



# CAO

COMPLIANCE ADVISOR OMBUDSMAN



SOLUTIONS • ACCOUNTABILITY • LEARNING

ANNUAL REPORT 2016

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#### **Notes:**

This annual report covers Fiscal Year 2016 (FY2016), which runs from July 1, 2015 to June 30, 2016. All dollar amounts are U.S. dollars unless otherwise indicated.



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## MISSION

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

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## ABOUT CAO

The Office of the Compliance Advisor Ombudsman (CAO) is the independent accountability mechanism for the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), members of the World Bank Group. CAO is mandated to address complaints from people affected by IFC and MIGA projects in a manner that is fair, objective, and equitable and to enhance the environmental and social outcomes of IFC and MIGA projects. CAO is an independent office that reports directly to the President of the World Bank Group.

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



A CAO mediator meets with stakeholders near the Bujagali Energy project in Uganda. Local community members submitted a complaint to CAO in 2011 raising concerns related to the project's construction.

# Foreword from World Bank Group President Jim Yong Kim



The World Bank Group works in developing countries all over the world, with the goal of ending extreme poverty by 2030 and boosting shared prosperity for the bottom 40 percent of the population. The poor, the vulnerable, and the disenfranchised are at the heart of this effort as the beneficiaries of our programs and projects. They are our partners in development as much as governments and the private sector, as we work together to close infrastructure gaps, improve services, enhance access to opportunity, and boost human development—often in difficult and fragile environments. The well-being of the people most affected by our projects is of the utmost concern to the World Bank Group.

For this reason, accountability is an integral part of our development process. The Office of the Compliance Advisor Ombudsman (CAO), as an independent body, plays a critical role as the mechanism by which communities and individuals may register complaints. As such, CAO is an essential partner of the World Bank Group and our private sector arms—IFC and MIGA—as they deliver on their support for the poor. For our part, we are moving aggressively to enable direct feedback from the immediate beneficiaries for every project and program to enhance our accountability and response.

I applaud CAO for the role it has played and continues to play—giving people an opportunity to have their voices heard and be counted as part of the development process.

A handwritten signature in blue ink, which appears to be 'JY Kim', written in a fluid, cursive style.

**JIM YONG KIM**  
President





CAO Vice President, Osvaldo Gratacós, visits with herders living near the Oyu Tolgoi mine site, Mongolia.





# Message from the Compliance Advisor Ombudsman

This year has been a productive and challenging year for the CAO Office. I am extremely proud of the dedication and commitment of the entire CAO team—and of the community leaders who risk their lives to call for action when projects have adverse impacts. I also recognize the commitment of those private sector clients who work with communities to resolve their issues, and the positive engagement with IFC and MIGA staff and their willingness to work with affected communities.

In Fiscal Year 2016 (FY2016), our case numbers remained high, and complex cases were a consistent feature of CAO's caseload. We handled 52 cases through our Dispute Resolution and Compliance functions, with critical insights from these cases being captured through ongoing Advisory work.

Our Dispute Resolution, Compliance, and Advisory work, together with outreach, continues to focus on empowering communities, finding solutions through dialogue, enhancing the environmental and social accountability of IFC and MIGA, and effecting institutional change. Our Annual Report this year demonstrates that focus.

CAO's Dispute Resolution work has supported positive outcomes in several challenging cases. In Mongolia, an independent panel jointly selected by herders, local government, and mining company representatives has been assessing the impacts of a mine on local water sources and traditional livelihoods, and their findings will be reported in late 2016. In Cambodia, a company agreed through dialogue with local communities to halt any further land clearance around rubber plantations. Also this year, CAO released two case studies documenting its dispute resolution work—a dialogue process in Nicaragua addressing a chronic community health issue, and an ongoing CAO intervention in Uganda to deal with a land conflict in the forestry sector. Further, CAO continues to build a cadre of regional mediators; over 50 dispute resolution professionals attended CAO mediator workshops this year.

CAO's Compliance function published investigation reports in relation to the environmental and social impacts of IFC

investments in India and Indonesia. These reports drew attention to challenges that IFC faces in ensuring effective management of environmental and social impacts of its projects, beyond the context of its direct investments.

We have strengthened our Advisory team and are working on advisory products to ensure that critical learning from CAO cases enhances IFC's and MIGA's environmental and social performance. This year, CAO Advisory completed work on a comprehensive Grievance Mechanism Toolkit designed to help IFC and MIGA assist their clients to better implement their Performance Standards requirements. The toolkit, which can be customized to a client's context, is available online.

An ongoing challenge is ensuring that affected community members know about CAO and can access the mechanism. Outreach, therefore, continues to be an important focus. This year we met with civil society organizations from East Asia, Latin American and the Caribbean, the Middle East and North Africa, South Asia, and Sub-Saharan Africa, often partnering with other independent accountability mechanisms.

Going forward, I want to emphasize the importance of CAO's continuing role as a partner in development to IFC and MIGA. As the Bank Group focuses its work on the most fragile and vulnerable areas, participation of communities, people's access to information about project risks, implementation of the Performance Standards, and the ability to "course-correct" around projects will be crucial to ensure that the costs of development are not borne by the poor and vulnerable.

I would like to thank all those who have worked with CAO over the past year for their contribution to our shared goals. We appreciate your continued support.

**OSVALDO GRATACÓS**  
Vice President and CAO

# At a Glance: CAO This Year

## A GROWING CASELOAD

This year, CAO handled 52 cases in 24 countries, concentrated in the infrastructure, agribusiness, extractives, and financial intermediary sectors. Most cases were filed directly by individuals and community members, and by local civil society organizations. See **pp. 12–15**.

## PROGRESS FOR COMMUNITIES

Over the past year, communities and companies have achieved positive outcomes in a number of cases while participating in a CAO dispute resolution process. In a remote province of Cambodia, this collaboration led to a company's commitment not to clear or develop any additional land significant to local communities. See **pp. 17–23**.

## ACTION IN RESPONSE TO COMPLIANCE FINDINGS

CAO is working with IFC and MIGA to improve responsiveness to its compliance findings, in particular promoting action plans. CAO continues to focus on challenges IFC faces to assure itself of environmental and social performance through its indirect investments, such as financial intermediaries. See **pp. 25–31**.





## SHARING CAO'S KNOWLEDGE WITH IFC AND MIGA

Through its Advisory role, CAO is working to enhance IFC and MIGA project performance and effectiveness. CAO's new Grievance Mechanism Toolkit will enable IFC and MIGA to help their clients enhance the effectiveness of existing grievance mechanisms, and to implement best practice in creating new ones. See **pp. 33–37**.

## IMPACT THROUGH OUTREACH


CAO's proactive public outreach aims to ensure that potentially impacted individuals and communities are aware of CAO's role, and how to access CAO's services with regard to the environmental and social impact of IFC and MIGA projects. See **pp. 39–43** for a summary of our outreach activities this year.

## THREATS AND REPRISALS—CAO APPROACH

The murder of two activists in Honduras in March 2016 reminds us just what is at stake in the development arena when people are at risk of reprisals. CAO has released a draft approach—now in the consultation phase—to guide its work in response to concerns about threats and reprisals. See **p. 47**.







*“Our clients are private sector. But the clients behind the client are the poor. This is why we are here today. This is our mission; never forget it.”*

Philippe Le Houérou, Executive Vice President and Chief Executive Officer of IFC





HOW CAO WORKS:  
**A FOCUS ON IMPACTED  
COMMUNITIES**

# How CAO Works: A Focus on Impacted Communities

Through its mandate as the independent accountability mechanism for private sector projects financed by IFC and MIGA, CAO provides an avenue for affected communities to raise concerns at the highest levels of the World Bank Group about environmental and social project impacts.

## ENABLING POSITIVE OUTCOMES FOR COMMUNITIES

CAO is mandated to provide affected communities with access to recourse for environmental and social impacts associated with IFC and MIGA projects. As a grievance mechanism, CAO strives to address complaints in a manner that is fair, objective, and equitable, and to enhance the outcomes of IFC and MIGA projects on the ground. CAO's work is informed by the IFC and MIGA Sustainability Framework, a set of policies and standards that articulates IFC's and MIGA's commitment to sustainable development, as well as that of their clients.

Through its work giving a voice to communities, CAO helps promote the participation of local, vulnerable, or minority groups in the development process and helps ensure they have a stake in decisions that directly impact their lives.

## HOW DOES CAO WORK?

CAO works through three complementary roles—Dispute Resolution, Compliance, and Advisory. Each of these functions plays a unique and important role in CAO's work. Together, they provide opportunities for redress through dialogue, ensure that IFC and MIGA are accountable for their environmental and social commitments, and provide a source of learning to improve the performance of both institutions. The three functions and how they interact are articulated in CAO's Operational Guidelines.

### Finding Solutions through Community-Company Dialogue

In its Dispute Resolution role, CAO brings project-affected people and IFC and MIGA clients together to address community concerns and grievances at the project level. Dispute Resolution is a flexible, voluntary, problem-solving process through which CAO works with communities and project operators to build a framework for addressing issues

of concern. CAO dispute resolution processes employ a range of problem-solving tools including mediation, assisted dialogue, facilitation, joint fact-finding, and information sharing. The goal of these processes is to help communities and companies work together toward practical, effective, sustainable, and mutually agreeable solutions. CAO does not act as a judge, but as an independent third party and convener of the process.

### Providing Accountability through Compliance

CAO's Compliance function assesses IFC's and MIGA's environmental and social performance, particularly in relation to sensitive projects. This work ensures that projects comply with IFC's environmental and social requirements. The CAO Compliance function employs a three-step process involving an appraisal; an investigation for cases raising substantial concerns about environmental and social outcomes; and monitoring after an investigation is complete to ensure that findings of non-compliance are addressed by IFC or MIGA. Compliance investigations may be initiated in response to a complaint, or at the request of the CAO Vice President, World Bank Group President, or IFC or MIGA senior management.

### Effecting Institutional Change through Learning

Through its Advisory role, CAO gathers lessons from its casework to provide the World Bank Group President and IFC and MIGA management with insights and advice on broader environmental and social concerns, systemic issues, or emerging trends. Advice generated through CAO's Advisory function is intended to facilitate learning and institutional change around issues related to IFC and MIGA policies, guidelines, and procedures, as well as enhancing institutional practice, environmental and social sustainability, and project outcomes. CAO Advisory work also aims to advance the boundaries of environmental and social accountability in the private sector, civil society, and academia. Advisory work is initiated by CAO's Vice President.





The CAO team meets with civil society representatives during a "Get to Know CAO" session during the World Bank Group Spring Meetings, April 2016.

**ACCESSIBILITY**

To ensure that people are aware of CAO’s mission and mandate, CAO conducts outreach to affected communities, civil society organizations, IFC and MIGA clients, staff, and other stakeholders. CAO makes every effort to ensure transparency and maximum disclosure of its reports, findings, and outcomes, as well as its Operational Guidelines and other information materials, which are available on CAO’s website at [www.cao-ombudsman.org](http://www.cao-ombudsman.org).

**CAO: SIXTEEN YEARS AND COUNTING**

Since its inception in 1999, CAO has handled 160 cases in 49 countries, across all industry sectors. CAO’s growing caseload speaks to an increasing awareness of CAO’s work; the impact of its outcomes; and the evolution, complementarity, and cohesiveness of its roles. As you will read in this annual report, from Cambodia to Nicaragua, from Albania to Uganda, CAO is helping IFC and MIGA deliver on their environmental and social commitments to communities all around the world.

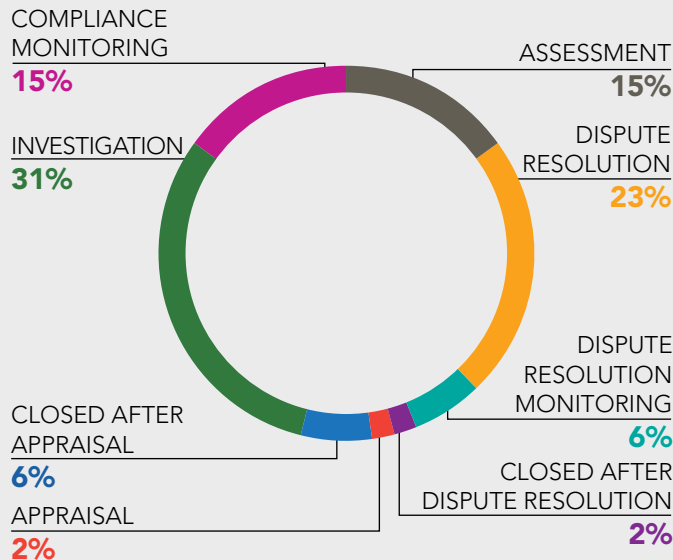
**WHO WE ARE**

CAO’s Vice President is appointed through an independent selection process led by civil society, the private sector, and academia. The CAO staff comprises a diverse team of specialists from around the world. The Office employs professional mediators and technical experts with proven track records in their fields. CAO is advised by a team of international strategic advisors, who provide critical insights to improve CAO’s effectiveness.

# Caseload Snapshot, FY2016

This year CAO handled 52 cases—of which 8 were new and 44 were carried over from FY2015. CAO closed four of these cases during the year. A full list of cases is presented on pp. 54-55.

## STATUS OF CASES, END OF FY2016



## NEW COMPLAINTS, FY2016

**29** COMPLAINTS RECEIVED DURING THE YEAR

**17** COMPLAINTS FOUND INELIGIBLE

Ineligible complaints did not relate to IFC or MIGA projects, or did not raise environmental and social concerns.

**8** NEW CASES ACCEPTED FROM 8 COUNTRIES

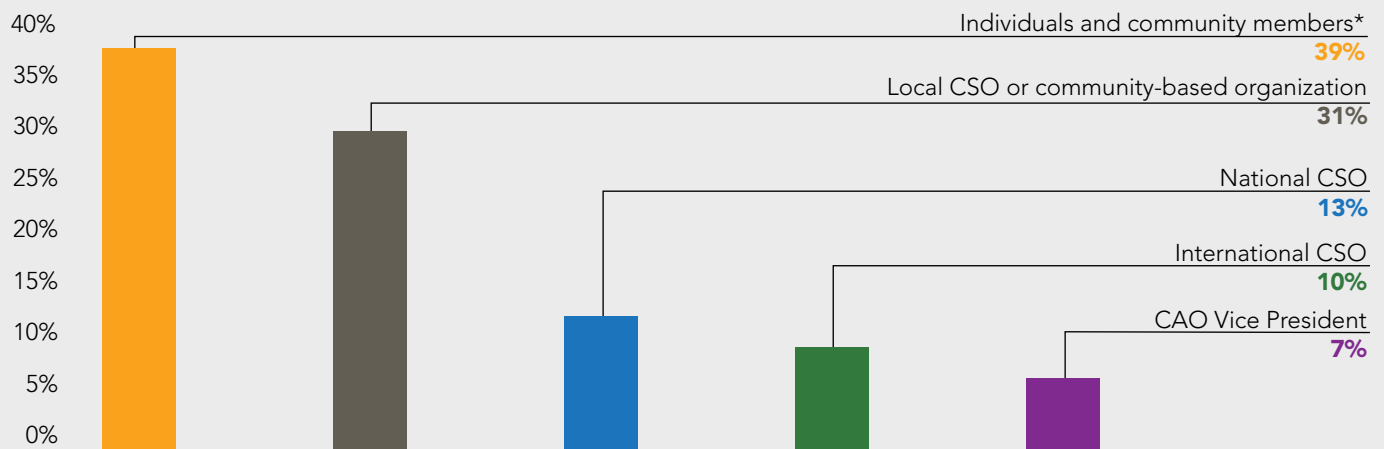
Bangladesh, Belarus, Guatemala, Honduras, India, Indonesia, Morocco, and Nicaragua.

**4** COMPLAINTS IN ELIGIBILITY SCREENING

At the end of FY2016 CAO was still determining eligibility for these complaints.

## PROFILE OF CAO COMPLAINANTS AND CASES INITIATED

CAO received the majority of its cases from community members and local civil society organizations (CSOs), which is consistent with historical trends.

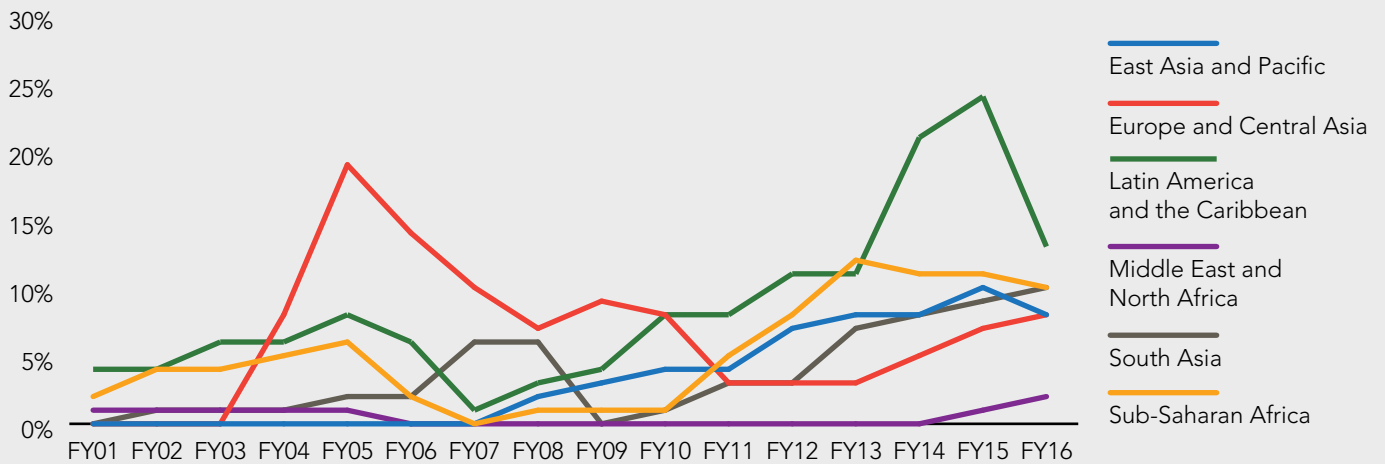


\*Note: All complaints to CAO involve community members; however, this bar depicts the percentage of complaints initiated directly by community members without representation from a local, national and/or international civil society organization.



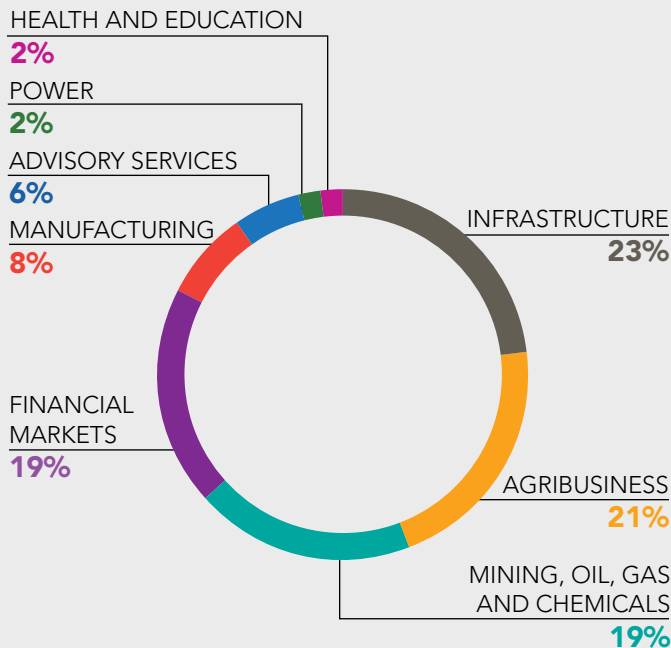
### CASES BY REGION, FY2000–2016

While the largest percentage of CAO cases are from Latin America and the Caribbean, cases from Sub-Saharan Africa and East Asia have accounted for a greater percentage of CAO cases over the past five years.



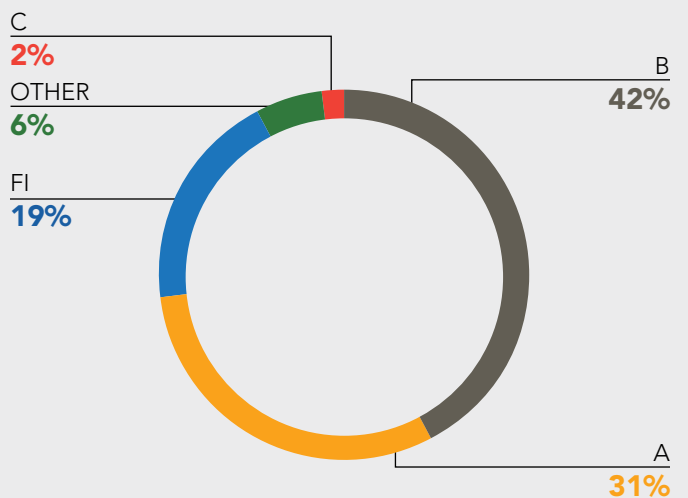
### CASES BY SECTOR

As in previous years, infrastructure, agribusiness, and extractives sectors dominated CAO's caseload this year. However, cases in financial markets now account for 19 percent of CAO's caseload, up 5 percent from FY2015.



### PROJECT RISK CATEGORIZATION

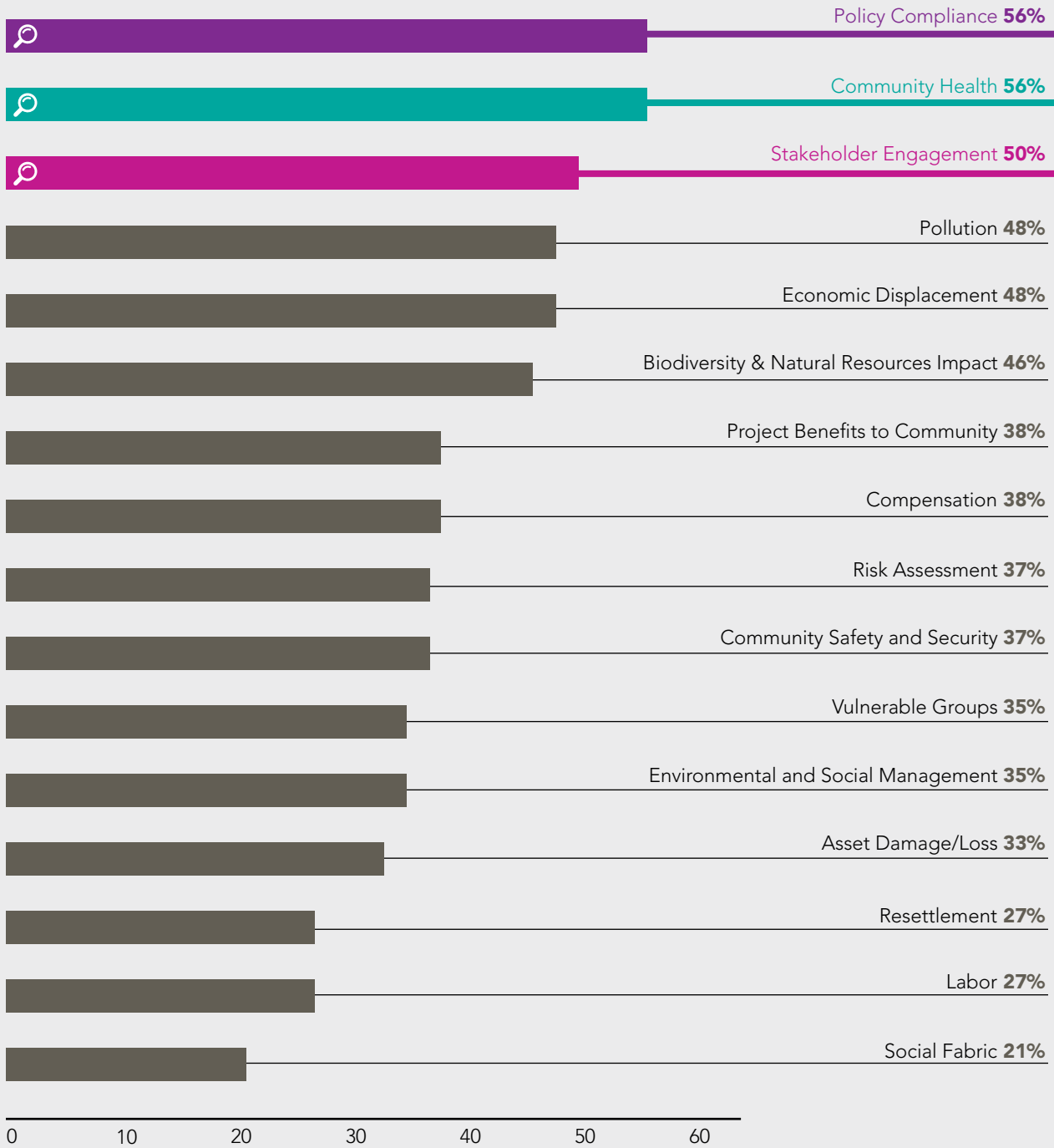
The greatest percentage of CAO cases this year related to projects that IFC has classified as category B—projects with potential limited adverse impacts that can be readily addressed through mitigation measures. CAO's caseload in the financial intermediary (FI) category has increased by 14 percent since 2010, and by 5 percent since last year.



**Category A:** Projects expected to have significant adverse environmental and/or social impacts that are diverse, irreversible, or unprecedented.  
**Category B:** Projects expected to have limited adverse impacts that can be readily addressed through mitigation measures.  
**Category C:** Projects expected to have minimal or no adverse impacts, including certain financial intermediary projects.  
**Category FI:** Investments in financial intermediaries (FI) that themselves have no adverse environmental and/or social impacts, but may finance subprojects with potential impacts.  
**Other:** Advisory Services projects, which are not categorized according to the A, B, C, and FI framework.

## ENVIRONMENTAL AND SOCIAL ISSUES

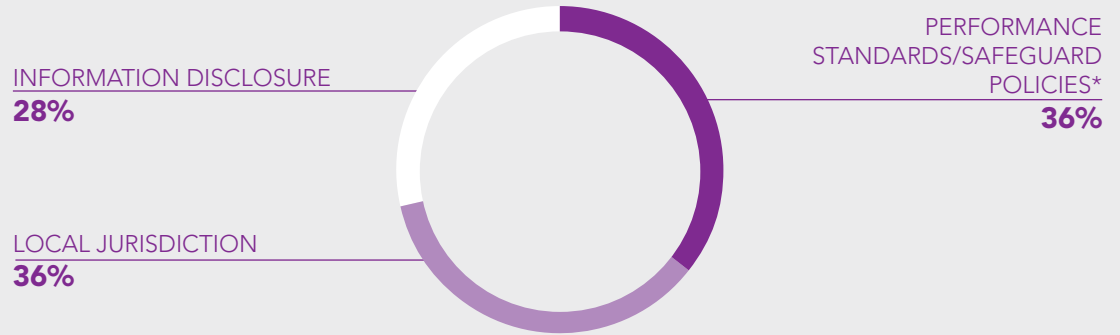
The top three categories of issues raised in complaints to CAO have consistently been policy compliance, stakeholder engagement, and economic displacement. However, this year CAO received a number of complaints related to community health, making it the second most frequently raised issue in FY2016.\*



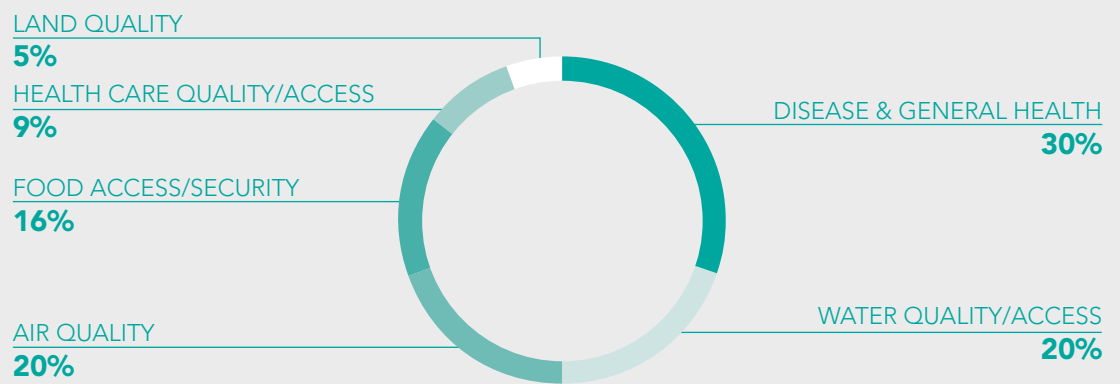
Note: Combined percentages add up to more than 100 percent because complaints to CAO typically raise more than one type of issue.



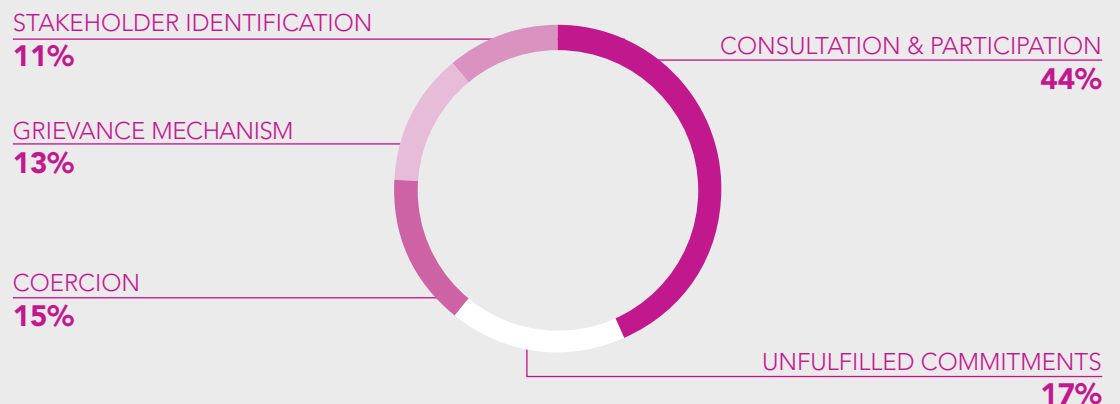
## POLICY COMPLIANCE



## COMMUNITY HEALTH



## STAKEHOLDER ENGAGEMENT

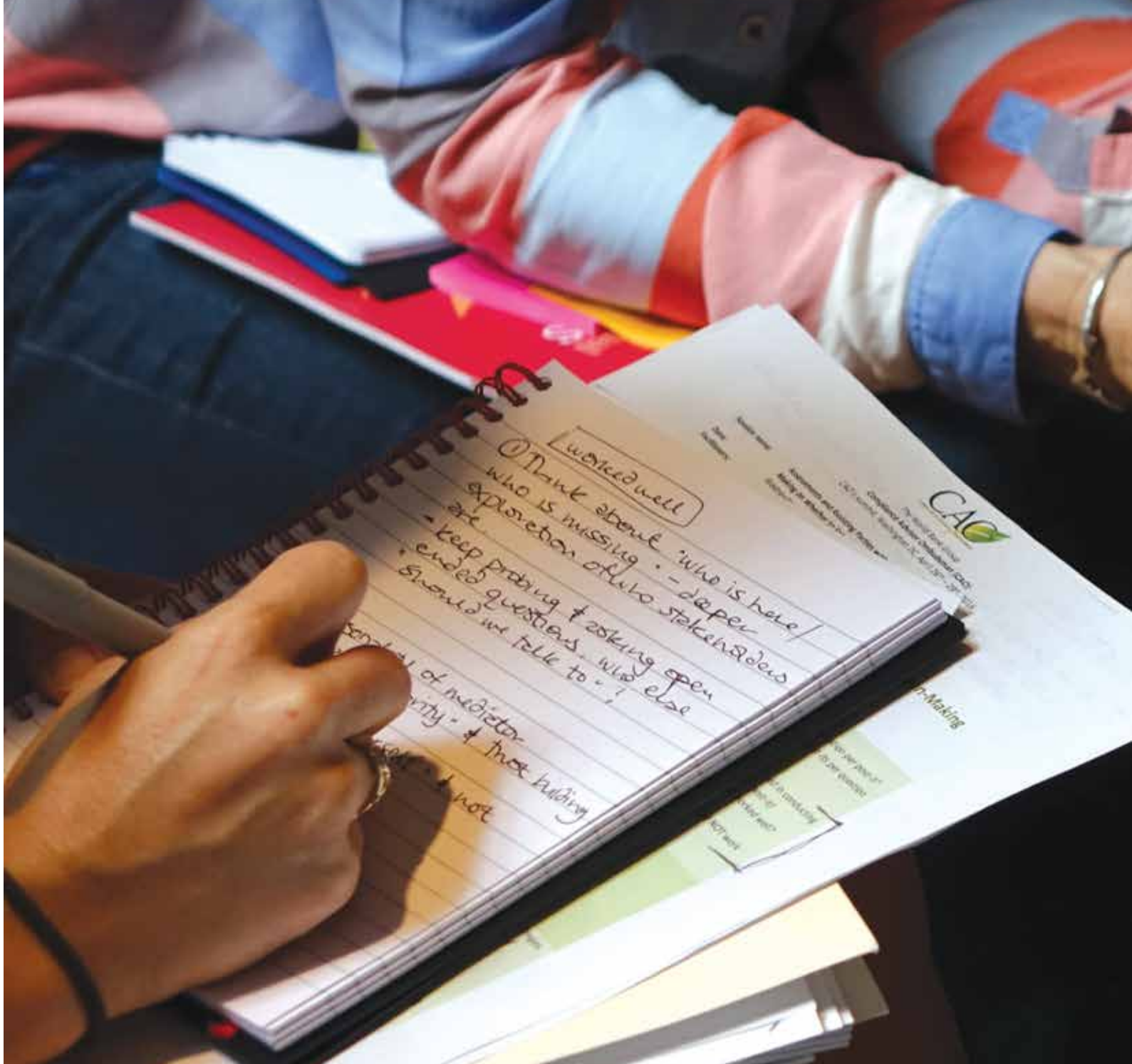


CAO is committed to the ongoing analysis of environmental and social data from its caseload in order to understand broader trends and improve CAO's impact.

\*Safeguard Policies relate to cases before the IFC Performance Standards went into effect in 2006.

“Before CAO arrived, the conflict was very difficult. The company was not open to talk and we were on the street protesting about our disease.”

Salvador Soto, Board Member of the community organization Asociación Chichigalpa Por la Vida (ASOCHIVIDA), Nicaragua





# FINDING SOLUTIONS THROUGH COMMUNITY-COMPANY DIALOGUE



# Finding Solutions through Community-Company Dialogue

At the heart of CAO's Dispute Resolution work is the understanding that a person or community impacted by a project may be able to work with that company to change the situation. To do this, it is important that both parties have the capacity and willingness to participate voluntarily in a dialogue process, and that such a process is designed collaboratively and managed professionally.

*“We found ourselves in a very difficult position being sympathetic to the community but constrained by having to observe the laws of Uganda, which prohibited compensation on government-owned forest land. However, we've appreciated the opportunity to come to a mutually beneficial agreement with these two communities through this process and look forward to positive long-term relationships with them.”*

Julian Ozanne, Executive Director & Chief Executive Officer, The New Forests Company

Through its Dispute Resolution work this year, CAO has achieved positive outcomes in a number of cases and, despite the challenges faced, has enabled communities and companies to work together to change the status quo. Examples of such participation can be seen in two dispute resolution cases in Albania and in a remote province of Cambodia (see Case Highlights pp. 19–20).

## DISPUTE RESOLUTION CASES, FY2016\*

**12** ACTIVE MEDIATION PROCESSES  
in 9 countries

**8** CASES TRANSFERRED TO COMPLIANCE  
related to projects in Albania, Armenia, Egypt, Guatemala, Malaysia, Pakistan, Togo, and Uganda.

**3** CASES IN MONITORING  
as settlement agreements between the parties are implemented in Uganda.

**1** CASE CLOSED AFTER MONITORING  
after settlement agreement outcomes were implemented in Nicaragua.

\*A full list of cases is presented on pp. 54-55.



Community members acquired land for resettlement through the CAO dialogue process in Uganda.



## CASE HIGHLIGHT **ALBANIA: BUILDING TRUST**

Members of a community residing in the vicinity of Albania's largest oilfield filed a complaint to CAO in 2013 raising concerns about project impacts on their community and the local environment. They claimed that the operations of the company, Bankers Petroleum Ltd. (Bankers), which holds the right to operate the oilfield, have caused negative health impacts, contamination of irrigation networks, and seismic tremors that have damaged local homes and buildings. Community representatives wanted the situation to change.

CAO began working collaboratively with community and company representatives, building their capacity to engage in a dispute resolution process. The company was open to listening. This collaboration led to the establishment of working groups to deal with the different issues raised in the complaint. The working groups meet regularly and a number of agreements have been reached to date. The company committed to install two seismometers to provide crucial information regarding the nature and depth of earthquakes near the oilfield, and an agreement was reached to conduct a study about seismic activity in the region and conduct joint monitoring of air quality. CAO's process has helped to build trust and mutual respect between community and company representatives.

**“One of the key issues and challenges faced by the CAO team in Albania in the dialogue process for the Bankers case has been the representation issue and active participation of different interest groups and stakeholders in the dialogue. Communicating with all the actors in this process, involving new community participants, building their skills in communication and negotiation were some of the approaches for achieving a constructive participation in the dispute resolution process.”**

Rasim Gjoka, CAO mediator



Stakeholders from the Bankers Petroleum case meet in Albania. A full progress report for the case is available on CAO's website.



Company, government, and civil society staff take a rest by Nye stream during a joint field trip, Ratanakiri Province, Cambodia.

## CASE HIGHLIGHT **CAMBODIA: MAKING PROGRESS**

In a remote province of Cambodia, CAO has been working with several local communities and a Vietnamese company to change a contentious land conflict through dialogue. During 2016, community representatives from 17 villages met with representatives from Hoang Anh Gia Lai (HAGL), which operates rubber plantations in the province, to address impacts resulting from the company's operations. Community representatives had expressed concerns in a complaint to CAO in 2014 about HAGL's clearance of their land and subsequent impacts on the community, including the need to protect "safe land" used by the community when the village floods during the rainy season. Community members emphasized that their identities, culture, and

traditional livelihoods are intrinsically linked to their land. Agreements reached since 2015 include HAGL's commitment not to clear and develop any additional land for plantations that is used by these villages, and to negotiate compensation or return land should any community land be found to have been developed by the company. These agreements have been recorded in joint statements by the parties, which capture the detailed nature of the conversations taking place between company and community representatives—assisted by civil society—under the auspices of CAO's dispute resolution process. Details of agreements reached are available on CAO's website.

## **SOLUTIONS THROUGH PARTICIPATORY PROCESSES**

A common theme in the Albania and Cambodia cases, described in the case highlights, is the participatory nature of the processes designed to enable the community and private sector to work together. CAO has seen an increase in the number of cases in which parties agree to explore

participatory approaches to address concerns about project impacts. Many of these processes are designed to address certain needs. These include determining what impacts are occurring as a result of a company's activities; establishing options for mitigating impacts; and developing a common understanding of scientific data on air or water quality (see box on participatory processes, p. 21).



## PARTICIPATION OF IFC IN CAO DISPUTE RESOLUTION

The primary parties in a dispute resolution process are the community and company representatives. However, the parties may ask other stakeholders to participate, such as IFC. Some specific examples of IFC participation in dispute resolution cases in FY2016 include:

- Sending an observer: Albania (*Bankers Petroleum*)
- Participating in a session, workshop, or site visit with the involved parties: Cambodia (*Airports-Phnom Penh*); Mongolia (*Oyu Tolgoi*)
- Providing support and advice to the government and/or company: Cambodia (*Airports-Phnom Penh*)
- Hosting a learning event for government/company staff/CSOs: Cambodia (*Airports-Phnom Penh*; *VEIL/HAGL*)
- Support with engaging the government: Cambodia (*Airports-Phnom Penh*; *VEIL/HAGL*)
- Facilitating learning from cases/co-hosting learning events for IFC staff: Nicaragua (*NSEL*)

## BUILDING TRUST THROUGH PARTICIPATORY APPROACHES

A common approach in CAO's dispute resolution work is helping design a participatory process that enables the community and company to identify possible joint solutions to the issues raised in the complaint. Typically, the parties will work together to select experts who can carry out independent research or studies on a particular issue, for example, related to air or water quality or community health. CAO has seen an increase in the number of cases where the parties agree to explore such participatory approaches. For example:

- In Cameroon, community and company representatives jointly selected a neutral expert to assess waste management concerns (Chad-Cameroon Pipeline-02/Cameroon)
- In Mongolia, local herders and mining company representatives jointly selected an independent panel of experts who are assessing the mine's impact on local water sources (Oyu Tolgoi-01 and 02 /Southern Gobi)

## MOVING FROM AGREEMENT TO IMPLEMENTATION

Community and company representatives must commit time to participate and there are many challenges along the way. Reaching an agreement after engaging in a participatory process is a real achievement. However, the work is not complete until those agreements are fully implemented.

CAO has built in monitoring as an integral part of its dispute resolution model. This enables CAO to remain engaged and assist the parties during the implementation of any agreement. In the course of this work, CAO continues to deal with several implementation challenges (See Focus, p. 22).

CAO staff meet with community members during the assessment trip for the Chad-Cameroon Pipeline case, Cameroon.





Herders, mining company representatives, local government, and independent experts meet as part of a joint fact-finding process which is assessing impacts of the Oyu Tolgoi mine on local water sources and traditional livelihoods, Mongolia.

## FOCUS

# AGREEMENTS: IMPLEMENTATION CHALLENGES

**Power imbalances** – Throughout the course of a dialogue process, CAO works to level the playing field so that communities are empowered to engage directly with project operators. While significant efforts are made to ensure that power imbalances do not result in unsatisfactory outcomes, such imbalances often have a structural component, and power relationships can quickly re-establish themselves outside the dialogue space. Strong relationships between company and community decision-makers can help mitigate this problem. However, an element of power imbalance may still be observed during the implementation of agreements, as well as in how commitments made by the parties are fulfilled outside the dialogue process. Monitoring the implementation of agreements is, therefore, critical.

**Low capacity** – At the end of a dispute resolution process, it is not surprising to find that the experience has served to strengthen the capacity of the parties. They may have acquired new skills related to negotiation, consultation, and active listening, or may have obtained technical knowledge. Often, CAO has provided training and support in these areas to bolster capacity. However, gaps in capacity may remain that the dialogue process is unable to close. Thus, some issues—such as weak leadership structures in communities, low levels of community organization, or lack of robust reporting to constituencies—can cause delays and get in the way of effective implementation of agreements.

**Need for development expertise** – CAO's expertise lies in designing and managing a dispute resolution process. CAO does not determine the content of the discussions or the outcomes agreed to by parties. However, once the focus has shifted away from brokering an agreement to implementing it, the implementation phase could benefit greatly from bringing content-specific expertise to bear in such areas as restoring livelihoods, resettlement, and small business development. CAO has had a few successful experiences retaining external resources to assist parties in this regard, and will continue to look for ways to make the implementation of agreements sustainable over time. However, such interventions could benefit from systemic support from the World Bank Group or other actors whose expertise lies in development.

**Role of external stakeholders** – Some cases present issues that are a manifestation of a larger problem that goes beyond the local conflict between a community and company. In these cases, a long-term sustainable solution requires the active engagement of external parties like the World Bank Group, government agencies, and local and international development organizations. While CAO has been able to catalyze such cooperation in a few cases, mobilizing and coordinating these parties is no easy feat. It is a time-consuming task, and is often complicated by competing political, budgetary, or strategic interests.



## THE ROLE OF MEDIATORS: DESIGNING COLLABORATIVE PROCESSES AND BUILDING TRUST

Local and regional mediators play an important role in CAO's Dispute Resolution work, managing mediation processes on the ground, and ensuring that these processes are designed and carried out in a manner that is sensitive to the local context, culture, language, and dispute resolution practice. CAO is currently focused on strengthening its core mediation practice, and growing its network of competent mediators.

In April 2016, CAO brought together 24 mediators currently working on CAO cases around the world for a mediator summit in Washington, D.C. The summit provided an opportunity for CAO's Dispute Resolution staff and mediators to exchange knowledge, experience, and learning around challenges, tools, and good practices in CAO dispute resolution processes.

In June 2016, CAO also held a mediator capacity-building and information-sharing workshop in Athens, Greece in collaboration with the Complaints Mechanism of the European Investment Bank (EIB), and the Project Complaint Mechanism of the European Bank of Reconstruction and Development (EBRD). To date, CAO has organized seven regional mediator workshops in Latin America, Africa, Asia, and Eastern and Central Europe. The Athens workshop was the first that CAO has organized jointly with other independent accountability mechanisms. The workshop brought together mediators and dispute resolution professionals from Albania, Armenia, Bulgaria, Croatia, Greece, Kosovo, Macedonia, Montenegro, Poland, Romania, Russia, Serbia, and Turkey. It was an opportunity for mediators to learn more about dispute resolution in the accountability context, as well as for the mechanisms to identify and build mediation capacity in regions where they work.



CAO mediators share insights from their field experience during the CAO mediator summit, Washington, D.C., April, 2016.

## NEXT STEPS

In the coming year, CAO Dispute Resolution will continue to focus on providing redress to communities impacted by IFC and MIGA projects. Ongoing efforts will be needed to ensure that the parties have the capacity to engage and collaborate in the design and implementation of CAO processes. CAO will also continue to enhance its professional dispute resolution capacity.

***CAO's mediation process has encouraged the parties and the government to participate in social activities to build empathy, cordiality, and a friendly relationship. All types of joint activities help representatives understand each other and build trust.***

Delcy Lagones De Anglim, CAO mediator

A wide-angle photograph of a tropical coastal landscape. In the foreground, a dirt path leads through a field of green and yellow grass. In the middle ground, two palm trees stand prominently. Further back, a few people are visible near the ocean. The sky is filled with soft, white clouds, and the ocean is visible on the right side of the frame.

*The CAO Compliance function plays an important role in ensuring that IFC and MIGA are accountable to project-affected people for the implementation of their environmental and social requirements.*





PROVIDING ACCOUNTABILITY THROUGH  
**COMPLIANCE**

# Providing Accountability through Compliance

Through its Compliance role, CAO oversees investigations of IFC's and MIGA's environmental and social performance—particularly in relation to sensitive projects—to ensure compliance with relevant policies, guidelines, and procedures. This work plays an important role in ensuring that IFC and MIGA are accountable to project-affected people for the implementation of environmental and social requirements.

Independent verification of project due diligence and compliance with environmental and social policies and standards is an important aspect of the World Bank Group's governance framework. The compliance process also provides public assurance that IFC and MIGA are meeting promised levels of performance, transparency, and accountability, which are fundamental requirements for both institutions to achieve a positive development impact.

## COMPLIANCE INVESTIGATIONS: INDIA AND INDONESIA

This year, CAO published compliance investigation reports in relation to IFC investments in India and Indonesia. These reports drew attention to challenges that IFC faces in ensuring effective management of environmental and social impacts beyond the context of its direct investments. In one case, these impacts related to an IFC client's palm oil supply chain in Indonesia (see Case Highlight, p. 27). In another, the impacts related to an IFC investment in a private equity fund, which had in turn invested in a coal-fired power plant in India (see Case Highlight, p. 28).

## COMPLIANCE CASES, FY2016\*

# 28

**COMPLIANCE CASES**  
regarding IFC and MIGA projects  
in 15 countries

# 3

**CASES CLOSED AFTER APPRAISAL**  
related to projects in the Kyrgyz Republic, Malaysia, and Pakistan.

# 9

**CASES IN INVESTIGATION**  
related to projects in agribusiness, mining, infrastructure, energy, financial intermediaries, and advisory services.

# 8

**CASES IN MONITORING**  
related to agribusiness, financial intermediaries, mining, power, and transportation investments.

\*A full list of cases is presented on pp. 54–55.



## CASE HIGHLIGHT **PALM OIL SUPPLY CHAINS IN INDONESIA: SECOND INVESTIGATION OF IFC INVESTMENTS IN WILMAR GROUP**

In May 2016, CAO released an investigation of IFC's investments in Delta Wilmar Ltd., a Wilmar Group palm oil refinery in Ukraine with a supply chain to Indonesia. The investigation was initiated following a complaint from communities in Indonesia regarding a violent confrontation in 2011 between local residents, company staff, and security forces that culminated in the demolition of huts in their village. Following an attempt at dispute resolution, the case was transferred to CAO Compliance in 2013.

### **A HISTORY OF COMPLAINTS**

The complaint was the third made to CAO from communities in Indonesia regarding the impacts of Wilmar Group plantations. Previous complaints filed in 2007 and 2008 raised issues arising from land disputes. A 2009 CAO audit of IFC related to the Wilmar Group resulted in a moratorium on all World Bank Group palm oil investments while the institution engaged in a process of consultation and strategy development for the sector.

### **SUPPLY CHAIN RISKS**

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

### **NEXT STEPS**

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



Parties undertake participatory land mapping near palm oil plantations as part of a CAO process in 2009, in Indonesia. Aspects of the case related to IFC's performance were transferred to CAO's Compliance function.

## CASE HIGHLIGHT INDIA: INVESTIGATION OF AN IFC INVESTMENT IN A COAL-BASED POWER PLANT THROUGH A PRIVATE EQUITY FUND

In January 2016, CAO released an investigation of IFC's investment in the India Infrastructure Fund, a private equity fund. In 2009, the Fund had made an investment in GMR Kamalanga Energy Limited (GKEL) to support the construction of a 1050-megawatt (MW) coal-based power plant in Odisha, India. CAO's investigation was triggered following a complaint from local communities alleging impacts on community health, livelihoods, and human rights. The investigation considered IFC's review and supervision of its investment in the Fund, and in particular, whether IFC provided adequate advice to the Fund in relation to the GKEL investment.

### SHORTCOMINGS IN REVIEW AND SUPERVISION

IFC's requirement for financial intermediaries to implement the Performance Standards has the potential to increase IFC's reach and impact. However, CAO found that this approach did not deliver the expected outcomes in this case. CAO found IFC's environmental and social due diligence was limited in scope and depth and, as a result, IFC did not have basis to conclude that the Fund's investments could meet the requirements of the Performance Standards. The investigation also

identified shortcomings in IFC's subsequent supervision of the investment. More than five years after the Fund's first investment in GKEL for the power plant and four years since becoming aware of the complaint, CAO found that IFC only recently reached a view as to the power plant's environmental and social performance. IFC's supervision noted that key concerns regarding the impact of the power plant, as raised by the complainants, had not been addressed. In this context, CAO observed that the power plant had transitioned from construction to operation, increasing the risk that it would have irreversible adverse impacts on people and the environment.

### NEXT STEPS

In its response to the investigation, IFC agreed with CAO's key conclusions. IFC noted improvements in its approach to the management of risks through private equity funds since this investment was made. IFC also published an action plan outlining measures that the Fund and GKEL had agreed to in response to CAO's findings. CAO will continue to monitor IFC's response to the investigation.



CAO visits the GKEL coal power plant in Odisha, India.





CAO meets with members of local fishing communities who live near the Tata Mundra coal power plant in India. The complaint raised concerns about the project's impact on fisherfolk.

## FINANCIAL INTERMEDIARIES: GROWING INVESTMENTS AND GROWING CHALLENGES

IFC makes investments in financial intermediaries (FIs)—such as commercial banks and private equity funds—with the objective of supporting sustainable capital market and financial sector development. IFC's annual investments through financial intermediaries have increased significantly over the last decade. Financial intermediary cases accounted for just under 20 percent of CAO's caseload this year (see Cases by Sector p. 13).

Through these investments, IFC supports micro, small, and medium enterprises, trade, housing and construction, corporate and project finance. Each of these business areas involves different environmental and social risks. To manage these risks, IFC requires its FI clients to implement an Environmental and Social Management System commensurate with the risk of the sectors and projects they finance. An FI is required to carry out individual appraisal and monitoring of the companies it finances and to apply IFC's Exclusion List and Performance Standards to these investments, where appropriate.

Since 2013, CAO has conducted a number of audits and investigations that examine IFC's application of these requirements. A key conclusion from this work is that IFC does not have adequate assurance that its requirements are being implemented across its FI investments (see Focus, p. 30).

## IMPORTANCE OF POST-INVESTIGATION MONITORING

CAO's Compliance function includes a post-investigation monitoring phase that analyzes IFC and MIGA actions in response to CAO's investigation findings. This phase helps close the loop between CAO's findings and remedial actions taken by IFC or MIGA to address identified shortcomings. It also serves as a check on the institutions' performance, helps enhance transparency and accountability to affected communities, and can provide an avenue for institutional learning.

In FY2016, CAO released three monitoring reports. The first was in relation to CAO's 2013 audit of IFC's investments in financial intermediaries, which identified problems in the way IFC implemented its environmental and social requirements. A second related to CAO's 2014 investigation of IFC's investment in the Quellaveco mine in Peru, where CAO identified shortcomings in stakeholder engagement, identification of environmental risks, and economic displacement of Indigenous communities. The third monitoring report concerned CAO's 2014 investigation of IFC's investment in Ficohsa Bank in Honduras, where CAO is monitoring IFC's project-level responses to its findings about Ficohsa's financing of its palm oil client, Dinant. In February 2016, CAO also carried out a field visit to Gujarat, India, as part of its monitoring of IFC's response to investigation findings related to the Tata Mundra power plant. CAO will continue to monitor IFC with regard to these cases in the coming year.



CAO Vice President, together with IFC and civil society representatives, participates on a panel on financial intermediaries as part of the CSO Policy Forum at the World Bank Group Spring Meetings, April 2016.

## FOCUS

# DEVELOPMENTS IN IFC'S APPROACH TO FINANCIAL INTERMEDIARY (FI) INVESTMENTS

CAO's audit of IFC investments in financial intermediaries was released in 2013 and concluded that IFC lacked a robust approach for determining whether its FI clients were effectively implementing environmental and social risk mitigation measures. The audit also raised concerns that the end use of IFC funds by FI clients was opaque and that IFC knew little about the potential impacts of its FI investments.

### DIAGNOSTIC TOOL

Following up on the audit findings, CAO released monitoring reports in 2014 and 2015. On the plus side, CAO's monitoring noted that IFC has developed a diagnostic tool to support in-depth assessments of FI clients' approach to managing environmental and social risk. When implemented well, this tool should provide IFC with a better understanding of its FI clients' systems and capacity. Further, IFC has provided more detailed guidance to staff on appraising and supervising the environmental and social risks associated with FI investments.

### VERIFYING THE ENVIRONMENTAL AND SOCIAL PERFORMANCE OF FINANCIAL INTERMEDIARIES

While actions taken by IFC respond to a number of findings from the audit, important findings remain unaddressed. A crucial message from the audit was that IFC does not have an approach for determining whether its clients' implementation of an Environmental and Social Management System actually

achieves the objective of "doing no harm" or the objective of improving environmental and social outcomes on the ground. CAO notes IFC's openness to considering third-party verification as an approach to assess a FI's environmental and social performance. As discussed in the CAO audit, the development of a robust approach to verify client implementation of an environmental and social management system would represent a significant step forward.

### THE NEED FOR GREATER DISCLOSURE: WHAT'S NEXT?

While CAO has welcomed steps taken by IFC to provide greater disclosure of private equity fund subprojects, the same level of disclosure is not provided for the majority of FI clients, such as commercial banks. Ensuring that FI clients, and ultimately IFC itself, maintain appropriate systems for accountability for the environmental and social performance of FI investments will remain an important focus. Ensuring that FI clients establish grievance and communications mechanisms that meet IFC's Performance Standards requirements is also important.

CAO's next FI monitoring report will be issued in late 2016. This report will review a sample of active FI investments committed under IFC's 2012 Sustainability Framework. This will provide an enhanced measure of the effectiveness of IFC's response to the CAO audit.

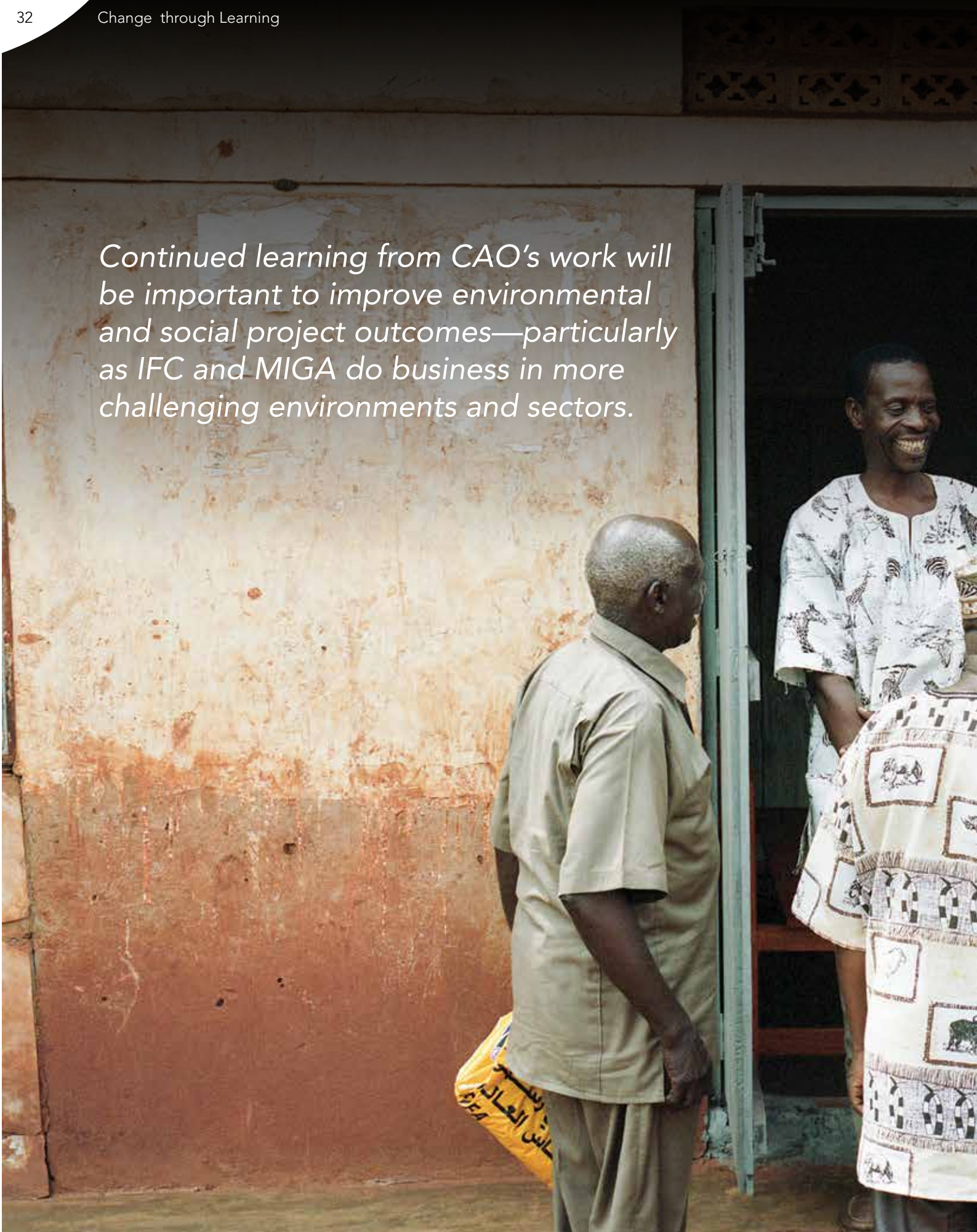


## **MANAGEMENT ACTION PLANS ARE NEEDED**

CAO's monitoring suggests that IFC's record in addressing the findings from CAO compliance investigations has been mixed. In the best cases, CAO has welcomed IFC commitments to engage with stakeholders and propose actions that address CAO compliance findings at the project level, and in terms of systems, policies, and practices.

However, concerns remain that IFC does not, as a matter of practice or requirement, issue management action plans that respond to CAO's findings. In this respect, IFC falls short of good practice compared to other development banks. In cases where an action plan is not developed, or where the action plan does not fully address CAO's findings, or is not based on consultation with affected communities including the complainants, the cycle of accountability—from complaint to redress—is disrupted and opportunities for development impact and institutional learning are missed. Closing this loop is vital, even in situations where IFC and CAO are not in full agreement, or when IFC exits a particular investment during a CAO process.

*Continued learning from CAO's work will be important to improve environmental and social project outcomes—particularly as IFC and MIGA do business in more challenging environments and sectors.*





EFFECTING INSTITUTIONAL  
**CHANGE**  
THROUGH LEARNING



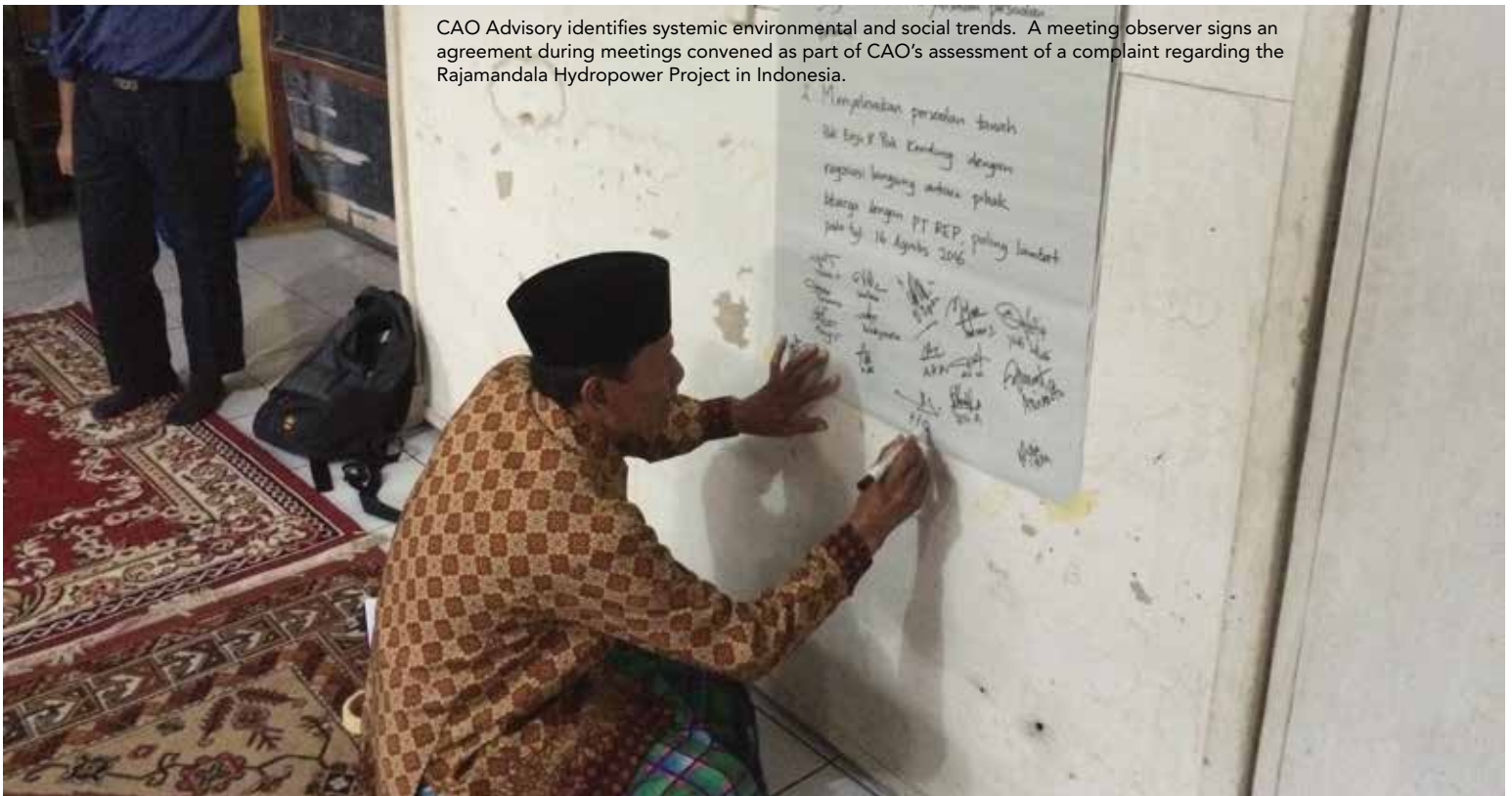
# Effecting Institutional Change Through Learning

CAO's Advisory role provides advice to the World Bank Group President and the management of IFC and MIGA on systemic environmental and social issues, and contributes to advancing the boundaries of environmentally and socially responsible development through lessons derived from CAO cases. The objective of this work is to enhance the performance and effectiveness of IFC and MIGA projects, as well as to contribute to private sector outcomes more broadly, through learning and knowledge gained from CAO's project-level insights.

When CAO's casework indicates shortcomings related to policies, CAO develops written recommendations to improve those standards. When policies are sound, but cases illustrate challenges in implementation, CAO provides guidance materials, workshops, training, and other resources to bridge the gap between policy and practice. In all instances, CAO's advice is evidence-based and draws on CAO's casework. Critically, it also takes into account the perspectives of project-affected communities, in addition to IFC and MIGA clients, and staff. CAO's Advisory work also benefits from the input and support of experts in the academic, private, public, and non-profit sectors, as well as other multilateral institutions.

Over the past year, CAO has added new staff to the Advisory team, conducted knowledge-sharing exercises with IFC and MIGA, increased its monitoring and evaluation activities, and developed new advisory products aimed at fostering institutional change. These initiatives are helping to grow and develop CAO's Advisory role. This is important to ensure that CAO is capturing critical issues raised by communities in a way that contributes to better development outcomes for IFC and MIGA.

CAO Advisory identifies systemic environmental and social trends. A meeting observer signs an agreement during meetings convened as part of CAO's assessment of a complaint regarding the Rajamandala Hydropower Project in Indonesia.







CAO's Advisory work draws on insights gathered from CAO's casework. Community members in Nicaragua attend a meeting to learn about developments in the NSEL case.

## LEARNING PRODUCTS AND ACTIVITIES

### Sharing Knowledge

This year, CAO Advisory conducted knowledge sharing activities with IFC and MIGA to share learning that reflects both the critical issues in CAO cases and engages staff on challenges they face in their business areas. CAO participated in an IFC corporate learning week, “KNovember” in November 2015, to discuss insights from 15 years of cases. The session focused on stakeholder engagement, which has remained one of the most frequently cited issues in CAO complaints.

### Mapping Data and Trends

CAO Advisory analyzes data from CAO's caseload to identify systemic environmental and social trends. After overhauling CAO's methodology for data capture in 2015, Advisory is now using the data to inform new advisory products. For instance, CAO is identifying the frequency of issues that arise in different sectors and regions in order to move beyond case specifics and map broader trends to inform its Advisory work.

### Interactive Learning

This year, CAO published a Grievance Mechanism Toolkit in an innovative, online format. The toolkit is designed for practitioners who are new to implementing grievance mechanisms, as well as experts in the field. A survey embedded in the toolkit will enable CAO to collect feedback on the product to inform future improvements (see Focus, p. 36).

The homepage of CAO's interactive Grievance Mechanism Toolkit. To access the Toolkit website, visit [www.cao-grm.org](http://www.cao-grm.org).

## FOCUS

# GRIEVANCE MECHANISM TOOLKIT

Project-level grievance mechanisms are often the closest and most readily available means for communities and individuals to raise concerns about project impacts. As a result, it is critical that these mechanisms are trusted, accessible, and robust. Over the past 16 years, CAO complainants have consistently raised concerns about the accessibility and effectiveness of project-level grievance mechanisms. In 2008, CAO published a guidance note on establishing effective grievance mechanisms for development projects. This work contributed thinking to the discipline and enjoyed uptake in the private sector.

Since that time, much of the work on grievance mechanisms has focused on the practical elements of designing and implementing mechanisms around large extractive projects. However, firms in other sectors, and particularly smaller companies with resource constraints, have not had the same practical tools or guidance available to navigate their own unique challenges.

CAO's latest Advisory publication this year—a Grievance Mechanism Toolkit—was created to help IFC and MIGA assist their clients, especially small and medium firms not in the extractives sector. The intention of this work is to enhance the effectiveness of existing grievance mechanisms and implement best practices in creating new ones.

For the first time, CAO designed the toolkit as an interactive website to be easily accessible and provide working templates that can be modified to the specific contexts of different sectors, projects, communities, and cultures. It provides tools that range from troubleshooting guides to off-the-shelf templates for designing, implementing, and staffing grievance mechanisms, as well as case studies from different sectors based on real-life examples.

The toolkit incorporates a survey mechanism to enable CAO to gather feedback on how the product is being used and what can be improved in future publications. The survey mechanism is part of CAO's commitment to monitor and evaluate its work to ensure CAO is having a meaningful impact on IFC and MIGA, and project-affected communities.



## IMPROVING OUTCOMES THROUGH EVALUATION

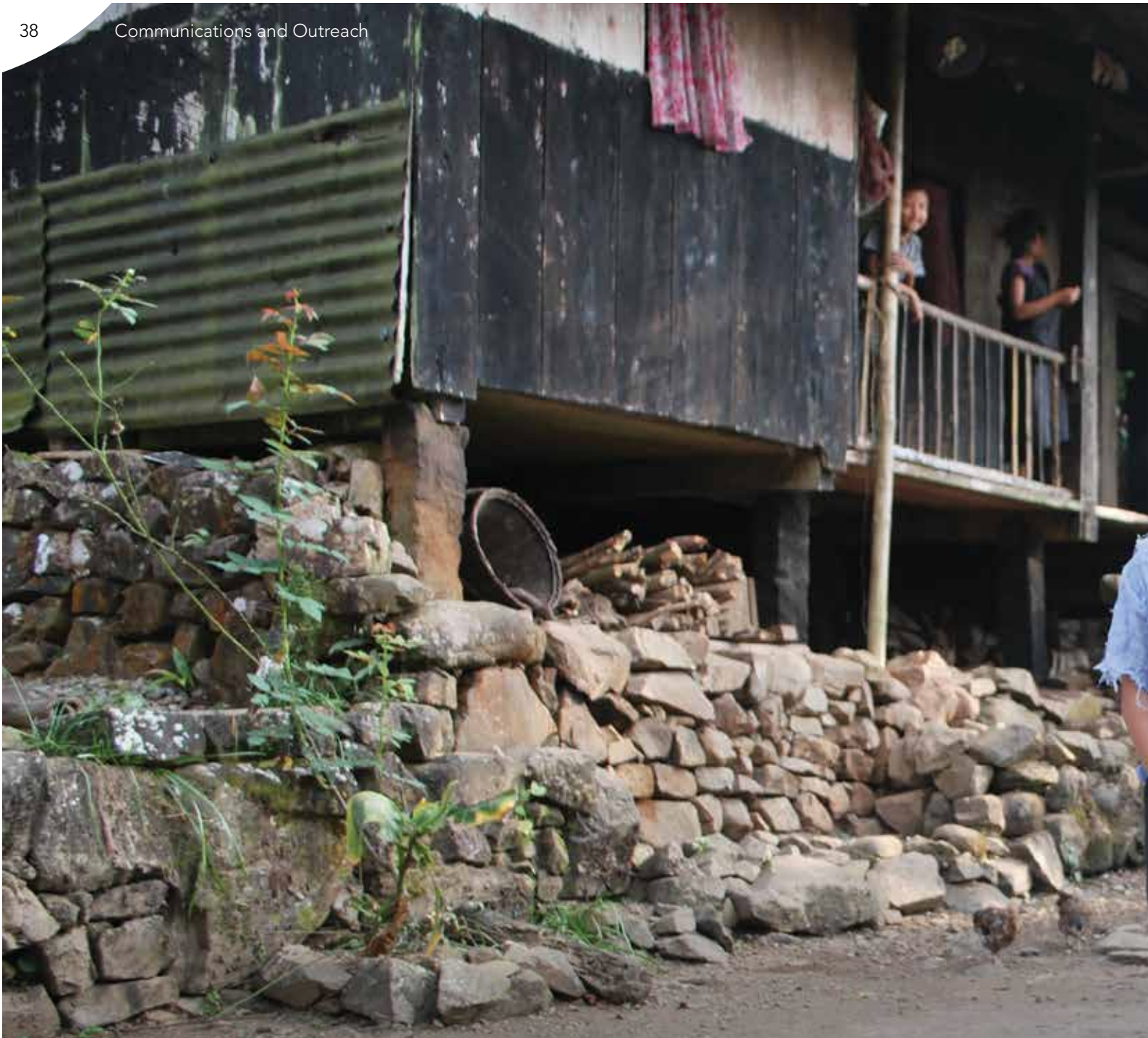
CAO conducts monitoring and evaluation to measure the impact of its work on project-affected communities, as well as on IFC and MIGA's policies and practices. Systematic tracking of CAO's performance informs changes in areas that require improvement, and enables CAO to learn from areas that are working effectively.

### **Gathering and Using Feedback**

This year CAO explored new ways for stakeholders, particularly project-affected people, to participate in the evaluation process, including through mobile technology. The team is also focusing on how to improve monitoring and evaluation to better assess when and how CAO work fosters change in IFC and MIGA. CAO conducted a peer review to evaluate how its Compliance work compares to best practices in the field, and to identify any areas of improvement moving forward.

### **Continued Need for Learning**

CAO continues to develop its Advisory role as an important pillar of its mandate. Continued learning from CAO's work will be important to improve environmental and social project outcomes—particularly as IFC and MIGA do business in more challenging environments and sectors.



*Awareness of CAO depends on effective communication with potentially affected people, civil society organizations, IFC and MIGA staff and clients, and other stakeholders. Our communications and outreach work helps engage and inform these groups about CAO's mandate, services, and outcomes.*





# MAKING AN IMPACT

THROUGH COMMUNICATIONS AND OUTREACH

# Making an Impact through Communications and Outreach

CAO has a proactive communications and outreach program that aims to engage and educate key constituencies, particularly potentially impacted communities, about CAO's mandate and work, and how to access CAO's services. Communications and outreach activities also underpin the work of CAO's three functions—Dispute Resolution, Compliance, and Advisory.

## A CRITICAL COMMUNICATIONS CHALLENGE

For people to be able to voice their concerns through CAO, they must first know that CAO exists. A critical challenge CAO faces is ensuring that affected individuals and communities are aware of CAO as a resource. The IFC and MIGA Performance Standards do not currently require that their clients disclose relevant information regarding CAO as an available grievance mechanism for affected communities. In addition, dissemination of information regarding IFC or MIGA involvement in a particular project is generally only provided through the IFC and MIGA websites in English—and thus is not readily accessible to many communities.

Awareness of CAO depends on effective communication with potentially affected people, civil society organizations, IFC and MIGA staff and clients, and other stakeholders. Hence, the focus of CAO's communications and outreach work is to proactively engage and inform these groups, particularly project-affected people. Highlights from CAO's in-reach and outreach activities this year are summarized below.

## REACHING OUT

This year, CAO co-hosted and participated in a number of outreach events in partnership with other accountability mechanisms, local civil society organizations, and a range of stakeholders in East Asia and the Pacific, Europe and Central Asia, Latin American and the Caribbean, the Middle East and North Africa, South Asia, Sub-Saharan Africa, and the United States. In September 2015, CAO participated in an outreach workshop in Beirut hosted by the Bank Information Center with civil society from six countries across the Middle East and North Africa region. The workshop focused on the role of the World Bank Group in the region and strategies to ensure that affected communities have access to effective and efficient grievance mechanisms, including CAO and the Inspection Panel. In November 2015, CAO conducted a virtual outreach session via video conference with civil society organizations from across Myanmar, in collaboration with the Inspection Panel.

In February 2016, CAO was invited by the International Council on Mining and Metals (ICMM), an industry group, and the Economic Justice Network, a faith-based civil society organization, to facilitate a dialogue in Cape Town, South Africa between global mining companies and civil society. About 40 people attended this gathering, the second such dialogue to take place around a major industry event, Investing in Mining Indaba, after CAO facilitated the first dialogue in 2015. The meeting was recognized by participating industry and civil society participants as a better way to encourage meaningful dialogue. (See Focus on p. 41 for other examples of CAO outreach activities during the year).





CAO Vice President participates in a group activity with civil society participants during a CAO outreach workshop in Mexico, June 2016.

## FOCUS

# TARGETED OUTREACH TO CONNECT WITH NEW CONSTITUENCIES AND GATHER FEEDBACK

### OUTREACH TO CIVIL SOCIETY IN MEXICO

Latin America has traditionally accounted for the largest number of CAO cases—38 percent of the CAO caseload—more than any other region. In June 2016, CAO and four other independent accountability mechanisms hosted an outreach workshop in Mexico City for civil society organizations from across the Latin America region. The daylong event brought together more than 100 participants representing a diverse group of organizations working in different sectors and Mexican states. Participants learned about the different accountability mechanisms which included CAO, the European Investment Bank (EIB) Complaints Mechanism, the World Bank Inspection Panel, the Independent Consultation and Investigation Mechanism of the Inter-American Development Bank (IDB), and the U.S. Overseas Private Investment Corporation (OPIC) Office of Accountability. Participants shared the challenges that they face both tracing the financing of development projects in Mexico, and knowing how to utilize independent mechanisms to address their concerns. Local civil society organizations—*Fundar*, *Centro de Colaboracion Civica*, and *Grupo Regional Sobre Financiamiento e Infraestructura*—were instrumental in planning and implementing the workshop. Local civil society continues to be an essential mode through which CAO raises awareness about its work because these groups often work directly with communities at risk.

### ROUNDTABLE DISCUSSION ON CAO'S WORK IN INDIA

In February 2016, CAO met with civil society organizations in New Delhi, India, for a one-day outreach session co-sponsored by two international civil society organizations, the Bank Information Center and Accountability Counsel. The roundtable discussion was designed to solicit feedback from groups in India that have brought complaints to CAO. The outreach event also provided CAO with the opportunity to explain its dispute resolution function in more detail. Participants wanted to see CAO play a stronger role in overseeing the environmental and social performance of IFC and MIGA projects. At the same time, they raised concerns about the length of time some CAO processes take. In some instances, participants expressed frustration with what was seen as a lack of responsiveness by IFC and MIGA to CAO's findings, meaning that complainants' concerns remained unaddressed. In other instances, participants indicated that CAO's involvement had helped complainants to bring their issues to light, resulting in positive changes on the ground.



A CAO Dispute Resolution Specialist addresses the audience during a CAO event at the World Bank Group Spring Meetings in April 2016, "How Do We Work Together to Protect Complainants?". CAO is developing a draft approach to protecting complainants at risk.

## REACHING INTO THE HEART OF THE INSTITUTIONS

In-reach activities this year have allowed CAO to bring members of the World Bank Group together with civil society and academia to discuss pressing issues for communities, and to further institutionalize understanding of how CAO can be a force for better development impacts.

### IFC and MIGA Engagement

CAO has taken proactive steps to engage staff at IFC and MIGA. CAO's Dispute Resolution team presented CAO's approach to community-company conflict resolution to staff in IFC's legal and industry departments, as well as to a cross-departmental IFC working group that is focused on CAO matters. CAO also convened a panel discussion about "The Use of Mediation: Addressing Community Concerns about Project Impacts through Dialogue" at the IFC Sustainability Exchange in May 2016, where the primary audience was IFC clients. CAO met periodically with MIGA to discuss high-risk projects.

## SHARING EXPERTISE IN A GLOBAL LANDSCAPE

In FY2016, CAO conducted and participated in more than a dozen knowledge-sharing activities worldwide. In September 2015, IFC invited CAO to participate in the South Gobi Water and Mining Industry Roundtable in Mongolia. CAO and local parties, including representatives from nomadic herder communities, Oyu Tolgoi LLC, and local government, shared experiences from CAO's ongoing dispute resolution work related to the Oyu Tolgoi copper mine. The meeting brought together representatives from 13 national and international mining companies operating in Mongolia's South Gobi region. For more information on the Roundtable, see: <https://commdev.org>.

During the World Bank Group–IMF Spring Meetings in April 2016, CAO convened a panel discussion entitled "How Do We Work Together to Protect Complainants?". Speakers represented civil society organizations, the Inter-American Commission on Human Rights, and CAO. Together they explored options for collaboration and practical ways to protect the basic right of citizens in developing countries to speak up about development projects without fear of reprisal.



## CONNECTING STORIES THROUGH MULTIMEDIA PRODUCTS

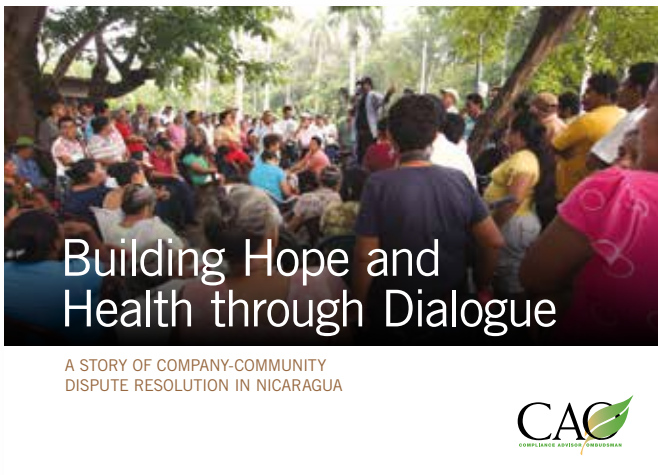
### Uganda and Nicaragua Booklets: Parties Achieving Outcomes

Communities and companies new to CAO’s work may have many questions about how CAO’s processes actually work, and what outcomes might result. CAO’s first case study publications on CAO Dispute Resolution processes in Uganda and Nicaragua help describe CAO’s work on the ground. These publications aim to connect affected communities to the stories of others who have shared similar concerns, and illustrate the experiences, challenges, and outcomes of CAO processes. The case study publications are also designed to help companies visualize how they might work with communities to find collaborative solutions. The case studies are available at [www.cao-ombudsman.org/publications](http://www.cao-ombudsman.org/publications).

In addition to case studies, CAO is developing video projects and photo essays to document its work. Also this year, CAO began publishing a quarterly newsletter to update a broad audience both inside and outside of the World Bank Group on CAO’s activities.

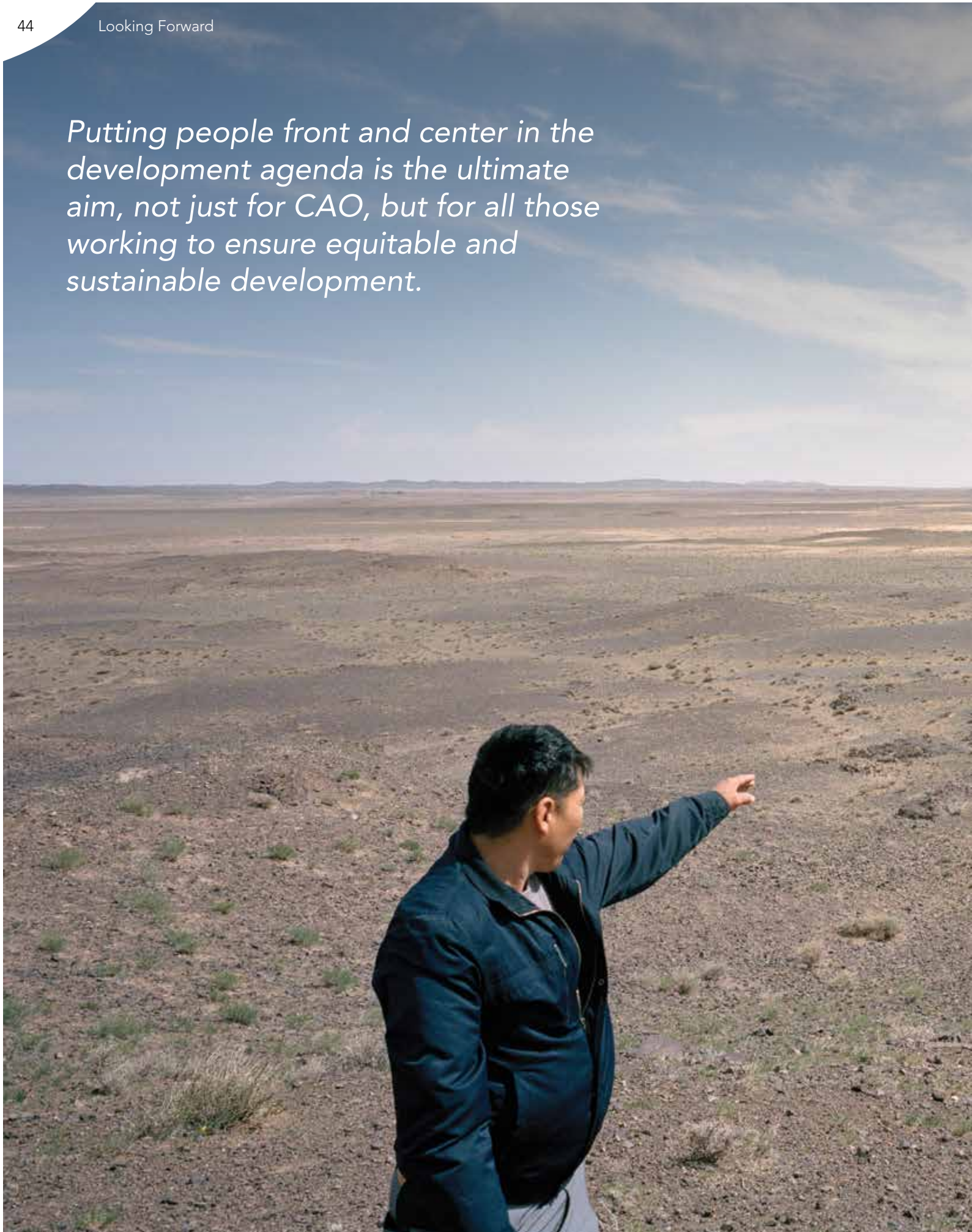
### EXPLORING CREATIVE WAYS TO BOOST FUTURE ACCESSIBILITY

Because IFC and MIGA operate all over the world, CAO’s caseload is also global. CAO works in many different languages and cultures, with communities and people with uncertain access to information through the Internet and other avenues. CAO is continuing its work to formulate a more comprehensive communications strategy to make sure that communities—especially in remote locations—are aware of CAO. Some of these efforts include mobile technology and ways to make publications and reports more accessible by condensing these products into infographics. CAO hopes to take first steps toward implementing these solutions in the coming year.



CAO’s Uganda and Nicaragua case study booklets. The booklets are available for download in both English and Spanish on CAO’s website.

*Putting people front and center in the development agenda is the ultimate aim, not just for CAO, but for all those working to ensure equitable and sustainable development.*





# LOOKING FORWARD



# Looking Forward

Over the past 16 years, hundreds of communities around the world have been empowered by making their voices heard through CAO. In order to remain effective and continue to deliver on its mandate for communities, CAO's work continues to evolve.

Looking toward FY2017, CAO's sights are set on building local mediation capacity and CAO's ability to ensure the sustainability of outcomes through Dispute Resolution; improving the responsiveness of IFC and MIGA to CAO's compliance work and findings; improving engagement and learning opportunities with IFC and MIGA through CAO's Advisory role; and continuing to raise awareness about CAO to communities and other stakeholders.

## REACHING NEW CONSTITUENCIES

CAO's accessibility and impact depends on effective communication and outreach with all stakeholders. This work underpins all three CAO functions. In the year ahead, CAO will continue both in-reach and outreach activities to these key constituencies to improve awareness and understanding of

CAO's work. Reaching local communities is a particular focus to ensure that people are aware of their right to recourse through CAO. Therefore, CAO has more outreach in the pipeline for FY2017, with a focus on regions and countries where these activities are a priority, and where there are opportunities for collaboration with other institutions.

## BUILDING LOCAL MEDIATION CAPACITY

There is a need to continue to work with skilled and competent mediators in regions where CAO receives complaints. Local mediators help build parties' capacity to engage and collaborate in the design of dispute resolution processes. CAO will continue to grow its mediator network, building capacity where required.

The Managing Director of Nicaragua Sugar Estates Limited (NSEL) (center) walks with community members in Chichigalpa, Nicaragua. CAO closed this case in FY2016 after monitoring commitments made by the company and community through the CAO dialogue process.





## **IMPROVING IFC AND MIGA RESPONSIVENESS**

As a matter of practice or requirement, IFC does not issue management action plans that respond to CAO's findings. CAO believes that management actions in response to CAO findings arising out of community complaints are an essential part of the accountability process. By engaging IFC and MIGA management and continuing to strengthen the monitoring of IFC and MIGA actions in response to CAO findings, CAO can improve both the efficiency of its compliance processes and enhance IFC and MIGA responsiveness.

## **BOOSTING ENGAGEMENT AND LEARNING OPPORTUNITIES**

By considering the issues raised by project-affected individuals and communities, CAO Advisory is able to detect trends that can help guide IFC and MIGA to better identify risk. This learning is imperative to achieving positive development outcomes. The team is exploring new avenues to increase efficacy in communicating lessons and shaping products with a number of external advisory experts and tools.

## **THREATS AND REPRISALS—CAO APPROACH**

This year, CAO was reminded first hand of the risk and sacrifice citizens in many countries make when they speak up and ask difficult questions, or oppose development projects, when two activists, including Berta Cáceres, a Honduran human rights activist and complainant to CAO, were murdered. People's concerns for their own and their families' safety and well-being can prevent affected people from seeking redress for anticipated or experienced harm.

In the coming year, CAO will continue its work on developing an approach to help prevent and mitigate risks for complainants, and will start reporting on implementation of the approach in next year's Annual Report. Consultation inputs relevant to IFC and MIGA will be shared with the institutions in order to start a dialogue about this important issue.

Putting people front and center in the development agenda is the ultimate aim, not just for CAO, but for all those working to ensure equitable and sustainable development.



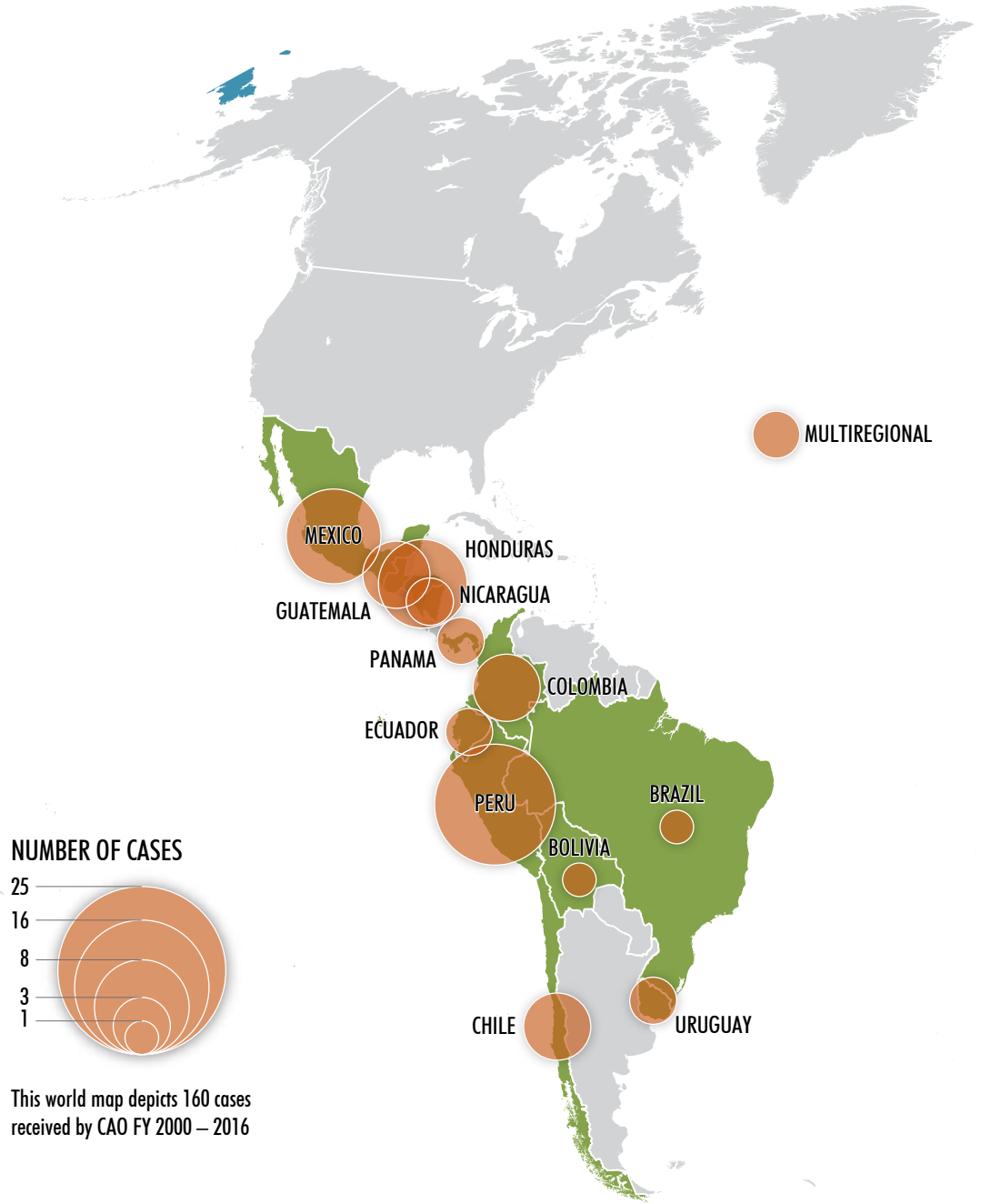


# APPENDICES



APPENDIX A.

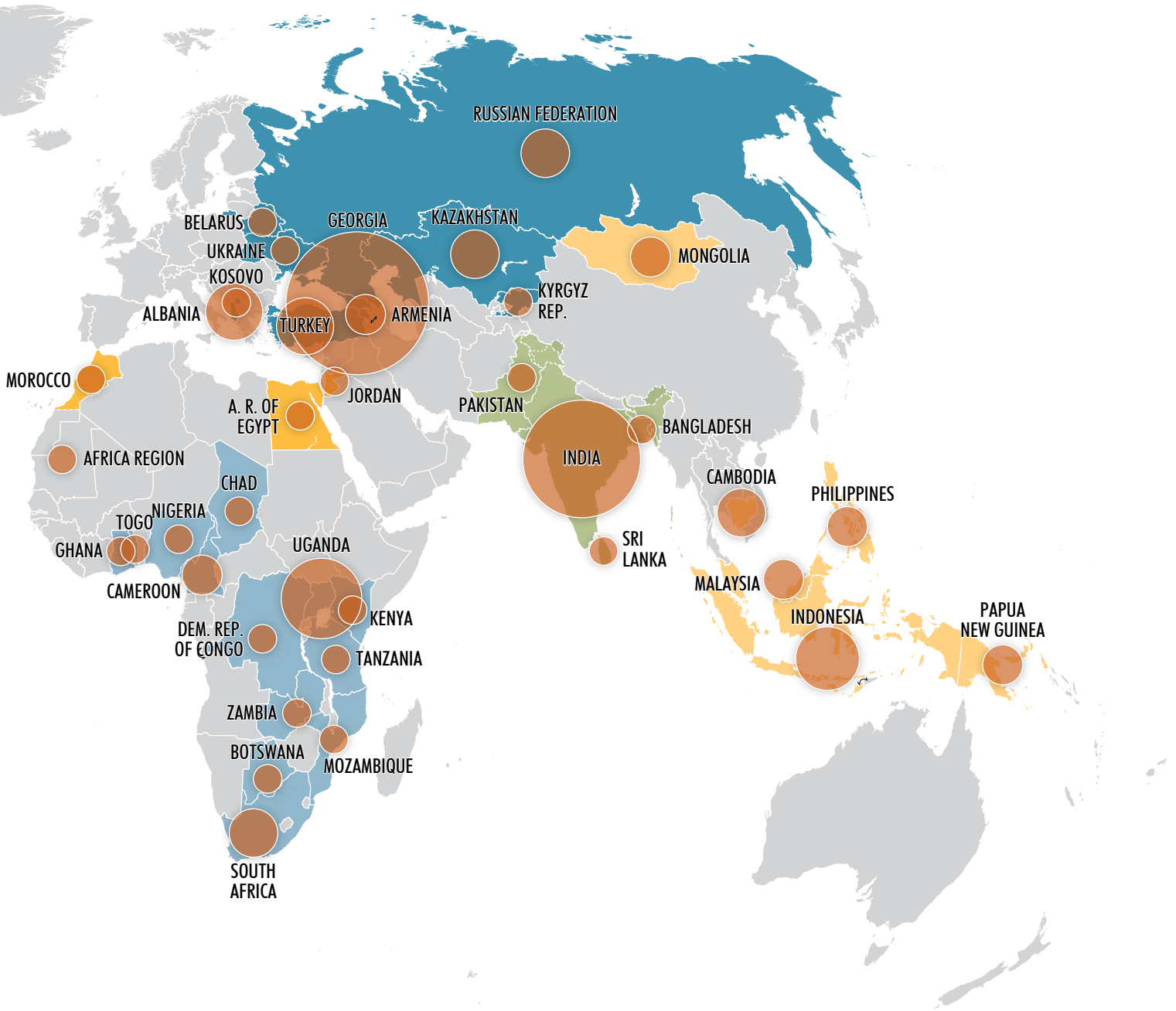
# Map of Cases, FY2000–FY2016



IBRD 38100 | SEPTEMBER 2016

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.





## APPENDIX B.

**Funding, FY2016**

In FY2016, CAO had an administrative budget of \$4,827,345 and a non-conditional supplemental allocation of \$475,000 (see table B.1). CAO's administrative budget covers the costs of staff salaries, consultants, travel, communications, contractual services, and other administrative expenses. CAO's administrative budget is funded by IFC and MIGA on a cost-sharing basis (see table B.2). The determination of the cost sharing is based on the percentage of time spent by CAO staff on each institution's business matters in the prior closed fiscal year.

CAO 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 extraordinary activity related to dispute resolution (see table B.3). 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 Dispute Resolution, the parties to a dispute may contribute funds to a separate account managed by CAO. If parties sign an agreement to mediate or a Memorandum of Understanding to negotiate, CAO works with the parties to resolve payment issues. For parties that are not in a position to contribute, 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.

**TABLE B.1. CAO'S ADMINISTRATIVE BUDGET, FY2016 (U.S. dollars)**

Salaries	1,813,978
Travel	639,296
Benefits	904,232
Consultants	1,019,865
Contractual services	415,876
Publications and other expenses	97,617
Communications and IT services	26,875
Equipment and building services	21,554
Temporaries	53,270
Representation and hospitality	26,180
<b>Total budget</b>	<b>5,302,345</b>
<b>Total expenses</b>	<b>5,018,743</b>
<b>Current budget</b>	<b>4,827,345</b>
<b>Supplemental budget</b>	<b>475,000</b>

**TABLE B.2. IFC AND MIGA'S CONTRIBUTION TO CAO'S ADMINISTRATIVE BUDGET, FY2000–FY2016 (U.S. dollars)**

Fiscal year	IFC	MIGA	Total
FY2000	641,600	160,400	802,000
FY2001	1,096,800	262,500	1,359,300
FY2002	1,381,800	319,100	1,700,900
FY2003	1,794,900	374,800	2,169,700
FY2004	1,550,500	380,200	1,930,700
FY2005	1,573,800	392,100	1,965,900
FY2006	2,030,700	507,500	2,538,200
FY2007	2,135,300	523,400	2,658,700
FY2008	2,182,900	538,400	2,721,300
FY2009	2,899,900	407,000	3,306,900
FY2010	2,930,600	513,600	3,444,200
FY2011	2,941,911	634,434	3,576,345
FY2012	3,627,286	548,815	4,176,101
FY2013	3,868,495	463,523	4,332,018
FY2014	4,249,978	269,327	4,519,305
FY2015	4,146,947	345,954	4,492,901
FY2016	4,528,050	299,295	4,827,345
<b>Total</b>	<b>43,581,467</b>	<b>6,940,348</b>	<b>50,521,815</b>

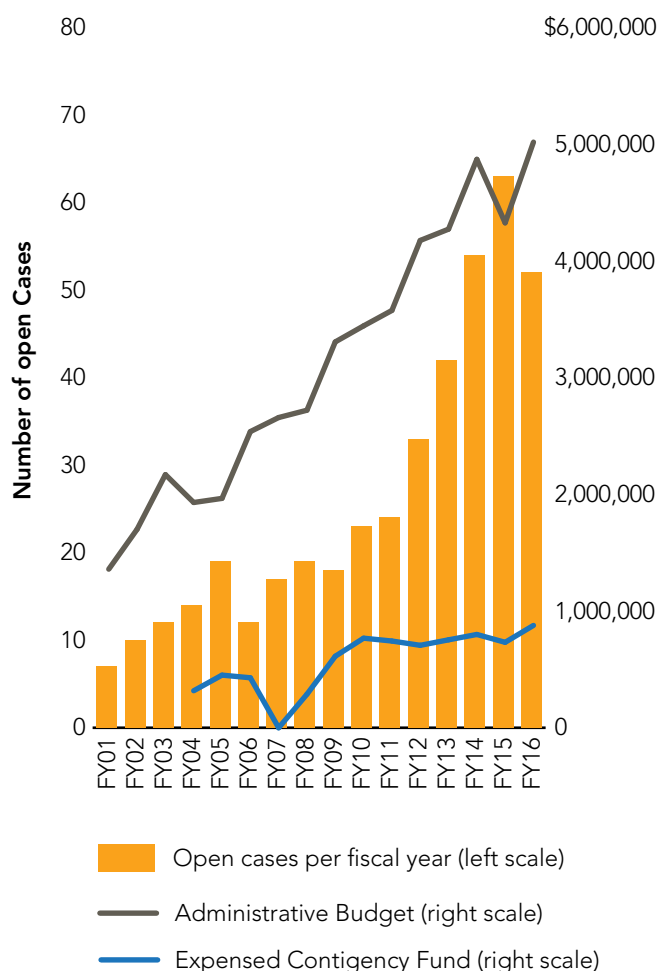


## CONTINGENCY FUND

The Environmental/Social Mediation and Conflict Resolution Contingency Fund helps 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 multi-year mediation process following two complaints received against Minera Yanacocha in Peru. Allocations from the Fund are made by 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.

The Contingency Fund is \$1 million annually. When the Fund was established, IFC committed to contribute 80 percent (\$800,000) of the \$1 million, with MIGA contributing 20 percent (\$200,000) each year. In FY2016, for the first time since the establishment of the Contingency Fund, CAO accessed MIGA's 20 percent commitment. In FY2016, the CAO used \$877,496 from its Contingency Fund.

**FIGURE B.1. CAO ADMINISTRATIVE BUDGET AND CASELOAD, FY2001–FY2016**



**TABLE B.3. CAO CONTINGENCY FUND, FY2003–FY2016 (U.S. dollars)**

**Direct contributions from IFC, FY2003–FY2016**

Fiscal year	Total
FY2003	-0-
FY2004	317,500
FY2005	451,500
FY2006	352,900
FY2007	37,900
FY2008	319,100
FY2009	613,100
FY2010	768,000
FY2011	743,627
FY2012	706,836
FY2013	753,836
FY2014	799,929
FY2015	732,580
FY2016	677,496
<b>Subtotal</b>	<b>7,274,304</b>

**Direct contribution from MIGA, FY2016**

Fiscal year	Total
FY2016	200,000

**Other contributions from IFC sponsors, FY 2003–FY2016**

Contribution from Minera Yanacocha	\$3,231,000
Contribution from Nicaragua Sugar Estates Limited	789,733
Contribution from Oyu Tolgoi LLC	470,540
<b>Subtotal</b>	<b>4,571,243</b>
<b>Total funds expended on extended-term mediation:</b>	<b>\$12,045,547</b>

## APPENDIX C.

**CAO CASES, FY2016**

Cases are listed in alphabetical order by country and case name.

**TABLE C.1.**

	<b>Country</b>	<b>Case Name</b>	<b>Date Received</b>	<b>Status at end of FY2016</b>
1	Albania	Bankers Petroleum-01/Patos	13-Mar-13	Dispute Resolution
2	Albania	Enso Albania-01/Lengarica	22-Jun-15	Compliance Investigation
3	Albania	Kurum Hydro-01/Bradashesh	19-May-15	Dispute Resolution
4	Armenia	Lydian Intl3-01/Gndevaz & Jermuk	16-Apr-14	Compliance Investigation
5	Armenia	Lydian Intl3-02/Gndevaz	25-Jul-14	Compliance Investigation
6	Bangladesh	United Ashuganj Energy Ltd-01/Dhaka	26-May-16	Assessment
7	Belarus	Strominvest/Erilin-01/Minsk	24-Mar-16	Assessment
8	Cambodia	Cambodia Airport-01/Phnom Penh	7-Jun-13	Dispute Resolution
9	Cambodia	VEIL II-01/Ratanakiri Province	10-Feb-14	Dispute Resolution
10	Cameroon	Chad-Cameroon Pipeline-02/Cameroon	1-May-11	Dispute Resolution
11	Chad	Chad-Cameroon Pipeline-03/Doba	20-Oct-11	Dispute Resolution
12	Colombia	Alqueria-01/Cajicá	10-Apr-13	Dispute Resolution
13	Colombia	Avianca-01/Bogota	22-Nov-11	Compliance Monitoring
14	Colombia	Eco Oro-01/Bucaramanga	13-Jun-12	Compliance Investigation
15	Egypt	Titan Egypt-01/Wadi al-Qamar	8-Apr-15	Compliance Investigation
16	Guatemala	CIFI-01/Santa Cruz	16-Jul-15	Compliance Investigation
17	Guatemala	Real LRIF-01/Coban	29-Oct-14	Compliance Investigation
18	Honduras	Dinant-01/CAO Vice President Request	17-Apr-12	Compliance Monitoring
19	Honduras	Dinant-02/Aguán Valley	23-Jul-14	Assessment
20	Honduras	Dinant-03/Aguán Valley	23-Jul-14	Assessment
21	Honduras	Ficohsa-01/CAO Vice President Request	22-Aug-13	Compliance Monitoring
22	Honduras	Ficohsa-02/Tela	10-Oct-15	Assessment
23	Kyrgyz Republic	Plato-01/Bishkek	7-Apr-15	Closed after Compliance Appraisal
24	India	India Infrastructure Fund-01/Dhenkanal District	1-Apr-11	Compliance Monitoring
25	India	Tata Tea/CAO Vice President Request	29-May-12	Compliance Investigation
26	India	Tata Tea-02/Assam	4-Feb-13	Compliance Investigation
27	India	Tata Mega Ultra-01/Mundra and Anjar	1-May-11	Compliance Monitoring
28	India	Tata Ultra Mega-02/Tragadi Village	21-Apr-16	Assessment
29	India	Vizhinjam-01/Kerala	21-Aug-12	Compliance Investigation
30	India	Vizhinjam-02/Kerala	7-Sep-12	Compliance Investigation



	<b>Country</b>	<b>Case Name</b>	<b>Date Received</b>	<b>Status at end of FY2016</b>
31	India	Vizhinjam-03/Kerala	12-Apr-13	Compliance Investigation
32	Indonesia	Rajamandala HEPP-01/West Java	16-May-16	Assessment
33	Indonesia	Wilmar Group-03/Jambi	9-Nov-11	Compliance Monitoring
34	Malaysia	Bilt Paper B.V-01/Sipitang	13-Sep-14	Closed after Compliance Appraisal
35	Malaysia	Bilt Paper B.V-02/Sipitang	1-Jun-15	Compliance Investigation
36	Mongolia	Oyu Tolgoi-01/Khanbogd	12-Oct-12	Dispute Resolution
37	Mongolia	Oyu Tolgoi-02/Khanbogd	13-Feb-13	Dispute Resolution
38	Morocco	Zalagh-01/Tiddas	21-Mar-16	Assessment
39	Nicaragua	Ingenio Montelimar-01/Montelimar Environs	30-Sep-15	Dispute Resolution
40	Nicaragua	Nicaragua Sugar Estates Limited-01/León and Chinandega	1-Mar-08	Closed after Dispute Resolution
41	Pakistan	Bank Alfalah-01/Saddar Karachi	29-Apr-15	Closed after Compliance Appraisal
42	Peru	Quellaveco-01/Moquegua	28-Nov-11	Compliance Monitoring
43	South Africa	Lonmin-02/Marikana	15-Jun-15	Dispute Resolution
44	Togo	Togo LCT-01/Lomé	6-Mar-15	Compliance Investigation
45	Uganda	Agri-Vie Fund-01/Kiboga	20-Dec-11	Dispute Resolution Monitoring
46	Uganda	Agri-Vie Fund-02/Mubende	20-Dec-11	Dispute Resolution Monitoring
47	Uganda	Bujagali Energy-04/Bujagali	1-Mar-11	Compliance Investigation
48	Uganda	Bujagali Energy-05/Bujagali	1-May-11	Dispute Resolution Monitoring
49	Uganda	Bujagali-06/Bujagali	3-Apr-13	Compliance Investigation
50	Uganda	Bujagali-07/Bujagali	2-Feb-15	Appraisal
51	Ukraine	Axzon-01/Halych and Kalush	3-Feb-14	Dispute Resolution
52	Multiregional	Financial Intermediaries-01/CAO Vice President Request	1-Apr-11	Compliance Monitoring

## APPENDIX D.

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## APPENDIX E.

**Acronyms**

ASOCHIVIDA	Asociación Chichigalpa por la Vida
CAO	Office of the Compliance Advisor Ombudsman
EIB	European Investment Bank
CSO	Civil Society Organization
FI	Financial Intermediary or Financial Intermediaries
FY	Fiscal Year
GKEL	GMR Kamalanga Energy Limited
HAGL	Hoang Anh Gia Lai Group
ICMM	International Council on Mining and Metals
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IMF	International Monetary Fund
MIGA	Multilateral Investment Guarantee Agency
NSEL	Nicaragua Sugar Estates Limited
OPIC	U.S. Overseas Private Investment Corporation
EBRD	European Bank for Reconstruction and Development
VEIL	Vietnam Enterprise Investments Limited

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## **MORE INFORMATION**

CAO's reports, findings, and case updates are available on CAO's website. All other public documents, including CAO Advisory Notes and past Annual Reports, also are available in hard copy. CAO's Operational Guidelines are available in the seven official languages of the World Bank Group. Further resources on how to file a complaint are available in additional languages on CAO's website. For more information, see [www.cao-ombudsman.org](http://www.cao-ombudsman.org).

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Contributors: CAO team

Photos: CAO and Felix Davey

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Copy editor: Nancy Morrison

Designer: Studio Grafik

Printer: MOSAIC





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