promote demarcation of the forest boundary; and preparation of a locally owned community development plan. In addition, IFC accepted recommendations to improve consideration of social and environmental risks of its Advisory Services projects.

As of June 30, 2010, the case had reached full settlement, with a remaining commitment for monitoring and supervision by both IFC and the CAO to ensure that recommendations are implemented.



CAO outreach, South Asia

## URUGUAY

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### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**

Orion 23817

**Department:** Manufacturing & Services

**Company:** Botnia S.A.

**Sector:** Pulp & Paper

**Region:** Latin America & the Caribbean

**Country:** Uruguay

**Environmental Category:** A

**Commitment:** Up to \$200 million in A and B loans

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### Orion-02/Gualeguaychú

*IFC, Manufacturing & Services; Received August 2009; Transferred to CAO Compliance January 2010; Closed after appraisal March 2010*



The Orion project is a greenfield eucalyptus kraft pulp mill in Uruguay, adjacent to the international boundary between Uruguay and Argentina. This complaint was submitted by the Environmental Civic Assembly of Gualeguaychú, an Argentine civic association/nongovernmental organization that represents the interest of residents of Gualeguaychú. It raises concerns about the environmental monitoring of the project and its credibility regarding odors and air emissions emanating from the plants, water pollution, impacts to community health, and trans-border issues. Furthermore, complainants argue that what they feared as potential impacts are currently being manifested and experienced across the international boundary. This is the second complaint the CAO received regarding this project. The first was filed in September 2005 by the Centre for Human Rights and Environment, an Argentine nongovernmental organization (see *Celulosas de M'Bopigua (CMB) & Orion-01*, p. 120).

The ombudsman assessment involved interviews with key stakeholders, and reviewed the current status of this case in other international forums. Based on the information provided by both parties during the assessment period, the CAO concluded that the situation was not amenable to joint fact finding, mediation, or alternative dispute resolution approaches. CAO Ombudsman released its Assessment Report in December 2009, and transferred the case to Compliance for appraisal.

The CAO released the appraisal in March 2010, finding that IFC had addressed issues related to emissions to air and water during its assessment phase, and that monitoring and reporting demonstrated that IFC had assured itself of the project's performance against applicable requirements. Additionally, the CAO found no indication that IFC had failed to assure itself that independent verification of the monitoring had fulfilled IFC requirements, or of the applicability of the World Bank's Operational Policy OP 7.50 on International Waterways.

Consequently, the CAO concluded an audit of IFC was not merited and closed the case in March 2010.

## APPENDIX D

# TERMS OF REFERENCE

*The Terms of Reference for the Office of the Compliance Advisor/Ombudsman (CAO) were published by the World Bank Group when establishing the Office in 1999.*

### Background

Environmental and social issues are among the most critical components of the mission of IFC and MIGA to deliver sustainable development through the private sector. To ensure that environmental and social issues are properly addressed, IFC and MIGA have continuously increased the resources and skills allocated to project reviews and have considerably strengthened the policies, guidelines and procedures that govern such reviews.

IFC and MIGA now have a centralized review and clearance function, independent from the line management of operations. IFC and MIGA realize that in this difficult and controversial area, the internal organization, however strong and independent, should be subject to outside scrutiny, regular audits and expert guidance. Furthermore, the concerns and complaints of people affected by projects financed or insured by IFC and MIGA have to be addressed in a manner that is fair, constructive and objective.

Accordingly, IFC and MIGA have decided to create a position of environmental and social Compliance Advisor Ombudsman as an additional pillar in building a credible and responsive structure to ensure that projects are environmentally and socially sound and enhance IFC's and MIGA's contribution to sustainable development. With the addition of the Ombudsman, IFC and MIGA will have:

- Strong in-house skills and adequate resources for environmental and social reviews and monitoring of projects.
- Clearly established and enforced policies, procedures and guidelines.
- Harmonization, coordination and sharing of skills with the World Bank.
- An Ombudsman independent of operational management.

The Ombudsman will operate under the following terms of reference.

## Scope of Work

The role of the Ombudsman would include the following activities:

- To advise and assist IFC and MIGA in dealing with sensitive or controversial projects, either at the request of the President or IFC's or MIGA's management or on the suggestion of the Ombudsman. In addressing such projects, the Ombudsman would consult with the President and coordinate with IFC's or MIGA's management.
- To assist in dealing with complaints from external parties affected by IFC or MIGA projects. Outside complaints received by the Office of the President, IFC, MIGA, or the Ombudsman would be investigated by the Ombudsman, as appropriate, in consultation with affected parties, project sponsors, and IFC's or MIGA's management, following a flexible process aimed primarily at correcting project failures and achieving better results on the ground. In the course of his/her reviews, the Ombudsman may directly communicate with complainants and affected parties, while respecting the confidentiality of sensitive business information. The Ombudsman will report on his/her findings and recommendations to the President, who will determine what actions are required. The Ombudsman will also make recommendations to the President regarding to what extent and in what form the findings will be disclosed to the IFC or MIGA Board of Directors, affected parties and the public.
- To supervise reviews of IFC's and MIGA's overall environmental and social performance and sensitive projects, in order to ensure ex-post compliance with policies, guidelines, and procedures. Audits would be carried out with assistance of outside experts, either on a case-by-case basis or in accordance with a regular program.
- To provide advice to management on environmental and social policies, procedures, guidelines, resources and systems established to ensure adequate review and monitoring of IFC and MIGA projects. While the responsibility for these issues clearly rests with IFC's and MIGA's managements, the Ombudsman could be asked to provide comments.
- To provide advice at the request of IFC's or MIGA's environmental and social staff on specific project issues.
- To maintain close ties with the World Bank's ESSD Council to ensure consistency and harmonization of policies, guidelines, and procedures.

## Organization

The Ombudsman will be appointed by the President and will report to the President.

To carry out his/her mandate, the Ombudsman would liaise directly with the management and staff of IFC and MIGA, relevant World Bank staff, and members of IFC's and MIGA's Boards of Directors, if so requested. The Ombudsman would also maintain appropriate contacts with NGOs, civil society and the business community to the extent necessary to carry out his/her duties. These contacts would include the ability to communicate directly with complainants and affected parties, while respecting the confidentiality of sensitive business information. The Ombudsman would keep IFC or MIGA management informed of his/her contacts with complainants and affected parties. The Ombudsman will make periodic reports to the Boards on his/her activities.

The Ombudsman should be a full-time employee of IFC and MIGA at a level (e.g., Vice President level) that clearly reflects the importance of the role. He/she would be subject to the confidentiality provisions set forth in IFC's policy on disclosure of information and in the World Bank Group Staff Rules. The appointment would be for a period of three to five years, renewable by mutual consent. Since this position requires a high level of outside respect and trust by IFC's and MIGA's President, it will be at the discretion of the President to terminate the employment of the Ombudsman if the President determines that the Ombudsman can no longer exercise the function with the required level of independence and authority.

The Ombudsman will be supported by a budget decided by the President adequate to cover the expenses of his/her office (including an assistant) and to recruit consultants or constitute expert panels for audits or independent reviews of controversial projects.

## Qualifications

The Ombudsman will be a person of high international recognition, impeccable integrity, great interpersonal skills, empathy and sound judgment.

The following qualifications would be desirable:

- A successful record of dealing with a broad range of civil society, affected communities and NGOs through negotiation, participation and consultation.
- Knowledge and experience with environmental and social issues (technical expertise would not be required).
- Substantial understanding of and experience in the private sector business environment.
- Knowledge and experience with international development organizations and relevant NGOs.
- Solid academic and professional background.
- Ability to communicate with the media.



## APPENDIX E

# GOVERNANCE

### Who We Are

The Compliance Advisor/Ombudsman and Vice President, Meg Taylor, was appointed by the President of the World Bank Group in 1999 following an external selection process led by civil society, industry, and other stakeholders.

The CAO staff is a diverse team of professionals from the public and private sectors, with experience in dispute resolution and mediation, environmental compliance, law, finance, communications, research, and administration (see Appendix G).

When handling complaints and conducting compliance investigations, the CAO works with independent mediators and auditors with specific expertise for that case and proven track records in their relevant fields.

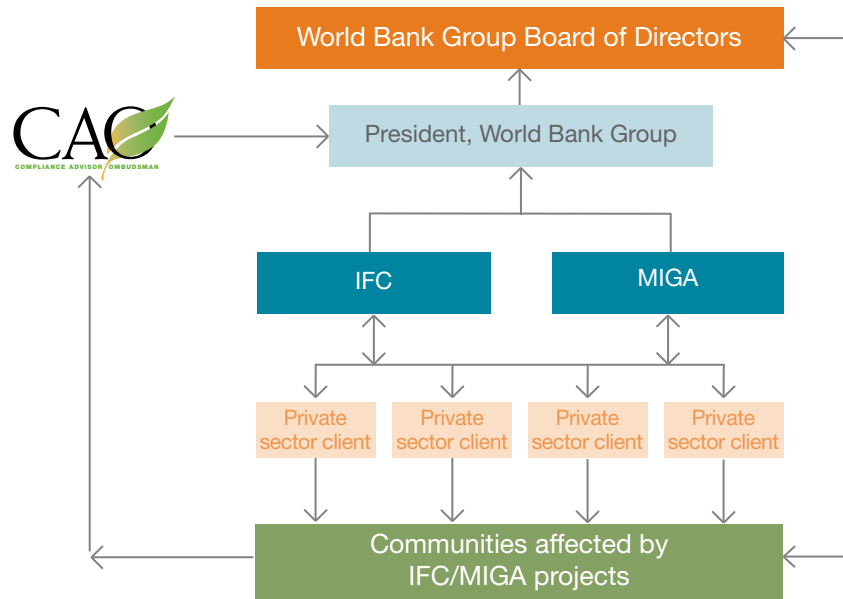
Since 2002, the CAO has worked with a Strategic Advisors Group comprising leading professionals from civil society, the private sector, academia, and the field of mediation and conflict resolution. The CAO meets with its strategic advisors twice yearly to discuss aspects of the CAO's cases, strategic focus, and operational effectiveness (see Appendix H).

The CAO consulted with a Reference Group to guide the early development of the Office. The Reference Group comprised professionals with wide-ranging expertise and experience from academia, civil society, industry, the public sector, and the World Bank Group (see Appendix I).



Conflict resolution workshop,  
Papua New Guinea

## Accountability Structure of IFC and MIGA



CAO at the World Bank Spring Meetings, Washington, DC, 2007

## Independence and Impartiality

CAO's independence and impartiality are essential to foster the trust and confidence of the stakeholders involved in a dispute, including local communities, project sponsors, and nongovernmental organizations (NGOs). This trust and confidence are prerequisites for the CAO to help solve problems on the ground.

The CAO is not identified with or beholden to any sector or interest. Our independence and impartiality are reinforced in a number of structural ways:

- The CAO reports directly to the President of the World Bank Group and is not part of the line management structure of either IFC or MIGA.
- CAO staff are recruited by the CAO, not by any other part of the World Bank Group.
- Staff are independent of the management structure of IFC and MIGA.
- The Office of the CAO is physically located in a secure area, and only CAO staff have direct access.
- To maintain neutrality, the CAO Vice President and her/his staff exercise caution in becoming involved in internal processes within IFC and MIGA. This caution is balanced with the requirements of the CAO's advisory role.
- CAO senior staff are barred by contract from obtaining employment with IFC or MIGA for two years after they end their engagement with the CAO.
- If an employee of CAO has a conflict of interest in relation to a particular complaint, that person will withdraw from involvement in responding to the complaint.

## Confidentiality and Information Disclosure

Information disclosure and confidentiality are both important to the CAO. Although confidentiality is essential in some ombudsman cases, disclosure of information is critical to maintaining the CAO's independence and impartiality, and to achieving

solutions in some cases. Thus the CAO must balance the needs and requirements for confidentiality with those of disclosure.

The CAO's Terms of Reference limit the ability of the CAO to disclose information publicly on its own initiative (see Appendix D). The CAO is bound by IFC and MIGA disclosure policies that require the confidentiality of certain business information to be respected during communications with parties. The CAO is also bound by the Staff Rules of the World Bank Group, which require staff to treat information with discretion and not to disclose information improperly. The CAO will also respect complainant requests for confidentiality, including confidentiality of their identities.

Within the parameters of those constraints, the CAO makes every effort to ensure maximum disclosure of reports, findings, and results of CAO processes. The CAO may communicate directly with complainants and affected parties. CAO reports that present the CAO's conclusions on an investigation may be released to the public, but the CAO may not publish information received in the course of an investigation if the disclosure of that material is restricted under IFC or MIGA disclosure policies. The CAO will indicate publicly when it has restricted disclosure in response to a request from an affected party.

## **Reporting to the President and Board of the World Bank Group**

The CAO periodically reports to the President of the World Bank Group, as required by the CAO's Terms of Reference (see figure, p. 150). The CAO also communicates with the Boards of the World Bank Group (the Board) on a regular basis.

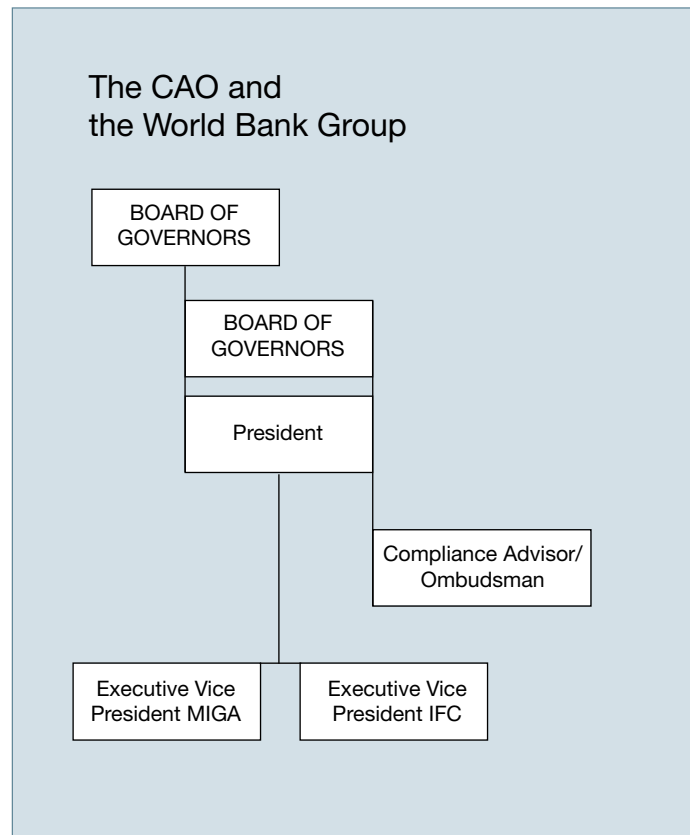
The CAO informs the President and Board when a complaint has been found eligible for assessment. The CAO reports the outcome of an ombudsman assessment to the President and informs the Board. The CAO informs the Board of the findings of a compliance audit, after clearance from the President. The CAO remains available at all times to provide briefings to the Board, at its request.

The CAO publishes an Annual Report at the end of each fiscal year, which is provided to President and Board, and disclosed publicly. More detailed summaries may be provided to the President at periodic briefings. The primary focus of these reports and briefings is to provide an overview of the activities of the CAO and monitor implementation of recommendations made.

The CAO also provides an annual update of its activities to the World Bank Group Board's Committee on Development Effectiveness (CODE), and conducts periodic technical briefings to supplement this information.

All the CAO's reports are available publicly at [www.cao-ombudsman.org](http://www.cao-ombudsman.org).

## Reporting Line of the CAO in the World Bank Group



The CAO reports directly to the President of the World Bank Group. Independence from line management of IFC and MIGA enables the CAO to provide the two organizations with objective advice aimed at helping them do a better job in fulfilling their social and environmental commitments.



Community meeting at the Planton,  
Nicaragua

## Monitoring Our Effectiveness

### MONITORING AND EVALUATION

The CAO has initiated two external reviews since 1999 to assess the effectiveness of its work. Both reviews led to revised CAO Operational Guidelines, in 2004 and in 2007, aimed at strengthening the CAO's operating procedures. Findings and recommendations of the 2006 review also suggested refining feedback and progress indicators to track and report on the CAO's interventions. This resulted in the development of a monitoring and evaluation tool to measure the success of the CAO's ombudsman and compliance work on a case-by-case basis (see pp. 82–83). At the request of CODE, the CAO has developed a Management Action Tracking Record (MATR) jointly with IFC/MIGA to track institutional responses to the CAO's interventions. In FY2010, the CAO tracked 17 cases through the MATR for which IFC/MIGA management responses were provided. Both initiatives signal a commitment to constant improvement of outcomes on the ground for project-affected communities, and promoting oversight and accountability for IFC and MIGA on their responses to the CAO's interventions.

### COMMUNICATING WITH IFC/MIGA

The CAO provides a quarterly update on its activities to the President of the World Bank Group, and an annual update on its activities to the Board's Committee on Development Effectiveness (CODE). Starting in FY2010, the CAO also has been meeting quarterly with IFC's Corporate Risk Committee. Together with MATR reporting, these activities serve to promote systematic communication between the CAO, the President, the Board, and IFC/MIGA management regarding the CAO's caseload, including ongoing challenges, findings and recommendations, and necessary improvements in social and environmental project outcomes.

### IFC/MIGA PUBLIC DISCLOSURES ABOUT THE CAO

As understanding of the CAO's work has increased both within the institution and among communities and companies—as requested by CODE—IFC and MIGA have reviewed some of their public disclosures to enhance awareness about options for access to recourse. Since FY2009, IFC has included mention of the CAO in its Mandate Letter with clients for Category A projects, and MIGA includes reference to the CAO in the Definitive Application for all categories of projects. The CAO recognizes that there are unrealized opportunities for IFC/MIGA to encourage disclosure of information about the CAO at the project level, especially for complex and sensitive projects.

## APPENDIX F

## FUNDING, FY2000–10

**The CAO's Administrative Budget, FY 2000–10****IFC/MIGA's Contribution  
to the Administrative  
Budget of the Office of the  
CAO, FY2000–10  
(U.S. dollars)**

The CAO's administrative budget is funded by IFC and MIGA on a cost-sharing basis. Fixed costs are shared by IFC and MIGA on a 50/50 ratio. Variable costs are shared based on the ratio of time spent by CAO staff on each institution's business matters. The CAO's administrative budget covers the costs of staff salaries, consultants, travel, communications, contractual services, and other administrative expenses.

Fiscal Year	IFC	MIGA	Total
FY 2000	641,600	160,400	802,000
FY 2001	1,096,800	262,500	1,359,300
FY 2002	1,381,800	319,100	1,700,900
FY 2003	1,794,900	374,800	2,169,700
FY 2004	1,550,500	380,200	1,930,700
FY 2005	1,573,800	392,100	1,965,900
FY 2006	2,030,700	507,500	2,538,200
FY 2007	2,135,300	523,400	2,658,700
FY 2008	2,182,900	538,400	2,721,300
FY 2009	2,899,900	407,000	3,306,900
FY 2010	2,930,600	513,600	3,444,200
<b>Total</b>	<b>20,218,800</b>	<b>4,379,000</b>	<b>24,597,800</b>

Source: CAO compilations.

## Contingency Fund

The Environmental/Social Mediation and Conflict Resolution Contingency Fund helps the CAO budget for extraordinary mediation and conflict resolution activities that extend over several years. This Fund was established in FY2003 in response to the creation of the multiyear mediation process following two complaints received against Minera Yanacocha in Peru. Allocations from the Fund are made by the CAO and are used to pay for the services of specialist mediators and related out-of-pocket expenses. CAO staff time and related expenses are not charged to the Fund. When the Fund was established, IFC committed to contribute 80 percent (\$800,000) of the US\$1 million Contingency Fund, with MIGA contributing 20 percent (\$200,000) each year. To date, it has not been necessary for the CAO to access MIGA's 20 percent commitment.

### CAO Contingency Fund, FY2003–10 (U.S. dollars)

Fiscal Year	Total
<i>IFC contribution</i>	
FY 2004	317,500
FY 2005	451,500
FY 2006	352,900
FY 2007	37,900
FY 2008	319,100
FY 2009	613,100
FY 2010	768,000
<b>Subtotal</b>	<b>2,860,000</b>
FY 2003–06	
<i>Contribution from Minera Yanacocha (IFC sponsor)</i>	<b>3,231,000</b>
<b>Total funds expended on extended term mediation</b>	<b>6,091,000</b>

Source: CAO compilations.



Handing out certificates, CAO civil society outreach, Mexico

## APPENDIX G

## CAO STAFF

**Meg Taylor, Vice President**

Meg Taylor, a national of Papua New Guinea, received her LL. B from Melbourne University, Australia, and her LL.M from Harvard University, United States. She practiced law in Papua New Guinea and serves as a member of the Law Reform Commission. She was Ambassador of Papua New Guinea to the United States, Mexico, and Canada in Washington, DC from 1989 to 1994. She is co-founder of Conservation Melanesia, was a member of the World Commission on Forests and Sustainable Development, and has served on the Boards of international conservation and research organizations. In addition, Meg Taylor has served as a Board member of a number of companies in Papua New Guinea in the natural resources, financial, and agricultural sectors and Boards of companies listed on the Australian Securities Exchange. She was appointed to the post of Vice President of the World Bank Group and the CAO in 1999, following a selection process led by civil society, and industry.

**Amar Inamdar, Principal Specialist, Ombudsman**

A British national, Amar Inamdar leads complex multiparty dispute resolution processes on sensitive private sector projects. Amar founded and managed a successful professional consulting practice in Oxford, England, focused on international investment. He was a major contributor to the U.K. government's White Paper on "Making Globalisation Work for the Poor," and for two years worked to achieve a lasting compensation settlement between civil society groups and Rio Tinto in Indonesia. He has contributed to the MBA program at the University of Oxford's Said Business School and the Kennedy School of Government at Harvard. Amar started his professional career as a corporate strategy consultant with Cap Gemini and worked for the World Wide Fund for Nature in eastern Africa. He was born and lived in Kenya, was educated at Oxford University, England, and has a PhD from Cambridge University, England.

**Henrik Linders, Senior Specialist, Compliance**

A Swedish national, Henrik Linders has a professional background in private sector project compliance and corporate risk. Before joining the CAO, Henrik served as an advisor for infrastructure projects in Africa, South Asia, Europe, and the Americas, creating strategies and performing audits for companies over such issues as the environment, labor, health, safety, and management. He also served as senior project manager and environmental manager for a number of complex remediation projects in Norway and Sweden, and as manager at a Swedish environmental consultancy firm. Henrik received his M.S. in engineering from the Norwegian Institute of Technology.



**Scott Adams, Specialist, Ombudsman**

A U.S. national, Scott has over 17 years of diverse domestic and international experience in providing dispute resolution, management consulting, and training services. His clients and industry experience include the nonprofit sector, government, higher education, utilities, health care, biotechnology, transportation, and international development. Before joining the CAO, Scott founded and managed a private mediation and consulting practice. He has also served in senior positions at Search for Common Ground and CDR Associates, and was formerly an Associate in Booz Allen Hamilton's Organization and Strategy Practice. Scott received his B.A. in Political Science and Russian from Emory University, and an LL.M in Public International Law from Leiden University in the Netherlands.

**Julia Gallu, Specialist, Ombudsman**

A German national, Julia Gallu was a sustainability risk manager at Swiss Reinsurance Company in Zurich, Switzerland, where she helped develop sustainability risk management policies, before joining the CAO. Previously, she was part of the World Bank Group Extractive Industries Review team, and worked for IFC in the area of environmental and social standards and development impact measurement. Julia holds an M.A. in International Relations from Johns Hopkins School of Advanced International Studies (SAIS), and a M.A. Joint Honours in Politics and Economics from the University of Edinburgh, Scotland.

**Emily Horgan, Program Officer**

A British national, Emily Horgan is a communications specialist with expertise in social and environmental issues. Emily manages the CAO's communications and outreach program to civil society and other stakeholders. Before joining the CAO, Emily worked for the World Bank Group Extractive Industries Review and IFC's Environment and Social Development Department, as well as in the areas of operation evaluation, sustainability reporting, HIV/AIDS, and the Millennium Development Goals. Formerly, Emily worked for the *Financial Times* in London. Emily holds a M.A. in International Relations from the Johns Hopkins School of Advanced International Studies (SAIS), and a B.A. Joint Honours in Politics and History from the University of Durham, England.

**Andrea Repetto Vargas, Operations Analyst**

A Chilean national, Andrea Repetto has worked with human rights issues in Latin America. In Chile, she worked for academia and for a nongovernmental organization dealing mostly with public interest matters. Before joining the CAO, Andrea worked as a human rights specialist at the Inter-American Commission on Human Rights, mainly on following up on human rights and international humanitarian law aspects of the demobilization process of the illegal armed group United Self-Defense Forces of Colombia (AUC), and as country lawyer for Brazil. She earned her law degree from University Diego Portales in Chile, and a LL.M in international and comparative law from the George Washington University Law School.



**Susana Rodriguez, Research Analyst**

An Ecuadorian and Spanish national, Susana received her M.A. in International Relations from Johns Hopkins School of Advanced International Studies (SAIS), and her B.A. in Political Science from Davidson College, North Carolina. Before joining the CAO, she worked in various local and international NGOs in the United States, Switzerland, and South Africa, as well as for United Nations Development Program in Ecuador. Susana's areas of professional interest are conflict management and African studies.



**Clare Gardoll, Research Analyst**

An Australian national, Clare Gardoll received her B.A. in International Relations and Languages and her LL.B from the University of Sydney, Australia. Before joining the CAO, she interned at a private legal firm in Australia focusing on international arbitration, and at a consulting firm in Peru specializing in corporate social responsibility. Clare's areas of professional interest are dispute resolution in post conflict societies and international humanitarian law.



**Paula Panton, Executive Assistant**

A Jamaican national, Paula brings to the CAO over 25 years of experience working with IFC. Known as the "Field Marshall," she works directly with Meg Taylor and provides administrative support to the unit.



**Charity Agorsor, Consultant Services Assistant**

A Ghanaian national, Charity Agorsor came to the CAO with extensive experience from IFC's Industry Departments and provides procurement assistance to the CAO Office. She is the contact point for all consultants hiring and other resource management transaction processing for the CAO.



**Rosemary Thompson-Lewis, Program Assistant**

A U.S. national and native of Washington, DC, Rosemary came to the CAO from the Environment and International Law Department at the World Bank. Rosemary brings a life of rich and eclectic experience to the CAO and works directly with the Principal Specialist Ombudsman, Amar Inamdar.

## APPENDIX H

## STRATEGIC ADVISORS GROUP



CAO Strategic Advisors meeting, Maryland

*The CAO's Strategic Advisors Group has been active since 2002.*

*Members as of June 30, 2010 are:*

<b>Ray Albright</b>	Managing Director, AMB International Finance, LLC
<b>Glen Armstrong</b>	Independent Advisor
<b>Antonia Chayes</b>	Visiting Professor of International Politics and Law, Tufts University
<b>William (Bill) Davis</b>	Co-founder and President, DPK Consulting
<b>David Hunter</b>	Assistant Professor and Director, Environmental Law Program, Washington College of Law, The American University
<b>Manuel Rodríguez</b>	Former Minister of Environment, Colombia
<b>Lori Udall</b>	International public policy and development consultant
<b>Susan Wildau</b>	Partner, CDR Associates

*Former members of the Strategic Advisors Group include:*

**David McDowell, Jan Piercy, and Frances Seymour.**

## APPENDIX I

## REFERENCE GROUP



CAO Reference Group meeting,  
Washington, DC, 2005

*The CAO's Reference Group was active from 2000 to 2006.*

*Members during that time included:*

Jean Aden	Joseph O'Keefe
Motoko Aizawa	Cyril Kormos
Raymond Albright	Rachel Kyte
S. Babar Ali	Carol Lee
Antonio Bernales Alvarado	Alejandro Martinez
Ronald Anderson	David McDowell
Marcelo Andrade	Kathryn McPhail
Clive Armstrong	Shawn Miller
Glen Armstrong	Sixtus Mulenga
David Atkins	Gavin Murray
Deniz Baharoglu	Ajay Narayanan
Manish Bapna	Cristian Opaso
Richard Bissell	Elias Diaz Pena
Henneke Brink	Jan Piercy
Sandeep Chachra	Glenn Pricket
Maria Chappuis	Andreas Raczynski
Mark Constantine	Catherine Reichardt
Maria Emilia Correa	Sven Riskaer
Nicholas Cotts	Manuel Rodriguez
Alan Dabbs	Claudia Saladin
Andrea Durbin	Graham Saul
Christine Eberlein	Bjorn Stigson
Anne Gambling	Mark Swilling
John Hardy	Kay Treakle
David Hunter	Harvey Van Veldhuizen
Cheryl Ingstad	Gerald West
Mary Irace	Kathleen Whimp
Ian Johnson	Rolf Zelius

## APPENDIX J

INDEPENDENT ACCOUNTABILITY  
MECHANISMS

Joint outreach with OPIC's Office of Accountability, October 2009, Cairo, Egypt

The Independent Accountability Mechanisms (IAMs) were set up in response to increased public pressure for greater accountability and transparency of the international financial institutions. The IAMs were founded with similar mandates: to provide recourse for people who believe they have been harmed by the projects of these institutions when the application of operational standards are perceived to have failed. While the mechanisms differ in the way they process complaints, they all provide an independent body to investigate compliance issues and publicly address social and environmental concerns raised by project-affected communities. Where relevant, the CAO coordinates complaint handling with the IAMs. Should the CAO receive a complaint relating to a project under the purview of another IAM, the CAO will make efforts to forward the complaint to the correct body

African Development Bank (AfDB)  
*Compliance Review and Mediation Unit*

Asian Development Bank (ADB)  
*Office of the Special Project Facilitator*  
*Office of the Compliance Review Panel*

European Bank for Reconstruction and Development (EBRD)  
*Independent Recourse Mechanism*

European Investment Bank (EIB)  
*Office of the Inspector General*  
*Complaints Office*

European Union (EU)  
*European Ombudsman*

Inter-American Development Bank (IADB)  
*Independent Consultation and*  
*Investigation Mechanism*

International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA)  
*Office of the Compliance Advisor/*  
*Ombudsman (CAO)*

Japan Bank for Regional Cooperation (JBIC)  
*Office of Examiner for Environmental*  
*Guidelines*

Nippon Export and Investment Insurance (NEXI)  
*Office of Examiner for Environmental and*  
*Social Considerations Guidelines*

United States Overseas Private Investment Corporation (OPIC)  
*Office of Accountability*

World Bank (International Bank for Reconstruction and Development, IBRD, and International Development Association, IDA)  
*The Inspection Panel*

## APPENDIX K

# IFC AND MIGA POLICIES

*The following resources define the roles and responsibilities of IFC and MIGA and their client companies. The CAO considers these documents, among others, when it conducts a compliance appraisal or audit.*

IFC's Policy on Social and Environmental Sustainability, April 2006

MIGA's Policy on Social and Environmental Sustainability, October 2007

These Sustainability Policies defines IFC's and MIGA's responsibilities in supporting project performance in partnership with clients.

IFC's Performance Standards on Social and Environmental Sustainability, April 2006

MIGA's Performance Standards on Social and Environmental Sustainability, October 2007

IFC's and MIGA's Performance Standards (PS) define clients' roles and responsibilities for managing their projects and the requirements for receiving and retaining IFC/MIGA support. They include:

- PS1: Social and Environmental Assessment and Management Systems
- PS2: Labor and Working Conditions
- PS3: Pollution Prevention and Abatement
- PS4: Community Health, Safety and Security
- PS5: Land Acquisition and Involuntary Resettlement
- PS6: Biodiversity Conservation and Sustainable Natural Resource Management
- PS7: Indigenous Peoples
- PS8: Cultural Heritage

IFC's Policy on Disclosure of Information, April 2006

MIGA's Policy on Disclosure of Information, October 2007

IFC's and MIGA's Policies on Disclosure of Information define each institution's obligations to disclose information about itself and its activities.

**World Bank Group Environmental, Health, and Safety (EHS) Guidelines**

The EHS Guidelines are technical reference documents with general and industry-specific examples of Good International Industry Practice (GIIP), as defined in IFC's Performance Standard 3 on Pollution Prevention and Abatement. Performance Standard 3 requires IFC clients to follow the EHS Guidelines.

**General EHS Guidelines**

The General EHS Guidelines contain information on cross-cutting environmental, health, and safety issues potentially applicable to all industry sectors. They are designed to be used together with the relevant industry sector guideline(s).

**Industry Sector Guidelines**

Agribusiness/Food Production  
Chemicals  
Forestry  
General Manufacturing  
Infrastructure  
Mining  
Oil and Gas  
Power

**Safeguard Policies**

IFC and MIGA followed the Safeguard Policies before February 2006:

Child and Forced Labor Policy Statement (March 1998)  
Cultural Property (OP 11.03, September 1986)  
Environmental Assessment (OP 4.01, October 1998)  
Forestry (OP 4.36, November 1998)  
Indigenous Peoples (OP 4.20, September 1991)  
International Waterways (OP 7.50, November 1998)  
Involuntary Resettlement (OP 4.30, June 1990)  
Natural Habitats (OP 4.04, November 1998)  
Pest Management (OP 4.09, November 1998)  
Safety of Dams (OP 4.37, September 1996)

**Disclosure Policy**

IFC's Disclosure Policy (September 1998) was replaced by the revised IFC Policy on Disclosure of Information in April 2006. MIGA's former Disclosure Policy was replaced by the revised MIGA Policy on Disclosure of Information in October 2007.

## APPENDIX L

## HOW TO FILE A COMPLAINT



Conflict resolution workshop,  
Papua New Guinea

### Processing of Complaints

The CAO can accept a complaint from an individual, group, or community directly affected by an IFC/MIGA project. Complaints may be filed on behalf of affected people by an organization representing their interests. Complaints may be filed to the CAO in any language and any format. Before accepting a complaint, the CAO screens it according to three simple eligibility criteria (see box below).

When screening for eligibility of a complaint, the CAO does not make a judgment about the merits of the complaint, or the issues raised by it, nor does the CAO require complainants to provide documentary proof to support their claim. Should the complainant(s) wish to provide additional materials, they are welcome. As an independent office, the CAO is solely responsible for determining the eligibility of complaints.

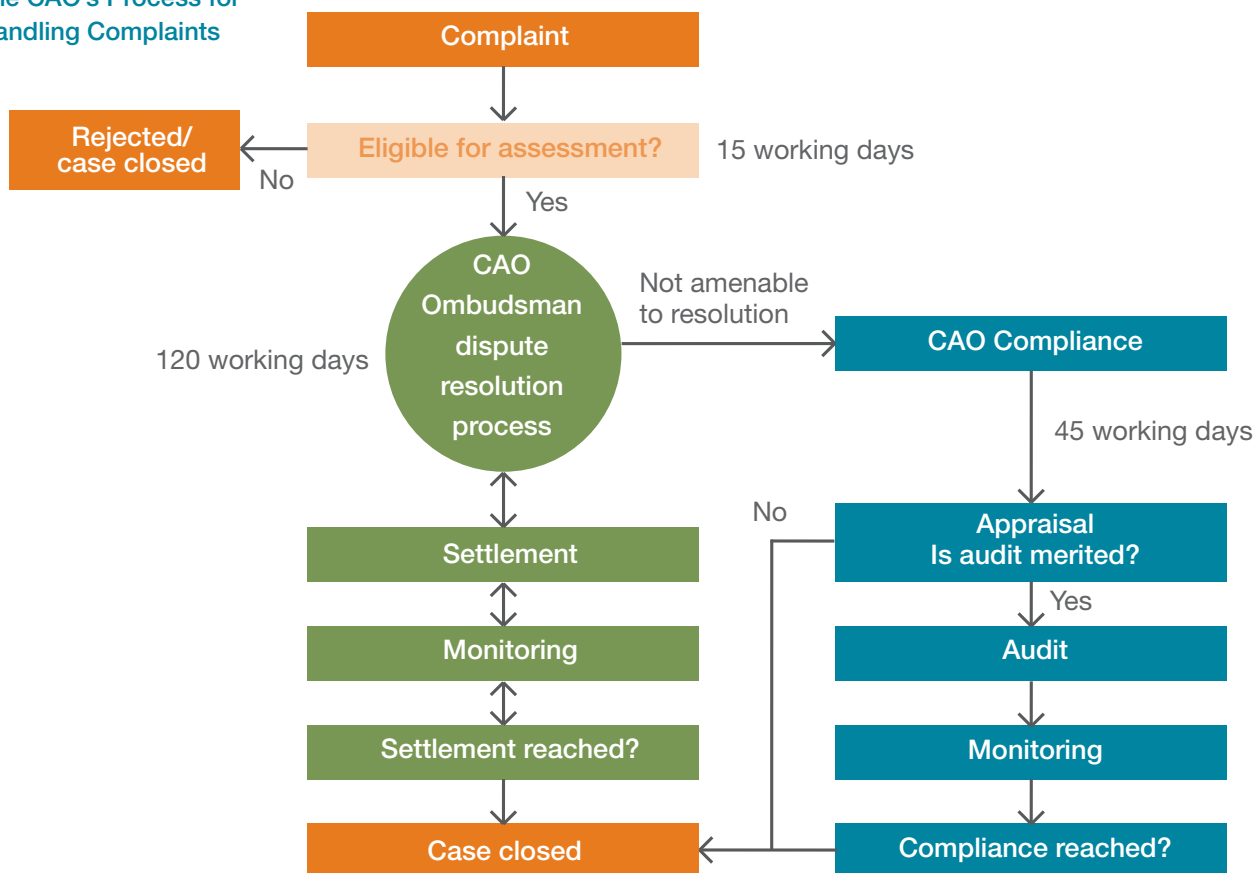
#### ELIGIBILITY CRITERIA FOR A COMPLAINT

There are three eligibility criteria for a complaint to be accepted by the CAO:

1. The complaint must relate to an IFC or MIGA project (including projects under consideration).
2. The complaint must relate to social and/or environmental issues associated with that project(s).
3. The complainant(s) believe(s) they are, or may be, affected by the social and/or environmental issues raised.



**The CAO's Process for Handling Complaints**



## Frequently Asked Questions about Filing a Complaint

### Who can submit a complaint?

Any individual, group, community, or other party can submit a complaint to the CAO if they believe they are, or may be, affected by an IFC or MIGA project(s). A representative or organization may submit a complaint on behalf of those affected.

### What types of complaints are not accepted?

The CAO cannot accept complaints that do not meet the three eligibility criteria. If complaints relate to the projects of other international financial institutions (not IFC or MIGA), the CAO endeavors to direct the complainant to the appropriate Independent Accountability Mechanism (see p. 159).

The CAO will direct complaints relating to fraud and corruption to the World Bank Office of Institutional Integrity (INT). The CAO also cannot review complaints related to IFC and MIGA procurement decisions, nor does the Office accept complaints that are viewed malicious, trivial, or generated to gain competitive advantage.

#### **What evidence is needed to support a complaint?**

Complainants do not need to submit supporting evidence to make a complaint. However, additional material is welcome, whether submitted at the time or after a complaint is lodged with the CAO.

#### **Can complainants request confidentiality?**

The CAO takes confidentiality seriously and, if requested, will not reveal the identity of the complainant(s). Where confidentiality is requested, a process for handling the complaint will be agreed jointly between the CAO and the complainant(s). In addition, materials submitted on a confidential basis by the complainant(s) will not be released without their consent. Anonymous complaints will not be accepted.

#### **Once a party files a complaint, what happens next?**

The CAO will acknowledge receipt of the complaint in the language in which it was received. Within 15 working days (not counting the time required to translate complaints and supporting documents), the CAO will inform the complainant(s) whether the complaint is eligible for further assessment. If eligible, the complainant will receive information explaining how the CAO will work with the parties to help address the issues of concern, and a CAO specialist will contact the complainant(s) personally.

#### **How does the complaint handling process work?**

The CAO follows a specific procedure for every complaint and is committed to addressing complaints in a timely manner. If a complaint meets the CAO's three eligibility criteria:

- CAO Ombudsman first works with the complainant, project sponsor, and other local stakeholders to determine whether the parties together can reach a mutually agreeable solution to the issues raised.
- If the parties are unwilling or unable to reach agreement on how to resolve an issue, CAO Compliance undertakes an appraisal of IFC/MIGA's compliance with relevant social and environmental policies and guidelines to determine whether an audit is warranted.



Community meeting, Cambodia Airport Development project, Sihanoukville, Cambodia



Signing ceremony, Ambuklao-Binga Hydro project, The Philippines

### **What is the role of the CAO Ombudsman?**

CAO Ombudsman conducts an assessment of the situation, and assists the parties in determining the best alternatives for resolving a complaint. CAO Ombudsman does not make a judgment about the merits of a complaint, nor does it impose solutions or find fault. Our specialists work together with the parties to identify alternative approaches and strategies for addressing the issues. This could involve joint fact-finding, facilitating discussions between key stakeholders, mediating disputes between parties, or establishing a Dialogue Table or joint monitoring program. CAO specialists are trained in alternative dispute resolution (ADR), with expertise in conflict assessment, mediation, and multiparty facilitation. We work with independent mediators who have country-specific experience and who specialize in facilitation and consensus building around development projects.



CAO with women from the community, Cajamarca, Peru

### **What is the role of CAO Compliance?**

If resolution of a complaint is not possible with our Ombudsman, CAO Compliance takes over the case. The rationale for this “compliance check” is to assess whether issues raised in the complaint raise questions about IFC or MIGA’s social and environmental due diligence on the relevant project. The CAO conducts an appraisal to determine if an audit of IFC/MIGA is necessary. If the decision is made to continue with an audit, an independent panel is convened to conduct an investigation of the issues. Findings are publicly disclosed. The CAO monitors implementation of recommendations until the project is back in compliance. Importantly, compliance audits focus on IFC and MIGA—not the project sponsor (the private sector client that received support from IFC/MIGA).

### **How and where do I file my complaint?**

Complaints must be submitted in writing. They may be in any language. Complaints can be sent by e-mail, fax, or mail/post, or delivered to the Office of the CAO in Washington, DC. For guidance on how to write a complaint, see the Model Letter of Complaint on the next page.

#### **Office of the CAO**

2121 Pennsylvania Avenue, NW  
 Washington, DC 20433 USA  
 Tel: + 1 202 458 1973  
 Fax: + 1 202 522 7400  
 e-mail: [cao-compliance@ifc.org](mailto:cao-compliance@ifc.org)  
[www.cao-ombudsman.org](http://www.cao-ombudsman.org)

## Model Letter of Complaint to the CAO

To:  
 Compliance Advisor/Ombudsman  
 International Finance Corporation  
 2121 Pennsylvania Avenue NW  
 Washington, DC 20433 USA  
 Fax: +1 202 522-7400  
 e-mail: cao-compliance@ifc.org

Date:

I/we, \_\_\_\_\_ lodge a complaint concerning the \_\_\_\_\_  
 project, located in \_\_\_\_\_.

This complaint is made on behalf of \_\_\_\_\_ (ignore if not applicable).

I/we live in the area known as \_\_\_\_\_ (show on an attached map if  
 possible). I/we can be contacted through the following address, telephone and fax  
 numbers, and e-mail:

Street address: \_\_\_\_\_

Mailing address (if different from street address): \_\_\_\_\_

Country and postal code: \_\_\_\_\_

Telephone: \_\_\_\_\_

Fax: \_\_\_\_\_

e-mail: \_\_\_\_\_

I/we do not wish our identity to be disclosed (ignore if not applicable).

I/we have been, or are likely to be affected by social or environmental impacts of the  
 project in the following way(s):

If possible, please provide the following information:

- A description of the name, location, and nature of the project (provide a map, if possible)
- A description of the action taken by me/us to try to resolve these issues (include dates or time frame, if possible)
- A list of other person(s) contacted by me/us in attempting to resolve these issues (attach copies of correspondence, if possible)
- Any other relevant facts to support this complaint.

In addition, please answer the following question:

- I/we would like to see this complaint resolved in the following way:  
(The CAO cannot guarantee to help the complainant achieve this result, but this information will help focus on problem-solving approaches.)

Attach copies of any relevant documents and other material.

*Note:* The CAO will keep the identity of complainants confidential if requested to do so, but will not accept anonymous complaints. Material may also be submitted on a confidential basis to support a complaint and will not be released without the consent of the party that submitted it.

Complainants should be aware that other affected parties, including the sponsor and IFC or MIGA staff, will usually be informed about the substance of the complaint. Complainants should identify to the CAO from the start any information that complainants do not wish to be disclosed. A process for handling the complaint will be agreed with the complainant.

## More Information about the CAO

The CAO aims for maximum disclosure of its reports, findings, and processes through reporting on its website. All other public documents, including past CAO Operational Guidelines, Annual Reports, and Advisory Notes, are available in hard copy and online. The CAO Operational Guidelines are available in seven official languages of the World Bank Group. Additional resources on how to file a complaint, including a model letter, are available in additional languages on the CAO website. For more information, see [www.cao-ombudsman.org](http://www.cao-ombudsman.org)

## Contacting the CAO

To request information, file a complaint, or learn more about our work, contact us at:

### **Compliance Advisor/Ombudsman (CAO)**

2121 Pennsylvania Avenue, NW

Washington, DC 20433 USA

Telephone: + 1 202 458 1973

Facsimile: + 1 202 522 7400

e-mail: [cao-compliance@ifc.org](mailto:cao-compliance@ifc.org)

website: [www.cao-ombudsman.org](http://www.cao-ombudsman.org)



## **Acknowledgments**

This publication is the result of contributions from many individuals, including CAO staff, advisors, mediators, residents and representatives of communities affected by IFC/MIGA projects, IFC/MIGA staff and clients, and friends of the CAO. Particular thanks goes to: Annabelle Abaya, Glen Armstrong, David Atkins, Alvaro Bermudez Castillo, Antonio Bernales, Oscar Chemerinski, Ryan Clennan, Marcus Colchester, Mark Constantine, Donald Cortes, Juan Dumas, Kristen Genovese, David Hunter, Will Kemp, Izumi Kobayashi, Kate Kopischke, Giovanni Majnoni, David McDowell, Shawn Miller, Nancy Morrison, Alex Muns, Amy Orr, Gamal Pasya, Ted Pollett, Elizabeth Price, John Ruggie, Mallory Saleson, Eva Tranamil, Lars Thunell, Marie-Chantal Uwanyiligira, Susan Wildau, Peter L. Woicke, James D. Wolfensohn, and Robert B. Zoellick.

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