



Independent Accountability Mechanism for IFC & MIGA

# Annual Report 2011









Independent Accountability Mechanism for IFC & MIGA

# Annual Report 2011



A river near Cherrapunji—the wettest place on Earth—in Meghalaya State, northeastern India. Conflicts over water are central to more than 40 percent of CAO cases, © CAO.



© 2011 Compliance Advisor/Ombudsman (CAO)

All rights reserved.

Office of the Compliance Advisor/Ombudsman (CAO)  
2121 Pennsylvania Avenue NW  
Washington, DC 20433, USA  
Tel: + 1 202-458-1973  
Fax: + 1 202-522-7400  
Web site: [www.cao-ombudsman.org](http://www.cao-ombudsman.org)  
e-mail: [cao-compliance@ifc.org](mailto:cao-compliance@ifc.org)

The findings, interpretations, and conclusions expressed herein are those of the author(s) and do not necessarily reflect the views of the Executive Directors of the World Bank Group or the governments they represent.

The CAO does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of the CAO concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

### **Rights and Permissions**

The material in this publication is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law. The Compliance Advisor/Ombudsman (CAO) encourages dissemination of its work and will normally grant permission to reproduce portions of the work promptly.

For permission to photocopy or reprint any part of this work, please send a request with complete information to the Office of the Compliance Advisor/Ombudsman (CAO), 2121 Pennsylvania Avenue NW, Washington, DC 20433, USA; fax: 202-522-7400; e-mail: [cao-compliance@ifc.org](mailto:cao-compliance@ifc.org).

All other queries on rights and licenses, including subsidiary rights, should also be addressed to the CAO at the above address.



# CONTENTS

Our Mission	1
Foreword from President Robert B. Zoellick	2
Message from the Compliance Advisor/Ombudsman	4
CAO Cases, FY2000–11	6
Overview of the CAO	10
Ombudsman	13
Compliance	18
CAO Cases, FY2011	22
Advisory Work	56
Monitoring and Evaluation	58
Outreach	60

## APPENDIXES

Appendix A. World Map of CAO Cases, FY2000–11	64
Appendix B. Complaint Log, FY2000–11	66
Appendix C. Reports and Publications, FY2011	73
Appendix D. Terms of Reference	74
Appendix E. Governance	76
Appendix F. Funding, FY2011	78
Appendix G. Staff	80
Appendix H. Strategic Advisors	83
Appendix I. Independent Accountability Mechanisms	84
Appendix J. IFC and MIGA Policies	85
Appendix K. Filing a Complaint	86





## FIGURES

Figure 1. Eligible CAO Cases by Fiscal Year, FY2001–11	8
Figure 2. Signatories to CAO Complaints, FY2000–11	8
Figure 3. CAO Cases by Region, FY2000–11	8
Figure 4. CAO Cases by Industry Sector, FY2000–11	8
Figure 5. Issues Cited in Complaints to the CAO	9
Figure 6. Cases by Environmental Category	9
Figure 7. Status of CAO Cases, FY2000–11	9
Figure 8. Status of CAO Cases, FY2011	23
Figure 9. CAO Cases by Region, FY2011	23
Figure 10. CAO Cases by Sector, FY2011	23
Figure E.1. The CAO's Reporting Lines within the World Bank Group	77
Figure K.1. Accountability Structure of IFC and MIGA	88

## TABLES

Table 1. Ombudsman Cases, FY2011	17
Table 2. Compliance Cases, FY2011	21
Table F.1. The CAO's Administrative Budget, FY2011	78
Table F.2. IFC/MIGA's Contribution to the CAO's Administrative Budget, FY2000–11	78
Table F.3. CAO Contingency Fund, FY2003–11	79

## BOXES

Box 1. The CAO's Three Roles	11
Box 2. The Eligibility Criteria for CAO Complaints	12
Box 3. CAO Dispute Resolution Tools	14
Box 4: The Role of a CAO Mediator	15
Box 5. Independent and Credible Experts: CAO Audit Panels	19
Box 6. Outreach in Russia, April 2011	61
Box 7. Training Seminar for Mediators in Central Asia and the South Caucasus	62



Young girls in the East Khasi Hills of Meghalaya, India, during a CAO field visit, © CAO.





## 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 President Robert B. Zoellick

It has been almost 20 years since the World Bank Group began to address accountability in a systemic way. The 1992 Rio Summit focused increased attention on the need to strengthen accountability, transparency, and inclusion in the day-to-day operations of the World Bank Group. The Bank Group established two independent accountability mechanisms—the Inspection Panel and the Compliance Advisor Ombudsman (CAO)—to address social and environmental compliance and related issues of harm. These innovations recognized that, in addition to strengthening project management, the World Bank Group would be more effective if it could open doors to civil society, which plays an indispensable role in promoting social development, environmental protection, and good governance worldwide. Moreover, sustainable development needs to be inclusive development—so it is particularly important to include vulnerable and marginalized groups as partners. The CAO has provided a pioneering model of citizen-led, bottom-up accountability, enabling people to voice their concerns at the highest levels within the World Bank Group.

Today, mechanisms such as the CAO have become a central part of our governance structure and institutional framework. As the independent accountability mechanism for IFC and MIGA, the CAO provides a channel for people affected by the Bank Group's private sector activities to express their grievances and communicate concerns directly to project operators, local and national decision makers, and IFC and MIGA staff. At the same time, through robust independent audits and advice, the CAO enables us to strengthen our operations at the Bank Group with better social, environmental, and governance assessments, and put those findings into practice. This work, in turn, enhances the public accountability of IFC and MIGA, and makes us better at what we do.

This year, IFC and MIGA provided over \$20 billion in financing to the private sector—and with increased business comes increased risk. The CAO's work over the years reflects the greater pressures on demand for food, water, and energy: 60 percent of complaints have involved for land claims; 45 percent involved water claims; and socioeconomic issues underlie 80 percent of CAO complaints, as people raise concerns about access to project benefits, job creation, basic service costs, and effects on assets and livelihoods.

This report displays the CAO's focus on outcomes that are both inclusive and sustainable—for people who seek redress for social and environmental harm; for private sector clients working to build good corporate-community relationships; and for IFC and MIGA staff to strengthen supervision of project-related risks, identify systemic failings, and improve development outcomes on the ground.

The innovative dispute resolution work of the CAO continues to help find solutions and deliver results to local communities affected by IFC and MIGA projects across the world. In Nicaragua, the CAO is helping the local community and an IFC client work together with Boston University's School of Public Health to address chronic kidney disease that affects thousands of people in the region. In Ecuador, the CAO helped water users and a MIGA client create a framework to address grievances, renegotiate debt, and improve access to water for the poorest communities in Guayaquil. In Sri Lanka, the CAO worked with an IFC client, community members, the government, and other international agencies to address concerns about an eco-lodge development in an area of rich biodiversity and in a UNESCO World Heritage Site. In Cameroon, the CAO is addressing a complex set of concerns experienced by different communities affected by the Chad-Cameroon Pipeline Project. These cases



are just a few examples that demonstrate the diversity of the CAO's dispute resolution work and the potential that exists to solve problems in difficult environments.

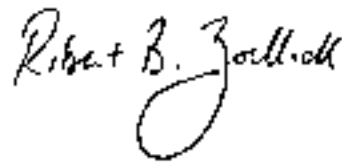
In the CAO's compliance work, this year saw the culmination of IFC's review of its activities in the palm oil sector. The process shows how the Bank Group can make fundamental improvements in the way we do business in response to a CAO intervention. In 2007, a complaint from communities in Indonesia affected by IFC's palm oil activities triggered a CAO audit that identified deficiencies in how IFC applied its standards. The audit was conducted following a CAO dispute resolution process. In March 2011, IFC launched its new strategic framework for the global palm oil sector, after a year-long consultation with stakeholders.

The CAO can also anticipate emerging issues and offer assurance about investments in sensitive projects and sectors. Following the major oil spill in the Gulf of Mexico in 2010, the CAO conducted a compliance appraisal of IFC's procedures and standards for assessing investments in deepwater offshore oil and gas development.

The CAO has provided valuable contributions in its advisory role. In over 70 percent of the complaints to the CAO, there has been a clear message from communities about consultation, information disclosure,

project processing, and supervision: Good local implementation is essential for projects to succeed. IFC adopted many of the CAO's recommendations in its revised policy framework, to be launched in January 2012, most specifically related to improvements in IFC's own information disclosures at the project level, and strengthening environmental, social appraisal, and supervision processes.

The World Bank Group is committed to knowledge and learning: harnessing the best knowledge to improve outcomes, and learning from our own work to ensure that good intentions are delivered on the ground. The CAO is a key part of this work, and reinforces the importance of the active participation of civil society in development projects. I want to thank the CAO, and all those who work with them, for their hard work and commitment this year.



Robert B. Zoellick  
World Bank Group President  
October 2011



## Message from the Compliance Advisor/Ombudsman

Last year, *The CAO at 10*, our 10-year anniversary review, was a great way to celebrate the evolving work of this Office. We are now into the second decade of the CAO's operations. This year, we have seen a surge in the number of cases filed. Requests for the CAO's dispute resolution services are increasing, and our compliance appraisal and audit work is also on the rise. Perhaps the word has spread that the CAO can deliver on outcomes, and our extensive outreach program is working to raise awareness among affected peoples that they have a right to recourse and can demand accountability for development outcomes from the highest levels of decision making within the World Bank Group.

The challenging question that looms in my mind is focused on how we can achieve the best outcomes for those who seek the CAO's assistance. How will we know that the CAO team is making a significant difference in the lives of project-affected communities? How do we know that IFC and MIGA are making systemic changes as a result of our work—changes that are long term and deliver better projects?

Both questions are daunting but not insurmountable.

In recent years, we have instituted two very important systems within the Office to track our outcomes. First, the CAO's Management Action Tracking Record (MATR) tracks actions taken by IFC and MIGA management in response to CAO ombudsman, compliance, and advisory work. We have welcomed strong responses from IFC and MIGA on a number of cases this year, but opportunities still exist to achieve a more engaging and effective response from these institutions to other CAO interventions. IFC's Corporate Risk Committee, chaired by the IFC's Executive Vice President and Chief Operating Officer, considers key systemic issues

raised by the work of the CAO on a quarterly basis. This has been an important component of improving responses to the CAO's work. While a smaller percentage of our complaints—20 percent—involve MIGA projects, we are now in the process of creating a similar protocol with MIGA, elements of which are starting to be implemented.

A second system for tracking our outcomes is the CAO's Monitoring and Evaluation (M&E) system, which we established in 2008. We conduct M&E surveys on a rolling basis as we handle complaints through our ombudsman and compliance functions. This work is crucial in enabling us to learn from those we work with about what we are doing well and where there is room for improvement. This year we surveyed eight CAO cases. We are working hard to improve the rigor of analysis from our M&E findings, with the goal of improving the CAO's overall effectiveness.

Another far-reaching aspect of our work is the broader learning that we can capture from the CAO's caseload. We have spent the last year carrying out an in-depth analysis of over 80 different cases received since 1999, building on data we collected for *The CAO at 10*. In addition to cataloguing the types of social and environmental issues raised in these complaints, we are analyzing issues that emerged during the CAO's handling of each respective case, as well as tracking the outcomes and gleaning lessons learned. We expect findings that could lead to systemic recommendations for the work of the CAO, and IFC and MIGA. We hope to complete the analysis during the coming year and it will be released in the form of an Advisory Note.

This next year, we will also focus on updating the CAO's Operational Guidelines, which have been in place since 2006. This effort aims to ensure the CAO remains responsive



to multiple challenges on the horizon as we deal with changes in IFC's and MIGA's business, with new standards and best practices in the private sector and in the fields of dispute resolution and compliance auditing, and managing the many expectations of our different stakeholders. I hope this underlines how seriously we take the process of constant improvement at the CAO, and the commitment we make to ensure that the Office continues to adapt and evolve in order to maintain accessible, secure strong outcomes for communities, and deliver on our mandate.

Lastly, I would like to thank all those who have worked with the CAO over the past year: the communities that seek our assistance; the mediators, auditors, and advisors who

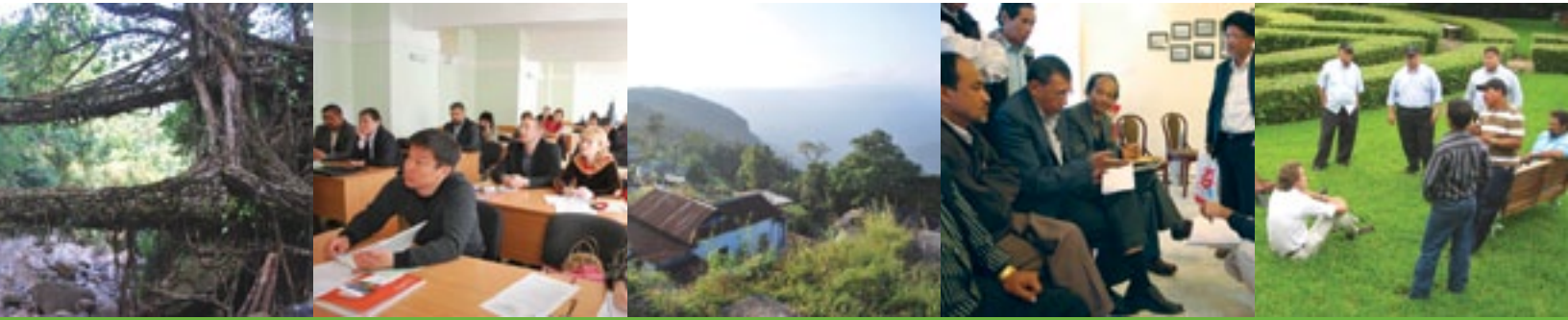
we work with so closely; the civil society organizations that help connect us to vulnerable groups; IFC and MIGA clients and staff; government representatives; and our partner accountability mechanisms at other international finance institutions. Our cases can be challenging for all involved. They demand trust, creative thinking, a commitment to outcomes, and above all, a willingness to roll up our sleeves and work together. I am grateful to the people, organizations, and institutions that make this possible.

Meg Taylor  
Vice President  
October 2011

“Requests for the CAO’s dispute resolution services are increasing, and our compliance work is also on the rise. Perhaps the word has spread that the CAO can deliver on outcomes.”



CAO Vice President Meg Taylor with CAO's Ombudsman team and ASOCHIVIDA Board members, Nicaragua Sugar Estates (NSEL), León, Nicaragua, June 2011.



# CAO Cases, FY2000–11

The 89 cases managed by the CAO since 1999 span 28 countries. Most complaints have been filed by local civil society organizations on behalf of affected communities.

Since its inception in 1999, the CAO has accepted 89 complaints and requests for audits spanning 28 countries (see figure 1 and map, pp. 64–65). Eighty percent of these cases relate to IFC's involvement in a project, 10 percent to IFC and MIGA, and 10 percent to MIGA alone. The main group that has filed complaints with the CAO has been local civil society organizations acting on behalf of affected communities, although many community members have filed eligible complaints, acting without assistance from other organizations (see figure 2). Currently, we are conducting a detailed analysis of the CAO's caseload. Early findings reveal patterns in the distribution of cases by sector and region, as well as the systemic environmental and social issues that predominate in complaints.

**Regional distribution:** Projects in Latin America have accounted for nearly 40 percent of CAO complaints (see figure 3). Based on the CAO's experience from its caseload and outreach, we believe that this relatively large share likely reflects a highly mobilized civil society in the region, greater awareness of IFC/MIGA and the CAO, and a large regional portfolio. Feedback from

external stakeholders suggests that the lower number of complaints from other regions is likely due to lack of awareness of IFC/MIGA and the CAO, cultural barriers, and poor civil society capacity.

**Sector distribution:** Four industry sectors in the real sector—infrastructure, extractives, agribusiness, and manufacturing—have predominated in complaints to the CAO since FY2000 (see figure 4). We attribute this pattern of complaints to the resource intensity of these industries, specifically intense uses of land and water, or both. Over the years, the CAO has found that any project impacting on land and water resources—regardless of sector—is likely to have high potential for conflict because of the types of social and environmental risks these projects pose for local communities. This leads us to conclude that the same pattern of risks and impacts may exist in the subprojects of IFC's financial sector portfolio.

**Issues raised by complainants:** Impacts to natural resources (water and land), privatization of assets, health and safety, and the distribution of project benefits are issues typically raised by complainants. Specifically, 80



percent of complaints raise socioeconomic concerns. The majority of complaints also cite concerns related to project processing and supervision—roles and responsibilities that are shared by IFC/MIGA and their client companies (see figure 5).

**Project categorization:** IFC projects are assigned a category of A, B, or C in descending order of environmental and social sensitivity, or FI, in the case of financial institutions that on-lend to clients whose activities may present environmental and social concerns. Half (50 percent) of the IFC projects cited in complaints to the CAO are Category B projects that have identified as having potentially limited adverse social and/or environmental impacts (see figure 6). Another 41 percent are Category A projects with potentially significant adverse impacts.

**Case handling:** The CAO Ombudsman has settled just over 50 percent of the cases accepted by the CAO since FY2000. Of those cases not amenable to resolution, we transferred around 30 percent of cases to CAO Compliance for appraisal, audit, and/or review of IFC/MIGA's role in the project(s) of concern. Of this percentage, less than 7 percent of cases have gone to a full audit of IFC or MIGA (see figure 7).

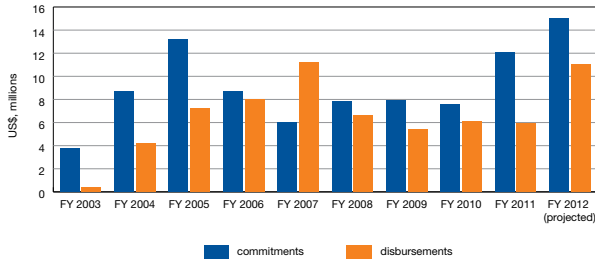
**Ineligible complaints:** Of the 58 complaints that the CAO has deemed ineligible for assessment since FY2000, we rejected 43 complaints (74 percent) because they did not fall within the CAO's social and environmental mandate or they were not IFC/MIGA projects. The majority of complaints that were not within the CAO's mandate raised concerns about fraud and corruption. We referred these to the World Bank's Integrity Vice Presidency.

CAO mediator, Gamal Pasya, on a field assessment, PT Weda Bay Nickel, Indonesia.

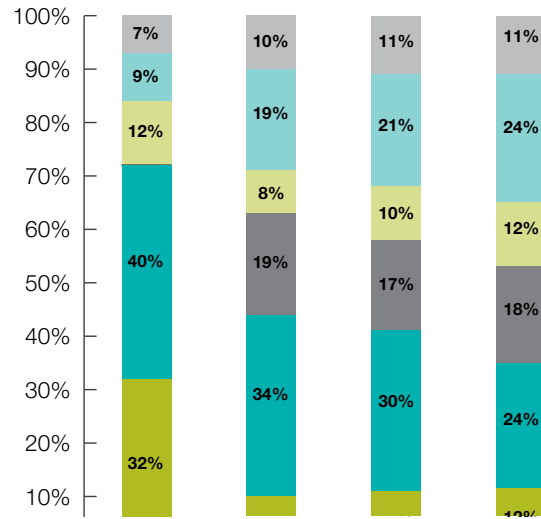




**Figure 1. Eligible CAO Cases by Fiscal Year, FY2000–11**

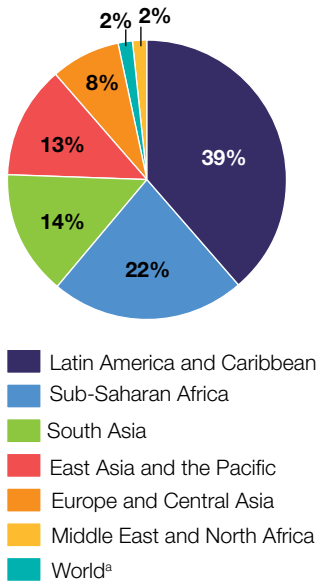


**Figure 2. Signatories to Complaints, FY2000–11**



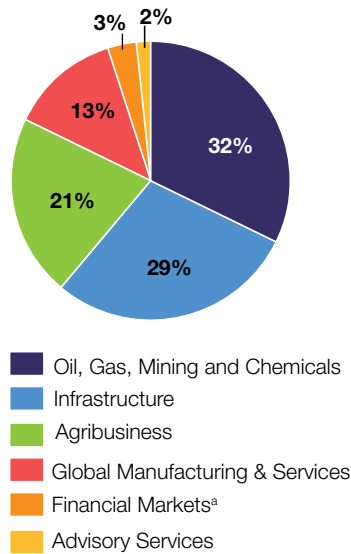
a. All complaints to the CAO involve local community members. However, this number (28) shows those complaints that were filed by community members without any involvement by a CSO.

**Figure 3. CAO Cases by Region, FY2000–11**



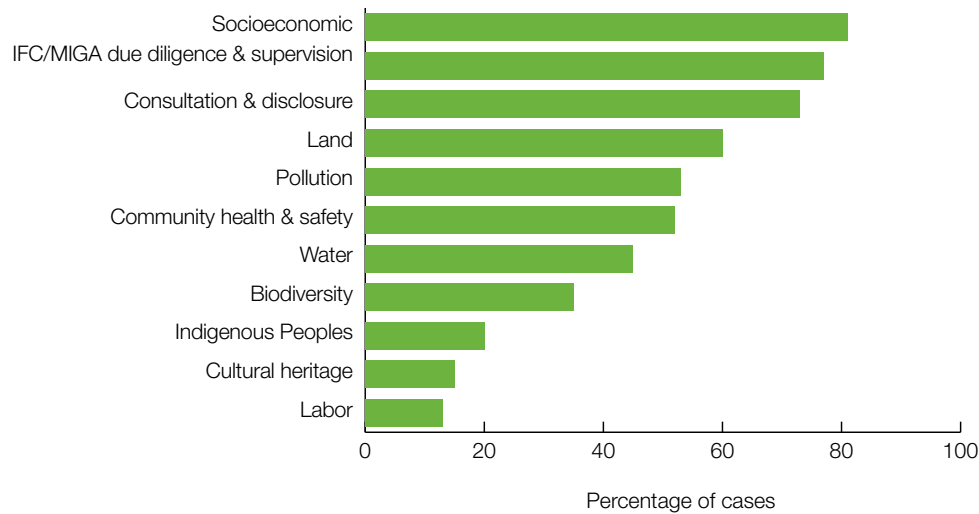
a. "World" denotes compliance investigations that are cross-regional.

**Figure 4. CAO Cases by Industry Sector, FY2000–11**

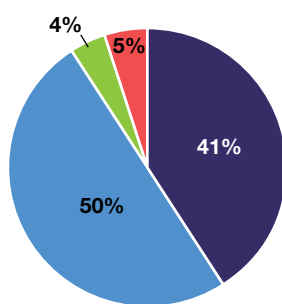


a. The CAO's compliance work related to financial intermediary projects is counted as one case.

**Figure 5. Issues Cited in Complaints to the CAO, FY2000–11**



**Figure 6. Cases by Environmental Category, FY2000–11**



- A
- B
- C
- FI

*Category A:* Projects expected to have significant adverse social and/or environmental impacts that are diverse, irreversible, or unprecedented.

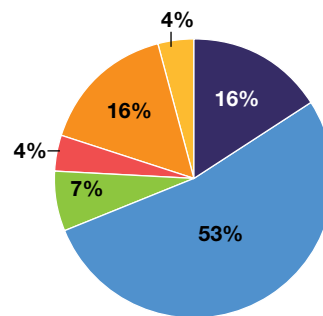
*Category B:* Projects expected to have limited adverse social and/or environmental impacts that can be readily addressed through mitigation measures.

*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 social and/or environmental impacts but may finance subprojects with potential impacts.

*Note:* The CAO's compliance work related to financial intermediary projects is counted as one project.

**Figure 7. Status of CAO Cases, FY2000-11**



- Ongoing ombudsman assessment or process
- Settled after ombudsman assessment
- Ongoing compliance appraisal/audit
- Closed after referral and compliance appraisal/audit
- Closed after ombudsman assessment and compliance appraisal
- Closed after ombudsman assessment and compliance audit

*Ombudsman assessment:* The dispute resolution specialist works with the parties to identify mutually agreeable solutions.

*Ombudsman process:* The parties have agreed to address concerns through a collaborative process, which is under way.

*Ombudsman settlement:* The parties' concerns were successfully addressed through a collaborative process.

*Compliance appraisal:* CAO Compliance evaluates whether a project warrants a full audit.

*Compliance audit:* A full audit of the project is carried out in relation to the issues raised in the complaint.

*Note:* Two cases are undergoing concurrent ombudsman and compliance processes. They are each counted twice for the purposes of this figure.



# Overview of the CAO

The CAO was designed as an independent channel to help address social and environmental concerns about IFC and MIGA activities in an innovative and effective way.

## WHO WE ARE

IFC and MIGA's focus on private sector development means that these institutions may support complex projects in challenging or sensitive environments. There will be occasions where these business activities result in community grievances and project-level disputes about social and environmental impacts.

From its inception in 1999, the CAO was designed as an independent channel to help address such concerns in an innovative and effective way. The CAO's overall goal is to enhance social and environmental project outcomes and foster greater public accountability of IFC and MIGA. The CAO's responsibility is to seek resolution for community grievances through its ombudsman function, and provide public assurance that systemic weaknesses in IFC's/MIGA's development projects are identified and addressed through the CAO's compliance and advisory roles. The CAO reports directly to the World Bank Group President.

The head of the CAO Office, Meg Taylor, is a Vice President of the World Bank Group. She was appointed by President James D. Wolfensohn in 1999 following an external

selection process led by civil society, industry, and other stakeholders (see Terms of Reference, pp. 74–75).

The CAO staff is a diverse team of professionals from the public and private sectors, with experience in dispute resolution, environmental compliance, law, finance, communications, research, and administration (see staff list, pp. 80–82).

When handling complaints and conducting compliance investigations, the CAO also works with independent mediators and auditors who have specific expertise in handling issues related to a specific case and a proven track records in their relevant fields.

Since 2002, the CAO has worked with a Strategic Advisors Group made up of leading professionals from civil society, the private sector, academia, and the field of mediation and conflict resolution (see p. 83). The CAO meets with its strategic advisors twice a year to discuss aspects of the CAO's work, strategic focus, and operational effectiveness.

## HOW WE WORK

The three roles of the CAO—compliance, advisor, and ombudsman—provide a unique and complimentary framework for addressing complaints related to IFC and MIGA projects (see box 1).

In its **ombudsman** role, the CAO makes an initial assessment of the complaint and gauges whether it is possible to address the issues raised through a collaborative process. If the parties agree to work together, the CAO uses flexible, problem-solving approaches common to alternative dispute resolution, such as mediation, facilitated negotiation, and assisted dialogue (see box 3, p. 14). The CAO monitors implementation of any actions and agreements reached. If at any point the parties cannot agree to move forward or wish to exit the dialogue process, the case is transferred automatically to the CAO's compliance function.

In its **compliance** role, the CAO oversees audits of the social and environmental performance of IFC/MIGA

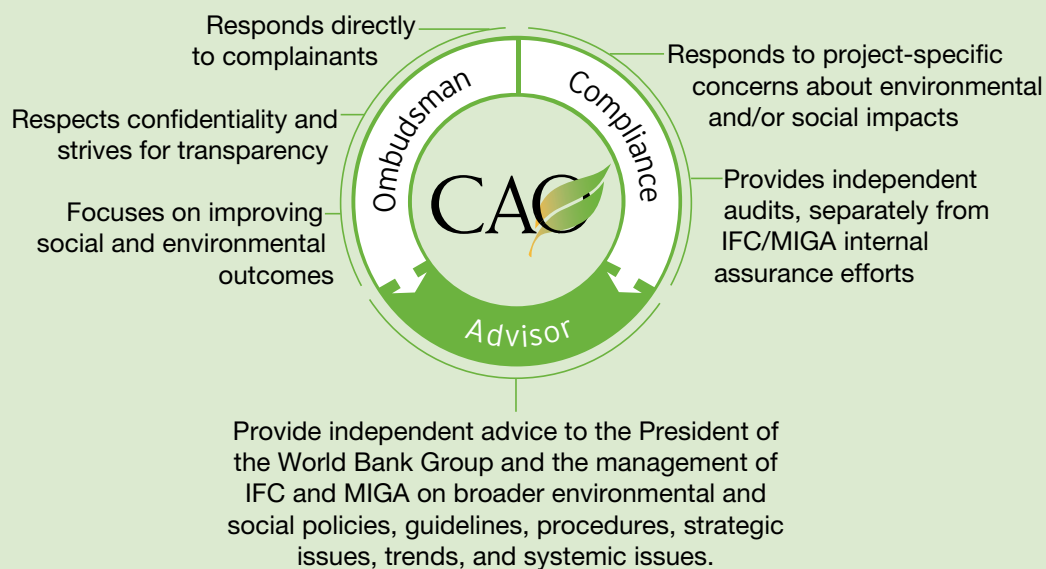
to ensure their compliance with relevant policies and procedures. Typically, CAO audits are conducted by an independent panel of experts, and are focused on whether IFC/MIGA has/have complied with relevant policies and procedures, and how this influences project outcomes on the ground (see box 5, p. 19). If the ombudsman process is unable to resolve issues raised in the complaint, the complaint is automatically referred to CAO Compliance for an investigation. The President of the World Bank Group, senior management of IFC/MIGA, and the CAO Vice President may also request an audit.

In its **advisory** role, the CAO highlights systemic issues concerning IFC/MIGA that it has identified in its ombudsman and compliance work. In this way, the CAO provides guidance to the President and senior management on broader environmental and social concerns, including policy implementation, sectoral risks, and procedural issues aimed at improving IFC's/MIGA's institutional performance in a systematic way.

### BOX 1

#### 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.





## BOX 2

**THE ELIGIBILITY CRITERIA FOR CAO COMPLAINTS**

The CAO can accept a complaint from any individual, group, or community affected by an IFC/MIGA-supported business activity. Complaints may be filed on behalf of affected people by an organization representing their interests, and in any language or format. For a complaint to be eligible, it must meet the CAO's three eligibility criteria:

- The complaint pertains to a business activity that IFC/MIGA is participating in, or is actively considering.
- The issues raised in the complaint pertain to the CAO's mandate to address environmental and social impacts of IFC/MIGA business activities.
- The complainant (or those whom the complainant has authority to represent) may be affected if the social and/or environmental impacts raised in the complaint occurred.

When screening a complaint for eligibility, the CAO does not make a judgment as to the merits of the complaint or the issues raised in it. The complainants are not required to provide documentary evidence to support their claims, although additional materials are welcome. Once a complaint is deemed eligible, the CAO conducts a thorough field assessment to meet with the complainants and other local stakeholders, and if relevant, gathers additional documentation at that time.

The CAO is not mandated to address complaints related to fraud and corruption. These complaints should be addressed to the World Bank Group's Integrity Vice Presidency (INT), [www.worldbank.org/investigations](http://www.worldbank.org/investigations). Complaints regarding World Bank Group public sector operations (IBRD/IDA) should be directed to the Inspection Panel, [www.inspectionpanel.org](http://www.inspectionpanel.org).

For more information, see Frequently Asked Questions, pp. 86-87.



CAO meeting with community members in India, November 2011.



# Ombudsman

CAO ombudsman specialists are trained in alternative dispute resolution, and the design of ombudsman processes takes account of local governance structures and customary methods of resolving disputes.

In its ombudsman role, the CAO's work focuses on building frameworks with which communities and IFC/MIGA clients can jointly resolve concerns in a practical and effective way. The ombudsman team does not make a judgment about the merits of a complaint, nor does it find fault or impose solutions. Rather, an ombudsman process is flexible, aimed at addressing specific issues that have contributed to conflict and helping the parties identify practical steps to resolve the issues together.

Through facilitated dialogue, the ombudsman team 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 the parties' consent. When issues raised are not amenable to resolution—either

because one or more parties are unwilling to engage in dialogue or the issues raised relate specifically to IFC's/MIGA's due diligence—the complaint is transferred to CAO Compliance for appraisal to ascertain whether an audit of IFC/MIGA is merited (see pp. 18–19).

CAO Ombudsman specialists are trained in alternative dispute resolution, and the design of ombudsman processes takes account of local governance structures and customary methods of resolving disputes. In addition, with the agreement of the parties, the CAO typically engages the services of a local mediator who works closely with the complainants and other stakeholders in the field (see p. 15). A summary of common ombudsman tools, and examples of cases where they were used, are listed in box 3.

BOX 3

CAO DISPUTE RESOLUTION TOOLS



**Information sharing**

*Standard Profil, Turkey, p. 38*

IFC's client company agreed to disseminate information in the workplace on IFC's Performance Standard on Labor and Working Conditions.



**Dialogue table**

*Interagua, Ecuador, pp. 42–43*

The CAO helped facilitate a Conflict Resolution Table between local water users and the company, which resulted in satisfactory resolution of about 80 percent of 3,500 cases presented to the company.



**Mediated agreement**

*Rainforest Ecolodge, Sri Lanka, pp. 52–53*

The CAO secured the agreement between the parties to address the issues raised in the complaint, including public disclosure of environmental permits and impact assessments; a dialogue with government to promote demarcation of the forest boundary; and preparation of a community development plan.



**Joint fact-finding**

*Nicaragua Sugar Estates, Nicaragua, pp. 44–45*

The company and community jointly selected a group of scientists to conduct a study on the causes of chronic kidney disease. The team took water samples in areas chosen jointly by the parties, and analyzed industrial hygiene and occupational health practices in the company's operations.



## BOX 4

## THE ROLE OF A CAO MEDIATOR

Rather than relying exclusively on our Washington-based staff, the CAO actively engages the services of local and regional partners as mediators and facilitators when embarking on a new case. These partners are the backbone of CAO's ombudsman work. They bring language and cultural skills that are essential to building trust and promoting dialogue. They can also be available more frequently to the parties as the demands of dialogue and mediation evolve on each case. This allows the CAO to provide a much more scalable response, enabling us to respond to an increased workload—which in FY2011 was bigger than ever before—with better results.

Typically, a mediator acts as a third-party neutral to a conflict and works to help stakeholders find agreement on ways to address the social and environmental concerns raised. This does not mean that reaching an agreement, in itself, is the sole goal of the process. Rather, the main responsibility of a mediator is to help create safe, structured, and robust processes that empower parties to make decisions they believe best meet their interests. These decisions should be made after the parties have undergone a process that provides them with access to relevant information, equal opportunities to participate, and freedom to decide. If the parties do decide to come to an agreement, it will not represent a breakthrough in the conflict unless it is implemented properly. Thus,

the CAO seeks to ensure that agreements between the parties make provisions for review and monitoring.

Mediators work hard to earn the trust of the parties to a conflict. Training in communication, negotiation, and process design helps, but this alone is not enough if parties perceive attempts to build trust as insincere or formulaic. Parties will value mediators who may not be as highly trained, but show a genuine interest in understanding their interests and have an ability to empathize with their situation.

A well-structured process, such as a dialogue table, helps build trust, too. But sometimes it is unreasonable to expect that deep-rooted and long-held patterns of mistrust will be transformed magically by a one- or two-year mediation effort. Parties may come to agreements at the local level, but efforts to transform underlying inequalities and other fundamental causes of conflict at a systemic level are often required to achieve durable and lasting solutions.

Given the scale and complexity of the multiparty disputes that come to the CAO, the fact that 50 percent of our cases reach settlement through dispute resolution is encouraging. But this gives an indication of the tremendous challenges involved in a mediation process in the context of large-scale development projects such as those supported by IFC and MIGA.

CAO mediator Antonio Bernales with community members, Maple Energy, Peru.





## OMBUDSMAN OUTCOMES, FY2011

CAO's Ombudsman team handled a large caseload this year, which brought both settlements and important breakthroughs to a number of cases (see table 1, p. 17).

- 22 cases were handled by the CAO Ombudsman during the year, including cases carried over from the previous year.
- 10 new cases were accepted: 1 each from Cameroon, Ecuador, Georgia, Indonesia, Mozambique, and Panama; and 2 each from India and Uganda.
- 4 cases were brought to settlement:
  - A complaint from Afro-Colombian communities about an IFC-supported port development in Colombia (TCBuen, p. 41)
  - An ecotourism development relating to an IFC advisory services project in Sri Lanka (Rainforest Ecolodge, pp. 52–53)
  - A MIGA water privatization project in Ecuador (Interagua, pp. 42–43)
  - A complaint about labor relations at a manufacturing plant in Turkey (Assan Aluminyum, p. 39).
- 4 cases—1 each from Ecuador (Pronaca, p. 43), Indonesia (PT Weda Bay, p. 32), Panama (Pando Montelio, p. 46), and Peru (Agrokasa, pp. 47–48)—were transferred to CAO's compliance arm.
- 14 cases remain in ongoing dispute resolution processes.

For descriptions, see Summary of CAO Cases, FY2011, pp. 22–55.

The CAO's dispute resolution work focuses on building frameworks with which communities and companies can jointly make decisions to resolve concerns in a practical and effective way.



CAO Ombudsman team meets with communities affected by the Chad-Cameroon Pipeline Project, Cameroon.

**TABLE 1. OMBUDSMAN CASES, FY2011**

Region/ Country	Case	Institution	Industry Sector	Status <sup>a</sup>
<b>Africa</b>				
Cameroon	Chad-Cameroon Pipeline Project-02	IFC	Oil, Gas, Mining, and Chemicals	In assessment
Mozambique	Mozal-01/ Matola and Maputo	IFC	Oil, Gas, Mining, and Chemicals	Ongoing dispute resolution process
Uganda	Bujagali Energy-04/ Bujagali	IFC & MIGA	Infrastructure	In assessment
Uganda	Bujagali Energy-05/Bujagali	IFC & MIGA	Infrastructure	In assessment
<b>East Asia and Pacific</b>				
Cambodia	Cambodia Airport II-01/Preah Sihanouk	IFC	Infrastructure	Ongoing
Indonesia	PT Weda Bay Nickel-01/ Weda Bay	MIGA	Mining	Transferred to Compliance
Indonesia	Wilmar Group-01/West Kalimantan	IFC	Agribusiness	Ongoing dispute resolution process <sup>b</sup>
Indonesia	Wilmar Group-02/Sumatra	IFC	Agribusiness	Ongoing dispute resolution process
<b>Europe and Central Asia</b>				
Georgia	BTC Pipeline-33/Vale	IFC	Oil, Gas, Mining and Chemicals	In assessment
Turkey	Assan Aluminium-01/Dilovasi	IFC	Global Manufacturing & Services	Settled
Turkey	Standard Profil-01/Duzce	IFC	Global Manufacturing & Services	Ongoing dispute resolution process
<b>Latin America and the Caribbean</b>				
Colombia	TCBuen-01/Buenaventura	IFC	Infrastructure	Settled
Ecuador	Interagua-01/Guayaquil	MIGA	Infrastructure	Settled
Ecuador	Pronaca Expansion-01/Santo Domingo de los Tsachilas	IFC	Agribusiness	Transferred to Compliance
Nicaragua	Nicaragua Sugar Estates Limited-01 /León and Chinandega	IFC	Agribusiness	Ongoing dispute resolution process
Panama	Panama Canal Expansion-01/ Gatún	IFC	Infrastructure	Pending eligibility
Panama	Pando Montelirio-01/Chiriquí	IFC	Infrastructure	Transferred to Compliance
Peru	Agrokasa-01/Ica	IFC	Agribusiness	Transferred to Compliance
Peru	Maple Energy-01/Nuevo Sucre and Canaán	IFC	Oil, Gas, Mining, and Chemicals	Ongoing dispute resolution process
<b>South Asia</b>				
India	India Infrastructure Fund-01/ Dhenkanal District	IFC	Global Financial Markets	In assessment
India	Tata Ultra Mega-01/Mundra and Anjar	IFC	Infrastructure	In assessment
Sri Lanka	Rainforest Ecolodge Linkages-01/Deniyaya	IFC	Advisory Services	Settled

a. Status as of June 30, 2011.

b. Case is in concurrent CAO compliance process.



# Compliance

The CAO's compliance work provides independent oversight to ensure that IFC and MIGA meet their standards and address critical performance issues.

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 the social and environmental commitments associated with their activities. Compliance appraisals and audits focus on IFC/MIGA—not the project sponsor/company. Cases handled by CAO's compliance function are those transferred from the CAO Ombudsman or compliance investigations requested by the World Bank Group President, CAO Vice President, or IFC/MIGA senior management.

## APPRAISALS

All compliance cases must first undergo an appraisal to determine whether an audit of IFC/MIGA is merited. Appraisals are conducted within 45 days, and provide verification of IFC's/MIGA's due diligence. They 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 that that IFC/MIGA provisions failed to provide adequate protections at the project level; that policies have not been applied properly; or that there may be potentially adverse environmental and social outcomes in the future. 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 (see box 5, p. 19). Verification of the evidence is an important part of the process. Typically, compliance audits are based on a review of documents; interviews with IFC/MIGA project teams, complainants, and other local stakeholders; and/or site visits to observe of project activities and outcomes. Other appropriate means are also possible.



The audit criteria include IFC/MIGA policies, Performance Standards, guidelines, procedures, and requirements (see p. 85), 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.

If the CAO audit finds that IFC/MIGA are out of compliance with relevant policies, the CAO will continue to monitor remedial actions until the CAO is assured that IFC/MIGA are back in compliance.

## BOX 5

### INDEPENDENT AND CREDIBLE EXPERTS: CAO AUDIT PANELS

When a case merits a full audit, the CAO typically appoints a panel of three independent experts to conduct the compliance investigation. We recruit these experts specifically to match the characteristics of the case—for example, emissions scientists where air quality is at issue, or a hydrological engineer to investigate water quantity or quality issues. Some panelists are recruited specifically for their in-depth knowledge of IFC and MIGA, or the World Bank Group generally, while others bring their sector expertise to the table, whether it is in the mining, agriculture, or financial sectors.

Having professional and credible experts conduct CAO compliance investigations is of paramount importance to filter through the issues raised in the complaint, and identify whether noncompliances exist and can be corrected. The CAO's own compliance specialists oversee the investigation process, helping convene

meetings with the panel members; facilitating interviews with IFC/MIGA staff, clients, and other stakeholders; and organizing project site visits, among other activities. Importantly, the work of the panel is “verified” as the investigation moves along by an individual with expertise in auditing best practice, who can provide independent scrutiny of the panel's work and findings. This verification provides a crucial “reality check.”

The panel investigation may take up to a year. Once it is complete, the CAO is responsible for drafting conclusions based on the panel's findings, and finalizing an audit report. This report is then shared with IFC/MIGA for a response before being shared with the President of the World Bank Group for clearance for public disclosure. The CAO continues to monitor remedial actions until the CAO can assure itself that the project(s) is/are back in compliance.



Pando Montelio project site, Panama.



**COMPLIANCE OUTCOMES, FY2011**

CAO's compliance team handled seven cases during the year.

- Three cases are in appraisal—an IFC agribusiness project in Ecuador (Pronaca, p. 43); an IFC hydropower development in Panama (Pando Montelirio, p. 46); and a MIGA-supported nickel and cobalt mine in Indonesia (PT Weda Bay, p. 32).
- Three cases involved audits of IFC:
  - An ongoing audit related to monitoring IFC's palm oil investments in Indonesia (Wilmar, pp. 33–35)
  - An ongoing audit of IFC agribusiness investments in the Ica Valley, Peru, pending clearance for disclosure (Agrokasa, pp. 47–48).
  - An audit of IFC's financial sector investments, initiated in June 2011 (p. 55).
- One case regarding offshore oil drilling in Ghana was closed after the appraisal report was released (Tullow Oil, p. 26).

For descriptions, see Summary of CAO Cases, FY2011, pp. 22–55.

CAO audits aim to enhance the social and environmental outcomes of IFC/MIGA projects on the ground, and to strengthen adherence to IFC/MIGA policies and procedures.



PT Weda Bay Nickel project site, Indonesia.



**TABLE 2. COMPLIANCE CASES, FY2011**

Region/Country	Case	Institution	Industry Sector	Status <sup>a</sup>
<b>Africa</b>				
Ghana	Tullow Oil, Kosmos Energy and Jubilee FPSO-01/CAO Vice President Request	IFC	Oil, Gas, Mining, and Chemicals	Closed after appraisal
<b>East Asia and Pacific</b>				
Indonesia	PT Weda Bay Nickel-01/Weda Bay	MIGA	Mining	In appraisal
Indonesia	Wilmar Group-01/West Kalimantan	IFC	Agribusiness	Audit under monitoring <sup>b</sup>
<b>Latin America and the Caribbean</b>				
Ecuador	Pronaca Expansion-01/Santo Domingo de los Tsachilas	IFC	Agribusiness	In appraisal
Panama	Pando Montelirio-01/Chiriquí	IFC	Infrastructure	In appraisal
Peru	Agrokasa-01/Ica	IFC	Agribusiness	In audit
<b>World</b>				
World	Financial Intermediaries-01/CAO Vice President Request	IFC	Financial Sector	In audit

a. Status as of June 30, 2011.

b. Case is in concurrent ombudsman process.



CAO visit to Bujagali Energy project, Uganda.



# CAO Cases, FY2011

This year, the CAO managed 23 cases; 10 were new complaints in a variety of sectors, including extractives, infrastructure, agribusiness, and financial markets.

In FY2011, the CAO managed a total of 23 cases, of which 10 were new complaints that were deemed eligible for assessment. During the year, the CAO received eight complaints that were deemed ineligible either because they were not IFC or MIGA projects or raised concerns that fell outside the CAO's environmental and social mandate.

The new complaints related to projects in a variety of sectors, including mining, infrastructure, agribusiness, manufacturing, and—for the first time—financial markets. Core issues raised in these complaints were community consultation and disclosure of information; compensation for injured workers; rights of Indigenous Peoples; environmental pollution through discharges and emissions; and impacts on water sources. Details of these cases follow.

## KEY

The 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 identity is not confidential.
- Cases are listed alphabetically by region, country, and case name.



IFC/MIGA due diligence and supervision



Pollution



Water



Land



Biodiversity



Consultation and disclosure



Socioeconomic impacts



Labor



Community health and safety

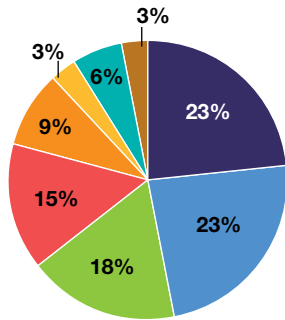


Indigenous Peoples



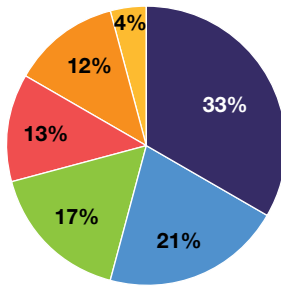
Cultural heritage

**Figure 8. Status of CAO Cases, FY2011**



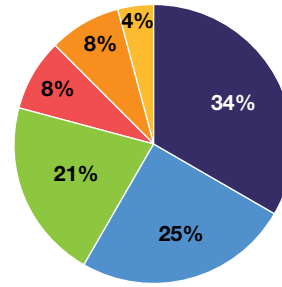
- Ineligible
- In assessment by Ombudsman
- Ombudsman facilitating dispute resolution process
- Settled by Ombudsman
- Compliance appraisal in process
- Closed after compliance appraisal
- Compliance audit in process
- Compliance audit in monitoring

**Figure 9. CAO Cases by Region, FY2011**



- Latin America and Caribbean
- Sub-Saharan Africa
- East Asia and the Pacific
- South Asia
- Europe and Central Asia
- World

**Figure 10. CAO Cases by Sector, FY2011**



- Infrastructure
- Oil, Gas, Mining & Chemicals
- Agribusiness
- Manufacturing
- Financial Markets
- Advisory Services



East Khasi Hills, Meghalaya State in northeastern India.





**Africa**

## Cameroon

### Chad-Cameroon Pipeline Project-02/Cameroon

IFC, Oil, Gas, Mining, & Chemicals; Received May 2011;  
Ombudsman assessment is under way; Open



#### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**

Chad-Cameroon Pipeline 11124

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

**Company:** Cameroon Oil Transportation  
Company-COTCO

**Sector:** Oil and Gas

**Region:** Sub-Saharan Africa

**Country:** Cameroon

**Environmental Category:** A

**Commitment:** \$100 million A loan, \$100 million B loan

The Chad-Cameroon Petroleum Development and Pipeline Project involved the construction of pipeline just over 1,000 kilometers long to transport crude oil from three fields in southwestern Chad to a floating facility 11

kilometers off the coast of Cameroon. IFC's investment consisted of a \$100 million loan for its own account and a \$100 million loan syndicated to over 15 commercial banks. The World Bank withdrew from the project in Chad in September 2008. IFC remains involved and continues to monitor the environmental and social performance of the pipeline project in Chad and Cameroon.

In May 2011, four civil society organizations in Cameroon filed a complaint with the CAO on behalf of local community members. The complaint raised concerns about inadequate compensation packages, loss of livelihoods among fishermen, inappropriate waste management, work-related accidents and compensation, the rise in HIV/AIDS after the laying of the pipeline, and the displacement of and improper compensation to an indigenous community, among other issues. Their concerns relate to the Cameroon Oil Transportation Company (COTCO), the project operator in Cameroon. A Tripartite Platform between Cameroonian civil society, the company, and the government of Cameroon has been ongoing for several years to attempt resolving some of the issues raised in the complaint.

The CAO found the complaint eligible for further assessment in June 2011 and an ombudsman assessment is under way.



CAO team member with community members, Chad-Cameroon Pipeline Project, Cameroon.

## Ghana

### Tullow Oil, Kosmos Energy and Jubilee FPSO-01/CAO Vice President Request

*IFC, Oil, Gas, Mining, & Chemicals; Compliance appraisal triggered by CAO Vice President August 2010; Closed*



#### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:** Tullow Oil, Kosmos Energy, and Jubilee FPSO 27918, 28798 & 27550

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

**Company:** Tullow Oil, Kosmos Energy Finance & Jubilee Ghana

**Sector:** Oil and Gas

**Region:** Sub-Saharan Africa

**Country:** Ghana

**Environmental Category:** B

**Commitment:** \$265 million A loan, \$519 million B loan, \$60 million equity

In light of the unprecedented events of April 2010 in the Gulf of Mexico, in which the Macondo well blew out, resulting in fatalities and a major oil spill, the CAO Vice President initiated a compliance appraisal in August 2010 to assess IFC's procedures and standards when appraising investments in deepwater offshore oil and gas exploration projects. Through appraisals like these, the CAO ensures that audits of IFC/MIGA are initiated only for cases that may raise substantial concerns regarding social or environmental outcomes.

IFC has been involved in the development of the Jubilee Field in the waters offshore of Ghana since September 2010. The Jubilee Field was discovered by Tullow Oil, Kosmos Energy, and their partners in 2007. It is located approximately 63 kilometers from the coast of Ghana at a depth of 1,000 to 1,700 meters, with oil reservoir objectives in the field ranging from 3,150 to 3,755 meters in depth. The first phase of the project development involves the drilling of 17 wells, installing subsea production facilities, and the leasing of a floating production, storage, and offloading ("FPSO") vessel for processing, storing, and

handling crude oil. Gross production is estimated at 120,000 barrels of oil per day initially, and production will increase as the field is developed further and more reserves are proven. The total cost of the project was estimated at just over \$3 billion, of which IFC's total investments comprised \$265 million.

IFC's investments were assessed under its 2006 Policy and Performance Standards. Its environmental and social review included the companies Tullow Oil and Kosmos Energy, as well as subsidiaries to Tullow and MODEC Inc., the contractor constructing the processing, storing, and handling vessel. All three reviews were done under the Category B provisions as defined in IFC's procedures.

The appraisal report found nothing to indicate that IFC did not diligently review and assess the issues related to a potential well blowout and its consequences in line with standards, guidelines, and industry practice that were applicable at that time.

In light of international acknowledgement that current industry practices are inadequate in the wake of the Gulf oil spill, the appraisal found that IFC guidelines do not necessarily provide an adequate level of protection. However, the CAO concluded that IFC cannot reasonably be expected to go beyond current international good business practices.

The appraisal highlighted the need for the IFC to assess the relevance and applicability of its current standards and Environmental, Health, and Safety (EHS) Guidelines when its client is involved in deepwater offshore oil and gas exploration. Further, IFC should consider updating these standards and guidelines to reflect new developments in good international business practices.

The appraisal concluded that an audit of IFC's due diligence of the investments related to the Jubilee Field—against the policy provisions applicable at that time—would yield limited information and be of limited value in addition to the issues already identified by the appraisal. The CAO closed the case in June 2011.



# Mozambique

## Mozal-01/Matola and Maputo

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



### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:** Mozal 7764 and 10323

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

**Company:** Mozambique Aluminium S.A.R.L

**Sector:** Mining

**Region:** Sub-Saharan Africa

**Country:** Mozambique

**Environmental Category:** A

**Commitment:** Up to \$135 million in quasi-equity and loans

Mozal is an aluminum smelter located in the Maputo province of southern Mozambique. The project began in 1998 and was the country's largest private sector investment ever made at that time. Operated by BHP Billiton, a publicly traded international mining and metal group, the smelter has a production capacity of over 500,000 tons of aluminum per year, making it one of the largest smelters of its kind. IFC has two active investments in Mozal. One, approved in 1997, supported the construction and operation of the smelter. A second, approved in 2001, supported doubling the production capacity of the plant.

In October 2010, a coalition of local and national civil society organizations filed a complaint with the CAO regarding Mozal's "bypass" program. They claimed that

this six-month program, expected to release air emissions while Mozal's emissions treatment centers were under rehabilitation, would violate a number of IFC's policies and procedures. The complainants were concerned that the bypass program would result in harmful exposure to people residing in the vicinity of the project and the broader environment. The complaint also raised questions about the environmental and social due diligence conducted by the company when approving the bypass program, and the availability of project information to relevant stakeholders.

After accepting the complaint, the CAO ombudsman team traveled to Mozambique to meet with the complainants and company representatives in December 2011. The team also talked to the IFC team working on the project. In January 2011, the CAO team conducted a second trip to discuss the draft assessment report and next steps with the complainants. The parties agreed to pursue a dispute resolution process and the CAO mobilized local and regional capacity to help facilitate this process.

IFC has continued to engage with the company on the bypass program (rehabilitation of the fume treatment centers were completed ahead of schedule in late March 2011) and on emissions and ambient monitoring results, which the company submits to IFC on a regular basis. The complainants also filed the complaint with the European Investment Bank's Complaints Mechanism and the OECD's United Kingdom National Contact Point. Both institutions have encouraged the CAO to take the lead in facilitating a settlement agreement between the parties and the CAO continues to coordinate with them closely. As of June 30, 2011, the parties were still discussing the possibility of reaching a settlement agreement and the dispute resolution process is ongoing.



## Uganda

### Bujagali Energy-04/Bujagali

IFC & MIGA, Infrastructure; Received March 2011;  
Ombudsman assessment is under way; Open



#### PROJECT INFORMATION

**Institution:** IFC & MIGA

**Project Name & Number:**

Bujagali Energy Ltd 24408 (IFC) & 6732 (MIGA)

**Department:** Infrastructure

**Company:** Bujagali Energy (IFC); World Power Holdings (MIGA)

**Sector:** Utilities

**Region:** Sub-Saharan Africa

**Country:** Uganda

**Environmental Category:** A (IFC)

**Commitment:** \$100 million A & C loans (IFC),  
\$115 million guarantee (MIGA)

The Bujagali Energy project involves the development, construction, and maintenance of a run-of-the-river power plant with a capacity of up to 250 megawatts on the River Nile in Uganda. Bujagali Energy Limited also manages the construction of approximately 100 kilometers of 132 kV transmission line on behalf of the Uganda Electricity Transmission Company Ltd. to improve transfer of electricity from the plant.

IFC and MIGA are supporting the \$750 million project along with several other international financial institutions, including the World Bank's International Development Association, the African Development Bank, and the European Investment Bank. IFC invested \$100 million in loans to the project and MIGA issued a \$115 million guarantee to World Power Holdings Luxembourg S.à.r.l., a subsidiary of Sithe Global Power, for its investment in the project.

In March 2011, 11 former employees involved in the construction of the power plant filed a complaint with the



Community member at a CAO meeting, Bujagali Energy, Uganda.

CAO on behalf of themselves and more than 30 former employees. The complainants believe they have not been properly compensated by the plant's subcontractor after they suffered injuries sustained in the course of their work. The complainants also raised concerns regarding the transparency of the compensation process and intimidation against workers requesting their benefits. The CAO found the complaint eligible for further assessment and initiated an ombudsman assessment.

This is the first case the CAO has received regarding worker compensation, and our third case related to labor issues specifically. In addition, the issues raised relate to employees hired by a subcontractor of the project, which means IFC/MIGA policies and Performance Standards do not apply in the same way. Regardless, the CAO is working with the project sponsor, subcontractor, and complainants, and all parties have put forward good ideas for potential resolutions to the issues of concern.

### Bujagali Energy-05/Bujagali

IFC & MIGA, Infrastructure; Received May 2011;  
Ombudsman assessment is under way; Open



While we were conducting an assessment of the Bujagali complaint described above, several community members residing in the vicinity of the project filed another complaint with the CAO in May 2011. In this complaint, communities claim they were not compensated adequately for land acquisition and loss of livelihood that is expected due to

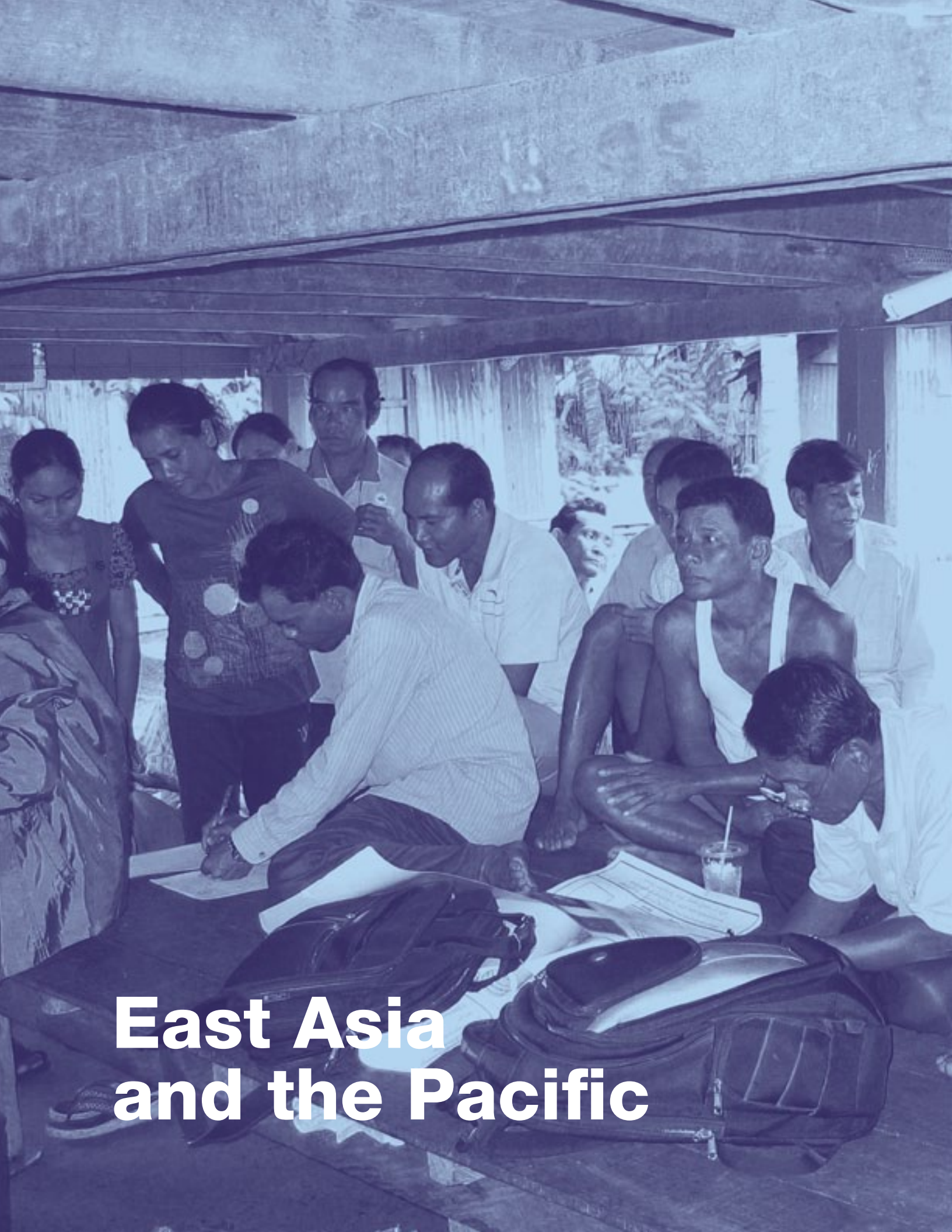
the project. The construction of the dam will impact the Bujagali Falls, a tourism spot that is popular for whitewater river sports and will cease to exist once the project is complete. Hence, the project is expected to affect tourism revenue. In addition, community members complain of impacts to health and to local infrastructure as a result of the company's rock blasting activities.

The CAO found the complaint eligible for further assessment in June 2011 and an Ombudsman assessment is in process.



Local community members living in the vicinity of the Bujagali Energy project, Uganda.





# East Asia and the Pacific



## Cambodia

### Cambodia Airport II-01/Preah Sihanouk

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



#### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**

Cambodia Airport II 25332

**Department:** Infrastructure

**Company:** Société

Concessionnaire de l'Aéroport

**Sector:** Transportation

**Region:** East Asia & the Pacific

**Country:** Cambodia

**Environmental Category:** B

**Commitment:** \$7.5 million

Societe Concessionnaire de l'Aéroport 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, one of which involves financing capital expenditures and runway investments for Sihanoukville Airport.

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 Sihanoukville Airport development and claiming that the project is not compliant with IFC requirements. The families live in close proximity to the airport site and many own land in what is presumed to be the expansion zone of the project. The complainants raised concerns about land acquisition and compensation, loss of livelihoods, noise pollution, environmental impacts to a national park, community consultation, and disclosure of project information, among other issues.

The CAO accepted the complaint in January 2010 and initiated an ombudsman assessment, traveling to Cambodia to meet with the complainants and other local stakeholders. In May 2010, the CAO team shared an assessment report with the parties, which articulated a series of agreed next steps, such as

developing a community relations and communications plan, informational meetings for community members, and integration of specific protocols into the project's Resettlement Action Plan.

Since the government is the implementing agency for land acquisition and resettlement related to this project, this case has been a special challenge since neither the CAO, nor IFC, nor IFC's client can resolve the issues on their own. After the release of the CAO's assessment report, IFC encouraged the Cambodian government to adopt the listed practices relevant to land acquisition and resettlement, and the government responded with assurances that it will comply with relevant IFC Performance Standards.

The CAO team is continuing to engage with the parties in addressing the remaining issues and implementation of the Resettlement Action Plan.



CAO Ombudsman team meets with complainants, Cambodia Airport II project, Cambodia.

## Indonesia

### PT Weda Bay Nickel-01/Weda Bay

MIGA, Mining; Received July 2010; Transferred to Compliance for appraisal June 2011; Open



#### PROJECT INFORMATION

**Institution:** MIGA

**Project Name & Number:**

PT Weda Bay Nickel 8113

**Company:** PT Weda Bay Nickel (WBN)

**Sector:** Mining

**Region:** East Asia & the Pacific

**Country:** Indonesia

**Environmental Category:** A

**Commitment:** Proposed \$207 million guarantee

PT Weda Bay Nickel (WBN) is proposing to develop a nickel and cobalt mine and a hydrometallurgical processing plant in Central Halmahera and East Halmahera Regencies in the North Maluku Province of eastern Indonesia. In August 2010, MIGA issued a guarantee of just over \$200 million to Strand Minerals for its equity investment in the PT Weda Bay Nickel Project. Strand Minerals is jointly owned by Eramet SA of France and Mitsubishi Corporation of Japan.

In July 2010, the CAO received a complaint from local and national Indonesian NGOs and directly affected people living on Halmahera Island. The complainants raised concerns

about a number of environmental impacts to forests, land, and bodies of water on which communities in the area depend. We accepted the complaint in August, and an ombudsman team traveled to Indonesia in November 2010 to meet with the complainants and other local stakeholders.

After an extended assessment period, the complainants informed the CAO that they would not be willing to participate in a facilitated dialogue process. The complaint was transferred to CAO's compliance function for appraisal in June 2011.

This case has been challenging in part due to the remoteness of the community, which made communication extremely difficult, as well as the complainants' request for confidentiality to protect their identities. The CAO initiated contact through a local mediator to maintain discretion, and meetings were not announced in advance to avoid drawing attention to the process. The company was supportive of a mediated process, but the complainants decided not to participate in, or support, a dispute resolution or dialogue process convened by the CAO, and they reiterated their request to keep individual complainant's identities confidential. Importantly, CAO ombudsman processes are voluntary for all participants and sometimes circumstances are just too difficult to pursue a mediated process. However, in the interest of the parties and other stakeholders in Indonesia, the CAO is convening two workshops on "Better Governance and Dispute Prevention in IFC/MIGA Sponsored Extractive Industries Projects in Indonesia" in October and November 2011.

PT Weda Bay Nickel project site, North Maluku, Indonesia.





## Wilmar Group-01/West Kalimantan Wilmar Group-02/Sumatra

IFC, Agribusiness; Received July 2007 and December 2008, respectively; Ombudsman process is ongoing, including monitoring implementation of relevant agreements; IFC actions in response to compliance audit findings are in monitoring; Open



### 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)

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 oil, and one of the largest plantation companies in Indonesia and Malaysia. 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



Members of the Suku Anak Dalam 113 community group meet with representatives from Wilmar Asiatic Parsada Company, Jambi, Sumatra, Indonesia (Wilmar Group-02).



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.

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. Wilmar representatives and community members agreed to pursue a mediation process to try to resolve the conflict. The company entered the process with good faith, announcing a moratorium on further land clearance while the mediation was under way. A settlement agreement was announced in late 2008 in the form of compensation from the company to two communities 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.

During the settlement process, allegations related to IFC's due diligence were transferred to CAO's compliance function for appraisal, as these issues had been unresolved between the complainants and IFC. In September 2008, based on the findings of a compliance appraisal, the CAO determined an audit of IFC was merited to examine whether IFC had indeed complied with its standards and procedures. While the CAO process was under way, IFC made a fourth loan to the Wilmar Group, despite strong protests from the complainants to IFC's Board. This resulted in a second



Community members who live within the plantation area, Sumatra, Indonesia (Wilmar Group-02)

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.

Based on Wilmar's experience with the CAO facilitated mediation process related to the first complaint, the company adopted a dispute resolution approach toward all unresolved land claims in its operations. Therefore, in response to the second complaint, the CAO did not convene a dispute resolution process, but rather observed and supported two mediation processes that Wilmar Group and two communities in Jambas have engaged in. One of these two processes led to an agreement between the company and community representatives in early 2011; the second process is ongoing.

In pursuing its compliance investigation of IFC, the CAO appointed a panel of experts to conduct the compliance audit and a thorough investigation followed over a period of a 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. When the CAO did release the 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 IFC's 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.

IFC acknowledged the shortcomings in its response to the audit and committed to a set of actions. However, 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 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 palm oil

in March 2010 to gather recommendations from multiple stakeholders, which resulted in the adoption in April 2011 of a World Bank Group Framework and IFC Strategy to guide future engagement in the global palm oil sector. IFC committed to addressing issues related to supply chain risk in its policy review and update. IFC also changed its procedure for processing single commodity trade finance, reassessed its exposure in Indonesian oil palm, and committed to report back to the CAO on a quarterly basis on progress toward addressing the shortcomings identified by CAO's audit.

The CAO continues to monitor implementation of agreements made between Wilmar and communities in Indonesia, and is monitoring the outcome of IFC's actions in response to the audit.



Joint monitoring and evaluation between Sajingan Kecil community members and Wilmar Agronusa Investama staff, Sambas, West Kalimantan, Indonesia (Wilmar Group-01).





# Europe and Central Asia

лечим



## Georgia

### BTC Pipeline-33/Vale

IFC, Oil, Gas, Mining, & Chemicals; Received May 2011;  
Ombudsman assessment is ongoing; Open



#### 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

**Countries:** Georgia, Turkey, and Azerbaijan

**Environmental Category:** A

**Commitment:** \$125 million (A loan),  
\$125 million (B loan)

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. 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. To date, CAO has received 33 complaints in relation to the project, ranging from individuals to communities to local organizations.

In June 2011, the CAO received a new complaint from two landowning residents of Vale in Georgia. Their concerns related to the activities of a BTC contractor, which the complainants allege damaged their land and rendered it unusable for agriculture. The CAO accepted the complaint and an ombudsman assessment is under way at the time of writing.



CAO Ombudsman team facilitates a meeting between the BTC subcontractor, BTC representatives, and landowning residents of Vale, Georgia.

## Turkey

### Standard Profil II-01/Duzce

*IFC, Global Manufacturing and Services; Received September 2008; Implementation of ombudsman agreements are being monitored; Open*



#### 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

Standard Profil is a manufacturer of automobile parts, with production facilities in Duzce, Turkey. It started as a small privately held firm producing parts for Europe's growing car industry and in the last few years has grown quickly, rapidly increasing production and building new factories in China and South Africa.

IFC's first investment in Standard Profil in 2006 was targeted at improving the company's operational facilities. The second investment soon after was expected to support innovation through the company's research and



Standard Profil workers take part in a workplace election, Turkey.

development capacity to create employment opportunities for highly skilled Turkish technicians.

IFC's support for the company brought with it new labor requirements enshrined in IFC's Performance Standard 2 on Labor and Working Conditions. When a complaint was lodged with the CAO in September 2008 by the Confederation of Turkish Trade Unions (Turk-is) raising concerns related to rights to freedom of association and restrictions on joining a labor union, it provided an opportunity for the workers and company to work together to promote better understanding and implementation of the required standards.

The CAO accepted the complaint and conducted a preliminary field visit in November 2008, followed by regional consultation visits. This resulted in three agreements between worker representatives—representing over 2,000 of their peers at the Duzce factory in Turkey—and company management: increased visibility of the IFC Performance Standards in the workplace; implementing a training program for workers and managers on effective application of IFC's labor standards; and conducting an independent labor audit to provide assurance that Standard Profil is adhering to IFC's labor standards.

Since early 2010, with help from the CAO, company management and worker representatives have met regularly on a consultative committee to discuss workforce issues. The company has also revised its human resources policy and grievance procedures to reflect best practices.

The CAO continues to work with both the company and IFC to ensure effective implementation of these actions. The case has not been without challenges and there is an ongoing labor dispute between the parties with the Turkish regulator. However, the CAO continues to monitor implementation of the agreements reached by the parties and the case is in its closure phase.

Triggered by the CAO's involvement in this case, as well as another labor case in Turkey (Assan Alüminyum-01/ Dilovasi, see p. 39), IFC produced a labor handbook for client companies, entitled "Measure and Improve Your Labor Standards Performance." The handbook, launched in 2011, is a practical tool both for IFC clients and staff, and is a good example of how a CAO intervention can promote a systemic improvement at IFC.

## Assan Alüminyum-01/Dilovasi

IFC, Global Manufacturing and Services; Received September 2008; Closed after ombudsman assessment, August 2010



### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:** Assan Alüminyum 26648

**Department:** Global Manufacturing & Services

**Company:** Assan Alüminyum

Sanayi ve Ticaret Anonim Sirketi

**Sector:** Primary Metals

**Region:** Europe & Central Asia

**Country:** Turkey

**Environmental Category:** B

**Commitment:** \$30 million (A loan),

\$30 million (B Loan)

Assan Alüminyum is a former state-owned aluminum sheet coil and foil manufacturer located in Dilovasi-Gebze, in the Marmara region of Turkey. The company was acquired by the family-owned Kibar Group in 2005, whose flagship company, Assan Demir, is the largest aluminum manufacturer in Turkey. IFC supported a large investment program in 2009 to modernize and expand Assan Alüminyum's existing capacity to increase the productivity and efficiency of the plant. Corporate governance improvements were a significant goal of the project.

In October 2008, the Confederation of Turkish Trade Unions (Turk-is) lodged a complaint with the CAO on behalf of the Metal Workers' Union of Turkey with concerns about rights of association. The complainants sought assurance of the company's support for and conformity with the provisions enshrined in IFC's Performance Standard (PS) 2 on Labor and Working Conditions.

The CAO accepted the complaint; however, the project was in an early stage of IFC's involvement and IFC had not yet completed its own due diligence procedures. Therefore, the CAO requested that IFC include the issues raised in the complaint during project appraisal. As a consequence, the company agreed to specific requirements in its Social and Environmental Action Plan to increase visibility of the labor standard requirements in the workplace and to improve capacity within the company for enhanced labor relations.



Workers at Assan Alüminyum, Turkey.

In May 2009, the CAO shared the findings of IFC's due diligence and the commitments set out in the company's Action Plan with the complainants. The CAO then continued to monitor the case. IFC released a labor assessment report of Assan's ongoing compliance with Performance Standard 2 requirements in April 2010. The CAO concluded its involvement in the case in August 2010.

This case provides an example of a collaborative and flexible approach taken by the CAO in order to resolve the issues presented by the complaint. Given the early stage of IFC's involvement in this project, IFC was still in the process of completing its own due diligence for the project prior to IFC Board approval. As a result of allowing IFC to continue its environmental and social due diligence process, the issues raised through the complaint were addressed systematically at an early stage in the project cycle and subsequently monitored thereafter by both IFC and the CAO.

The case presented clear, specific issues of concern in relation to PS 2 and necessitated a methodical and consultative approach by Assan and its employees, together with IFC. The CAO conducted a transparent and predictable process in order to resolve them.

This case highlights how early involvement during a project's appraisal stage can effectively respond to issues raised by a complaint. A systematic and well-communicated approach, in this case through adequate training and the adoption and promulgation of appropriate policies, was critical to addressing issues raised.





# Latin America and the Caribbean

## Colombia

### TCBuen-01/Buenaventura

*IFC, Infrastructure; Received December 2009; Closed after ombudsman assessment, November 2010*



#### 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)

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 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 raised 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 found the complaint eligible and held conversations with the complainants, TCBuen representatives, and the IFC team working on the project during the ombudsman assessment. In addition, the CAO team conducted two field trips to Colombia to meet with local stakeholders and visit project facilities as well as surrounding neighborhoods to better understand how the CAO could be most helpful. As a result of the assessment, the parties agreed that a structured dialogue process was not necessary. Instead, they decided that a meeting among the parties' representatives could be a helpful step forward to address the concerns raised in the complaint.

During the assessment period, it became clear that many of the concerns related to a different project and not the project financed by IFC. Even though there was no creation of a structured dispute resolution process in this case, the CAO's participation proved helpful, as the complainants appreciated an opportunity to discuss their concerns. The CAO's involvement in this case helped raise awareness both among local communities and private sector actors in Colombia that such recourse mechanisms exist and that issues can be heard and acted upon.

With IFC, the CAO raised the broader systemic concerns related to potential cumulative impacts of the project, and how these issues are taken into consideration in decision-making processes for a project.

The CAO closed the case in November 2010 with the agreement of all the parties involved.

## Ecuador

### Interagua-01/Guayaquil

*MIGA; Received January 2008; Dispute resolution process closed January 2011 after monitoring of implementation of agreements*



#### 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)

International Water Services Project Guayaquil (“Interagua”) is a private sector operator and MIGA client, which is working to improve the services of the existing water utility in Guayaquil, Ecuador. 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.



Community and company representatives signing agreements, Interagua, Ecuador.

A complaint was filed to the CAO in January 2008 by residents of the city of Guayaquil, the Asociación Movimiento Mi Cometa, and the Observatorio Ciudadano de Servicios Públicos. The signatories raised concerns about cuts of residential water to the poor, 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 a CAO ombudsman assessment, the parties agreed to work together to try to resolve the issues. In October 2008, the CAO 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 the CAO to resolve over 3,000 complaints that water users had submitted to the NGO in the previous few years. Between November 2008 and July 2010, the parties engaged in a CAO-facilitated dialogue process that resulted in nine signed agreements and an independent Conflict Resolution Table, which was attended by representatives of water users, the company, and the NGO that helped file the complaint.

The agreements reached included options for forgiveness of the debt of certain water users, an awareness campaign to inform senior citizens and other users about special benefits available to them, improvements to Interagua’s community engagement and customer relations services, and establishment of a company grievance mechanism.

In July 2010, the CAO team facilitated a final stakeholder meeting to review outcomes of the Conflict Resolution Table. At that meeting, the stakeholders signed a final agreement indicating steps that had been accomplished and issues that remained to be resolved. The CAO agreed to monitor the parties’ working agreements for three months and convened a final stakeholder meeting in December 2010 to discuss lessons learned and future opportunities. The CAO formally closed the case in January 2011.

The CAO facilitated dialogue table resulted in several systemic changes to Interagua’s customer service and complaint handling procedures, as well as the company’s approach to community engagement. The development of the Conflict Resolution Table was deemed to be the most



valuable outcome of the year-long dialogue process by the parties. Other outcomes included a debt-forgiveness program, establishment of a special fund to assist water users who do not qualify for other subsidies, and a visit by the stakeholders to Interagua's meter-testing facility. A protocol for meter verification was agreed upon, but was never carried out.

This complaint exemplifies the often widespread opposition to water privatization and deeply held beliefs that corporate control over a basic life necessity is unacceptable. Local civil society argued strongly that investment by the government is preferable to privatization because the public sector can target the most needy, rather than the most profitable opportunities. The company's view was that private sector involvement is essential where the public sector does not have adequate funds for the level of investment necessary, and service charges should reflect the cost of supply. Cases like this demonstrate how structured processes can be used to address difficult issues in a concrete way even when polarizing viewpoints exist.

### **Pronaca Expansion-01/Santo Domingo de los Tsachilas**

*IFC, Agribusiness; Received December 2010; Transferred to Compliance for appraisal, June 2011; Open*



#### **PROJECT INFORMATION**

**Institution:** IFC

**Project Name & Number:**

Pronaca 26535 & 21901

**Department:** Agribusiness

**Company:** Procesadora Nacional de Alimentos C.A.-PRONACA

**Sector:** Food & Beverages

**Region:** Latin America & the Caribbean

**Country:** Ecuador

**Environmental Category:** B

**Commitment:** \$30 million in A loans, \$20 million C loan

Domingo de los Tsachilas. The \$20 million loan to expand and upgrade the company's facilities was followed by a second IFC investment in July 2008, which comprised \$30 million in loans for general investment purposes.

In December 2010, local stakeholders in the area of Santo Domingo de los Tsachilas filed a complaint with the CAO. The complainants, who wished their identities to remain confidential, believe that the pork processing facilities in the province are polluting water sources, affecting soil and air quality, and harming a protected forest. The complainants asserted that the processing facilities lacked the required environmental licenses to operate and that appropriate environmental assessments were never conducted by the company. The complainants also demanded that IFC stop provision of funds to the company.

The CAO accepted the complaint in January 2011. A CAO team visited Santo Domingo in March to meet with the complainants and the company.

The company expressed their interest in entering a collaborative dispute resolution process with the complainants, and expressed their conviction that their operations were both legal and environmentally sound. However, the complainants could not agree to pursue a collaborative process and, after the CAO's final assessment report was released in June 2011, the complaint was transferred to CAO's compliance team for appraisal. The complainants wished to pursue an audit of the company's operations, but CAO conducts audits only of IFC, not its client companies. In line with the CAO's Operational Guidelines, a compliance appraisal is under way to ascertain whether an audit of IFC's role in the project is merited.

In April 2004, IFC approved its first project with Procesadora Nacional de Alimentos C.A. (Pronaca), the biggest producer of poultry and pork in Ecuador, with facilities in Quito, Bucay, Valle Hermoso, and Santo

## Nicaragua

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

IFC, Agribusiness; Received March 2008; Ombudsman process is ongoing; Open



#### 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)

In 2008, some 600 people in Chichigalpa, a small agricultural town in northern Nicaragua, lodged a complaint with the CAO, with support from a US-based NGO, Center for International Environmental Law,

regarding an epidemic of chronic kidney disease (CKD). Many of those affected by the disease are former sugar cane cutters and members of a local community association called Asociación Chichigalpa por la Vida (Chichigalpa Association for Life, or ASOCHIVIDA). They believed this life-threatening disease may be caused by exposure to agrochemicals used by Nicaragua Sugar Estates Limited's (NSEL) Ingenio San Antonio facility in Chichigalpa, a claim which the company has strongly denied. NSEL is one of the leading sugar producers in Central America and an IFC client.

The CAO accepted the complaint and since 2009 has facilitated a dialogue process with ASOCHIVIDA members and NSEL management. Joint agreements reached between the parties to date have focused on addressing critical needs of community members, approximately 2,000 of whom are sick and unable to work, or are survivors of workers who have passed away. The need is compounded by the lack of local options for treatment, including dialysis and transplant. Early in the process, the company agreed to provide food for 1,800 community members and housing support to families most in need. The company is also supporting community business development and making funds available for a revolving microcredit facility to support income-generating projects.



Team from Boston University School of Public Health discusses scientific findings with ASOCHIVIDA members, León, Nicaragua, May 2011.



Workers cutting sugarcane at NSEL's Ingenio San Antonio plantation, Chichigalpa, Nicaragua.

Medical needs, in particular finding the cause of chronic kidney disease in this community, have been front and center in the discussions. ASOCHIVIDA and NSEL together chose Boston University in 2009 from a pool of nine highly qualified institutions to conduct an independent investigation into the causes of the disease, a study that builds on the research of other investigators working to advance medical science about CKD.

Boston University's research to date has aimed at assessing the state of knowledge concerning chronic kidney disease in Nicaragua, identifying activities that could address data gaps, and determining whether the company's practices contributed to the occurrence of the disease. Results of an initial Scoping Study found some association between certain occupations, including agriculture and mining, and the prevalence of the disease in the Pacific zone of Nicaragua. A 2010 assessment of NSEL's occupational health program, together with sampling of local water resources, found that workers are not exposed to agents or conditions that are known causes of chronic kidney disease. However, Boston University's report did not rule out that there could be some association between work practices and the disease, but noted that establishing any connection will require new scientific knowledge.

Since that time, the scientists have gathered data from worker employment and health records to see whether a broader study may help correlate types of work and duration of employment to development of CKD. The team is also

testing blood and urine of Ingenio San Antonio workers, as well as mining, construction, and dock workers, to identify potential agents that could cause kidney damage. Local secondary school students will also be examined to see if there are signs of kidney damage at an early age.

The disease extends well beyond western Nicaragua, and is prevalent in other countries in Central America, as well as some parts of Asia. There are various theories as to the cause—from heat to infectious disease to exposure to toxins—but more work needs to be done to establish what factors contribute to the disease clusters.

Given the scope and magnitude of this health issue, long-term solutions will likely require a robust institutional framework in Nicaragua that will inevitably be linked to public policy. These issues lie beyond the scope of the CAO dialogue process, but we hope the dialogue can play a catalytic role in helping interested investigators and public health officials create a national framework for research into the causes of CKD.

Without a definitive answer yet to the causes of the disease, ASOCHIVIDA and NSEL continue to focus on immediate gains for the community, such as planned projects which ASOCHIVIDA hope will bring revenues to support community needs. A medical team has also made suggestions for improving treatment in local health care facilities, which are currently being considered for implementation. The CAO dialogue process is ongoing.



## Panama

### Pando Montelirio-01/Chiriquí

IFC, Infrastructure; Received January 2010; Transferred to Compliance for appraisal, June 2011; Open



#### 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

In January 2010, 16 community and environmental organizations in the Chiriquí province of Panama filed a complaint with the CAO regarding the Pando Montelirio project. Approved by IFC in February 2010, the project consists of two run-of-river hydroelectric power plants to be operated in cascade on the Chiriquí Viejo River in western Panama. The plants total 85 megawatts in installed capacity and 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 just under \$300 million.

The complainants cited concerns relating to lack of participatory community consultation and lack of a cumulative impact assessment. They also cited issues related to water, including the possibility of flooding communities downstream, overexploitation of water resources, limited community access to water, high levels of sedimentation affecting water quality and downstream water treatment facilities, and negative impacts to aquatic life and the natural landscape, specifically to mangroves located near the mouth of the river in the Gulf of Chiriquí.

The complainants submitted the same complaint to the Independent Consultation and Investigation Mechanism (MICI) of the Inter-American Development Bank, which is also providing long-term financing to the project.



Affected community members, Pando Montelirio, Panama.

After accepting the complaint, a CAO ombudsman team traveled to Panama to meet with the complainants, company, community members, and local and national authorities. The team returned to the field in July to discuss a draft assessment report with the parties and possible options for resolving the issues raised. The parties agreed to collaborate jointly through a dialogue process facilitated by the CAO and MICI.

By March 2011, it became evident that the parties were unable to reach agreement and resolve issues through the dialogue process. The ombudsman team therefore closed their involvement in the case in June 2010 after releasing a conclusion report summarizing the dialogue process, and transferred the case to CAO's compliance function for appraisal. The 45-day appraisal process will assess whether an audit of IFC's social and environmental performance related to this project is merited.

This case was the first instance of the CAO working in cooperation with another accountability mechanism, in this case MICI. The parties wanted to avoid the complications of carrying out two separate processes, and CAO and MICI agreed that a joint process for facilitating a collaborative resolution would be the most effective approach. The working relationship was formalized in a Memorandum of Understanding in October 2010. This proved to be very helpful for the process as our shared experience, contacts, and resources strengthened our response to the complaint. This case has set a good precedent for future cooperation between the independent accountability mechanisms. Since then, the CAO has worked on another case (Mozal, p. 27) in close coordination with the European Investment Bank's complaints mechanism, strengthening the intervention of both mechanisms in helping parties address issues raised.

## Peru

### Agrokasa-01/Ica

IFC, Agribusiness; Five complaints filed with CAO in June 2009; Transferred to Compliance, March 2010; Audit is ongoing; Open



#### 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)

Agrokasa, an IFC client since 1999, is a leading Peruvian grower and exporter of fresh asparagus, table grapes, and avocados. The company operates three farms, two of which, Santa Rita and La Catalina, are located 300 kilometers south of Lima in the Ica valley.

In June 2009, six complaints were filed by various stakeholder groups regarding the impact of Agrokasa's operations on the Ica aquifer. Two of the complaints were signed by ground-water users' associations: one by the Junta de Usuarios de Rio Seco, and one by the Junta de Usuarios de Aguas Subterranas del Valle de Ica (JUASVI). One complaint was signed jointly by the NGOs Progressio and Water Witness International, but was later formally withdrawn by Progressio's executive director. Three of the complaints requested confidentiality.

The complaints voiced concerns about depletion of the aquifer due to excessive drilling throughout the valley, and questioned the legality of some of Agrokasa's operations. Several of the complaints also questioned the licensing and permitting process for an Agrokasa water transfer project, and stated that complete information about the project was not disclosed to other growers and municipalities in the region.

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 explore options for resolution of the issues with the parties. During the CAO assessment trip, 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, Agrokasa formally notified IFC that it had cancelled the loan request.

In the assessment report distributed to the parties in December 2009, 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. Agrokasa stated its commitment to working with the water associations through its membership in JUASVI to improve management of the water resource.

The CAO ombudsman team began working with the parties to design a Water Working Group involving the two ground water associations, two associations representing small- and medium-scale traditional groundwater users, and the two local water authorities. The Working Group was launched in March 2010. The CAO team facilitated monthly meetings of the Working Group until November 2010, after which the CAO concluded its role as facilitator and monitored the group's agreements and progress toward implementing its goals. As of June 2011, the Group remains active and is collaborating with local and national water authorities to implement a water monitoring program, and other initiatives focused on protecting the Ica aquifer and ensuring fair and equitable access to water for all the valley's water users.

Issues that the parties were not willing to negotiate were transferred to CAO Compliance in March 2010 for appraisal. The CAO's appraisal, disclosed in June 2010, determined that an audit of IFC's investments in Agrokasa and Corporacion Drokasa was merited. The CAO developed a Terms of Reference and conducted an audit of IFC's due diligence and monitoring processes for its investments in Agrokasa and Corporacion Drokasa, and investigated whether IFC complied with its own policy provisions. The final CAO audit report was submitted to IFC in February 2011, and the report and IFC's response are awaiting clearance by the World Bank Group President for public disclosure.

This case raises a complex set of issues that center on the way water resources are managed in the context of agricultural development in water-stressed regions like Ica, where a growing population and greater demand by large-scale producers are increasing the total water requirements. Like other regions of Peru, traditional irrigation techniques account for a high percentage of water use, yet efficiency is extremely low, and projects and proposals aimed at addressing the inefficiencies face numerous challenges. The Water Working Group is well aware of these challenges, and some of the biggest obstacles they face include small and large municipalities and agricultural producers of varying size and capacity competing for an increasingly scarce resource; multiple public institutions charged with managing water resources; continued permitting and drilling throughout the valley despite a government ban; the need for information about water quantity and quality; and implementing modern water management techniques.

One lesson from the progress of the Water Working Group, reinforced by several other CAO cases, is that protecting and managing water requires knowledge about the quantity and quality of the resource. Despite the Ica stakeholders' often striking differences of opinion about the causes and consequences of their water crisis, their shared sense of urgency about the need for reliable data on groundwater and surface water resources enabled them to develop a common vision and collective ownership in a solution.

Finally, involvement of the key public sector water officials is crucial to the success of collaborative initiatives around water and community. In designing its water monitoring program, the Water Working Group prioritized outreach to and information sharing with the national and local water authorities. Yet it has continued to face challenges in reaching consensus with the relevant authorities on a final design of a valley-wide monitoring program. Such challenges are not unique to collaborative efforts around water resource management, and can often be overcome through facilitated processes such as issues mapping and consensus building.

The CAO ombudsman team has concluded its involvement in the complaints. The CAO's compliance audit of IFC remains open.

## Maple Energy-01/Nuevo Sucre and Canaán

IFC, Oil, Gas, Mining, & Chemicals; Received April 2010; Dispute resolution process is ongoing; Open



### 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 is a privately held energy company with operations in Peru. In July 2007, the company received funding from IFC to support short-to-medium term capital expenditures, including drilling and well work-over programs and related activities to extend production of existing hydrocarbon fields, exploration in hydrocarbon concessions, and development of a greenfield ethanol plant.

In April 2010, local community members of Nuevo Sucre and Canaán in Loreto, Peru filed a complaint with the CAO with the assistance of national and international NGOs. These two Indigenous communities are located on the Ucayali River in proximity to Maple Energy's two mature crude oil producing properties. The complaint cited negative impacts to community health and to the environment from oil spills.

After the complaint was accepted by the CAO, an ombudsman team traveled to Peru to meet with the parties and conducted an assessment of the issues raised into January 2011.

After ground rules were agreed jointly by the parties, regular dialogue table meetings commenced in April 2011. Community concerns related to water quality became apparent early on. A technical expert was brought in by the CAO to provide guidance on developing a draft





CAO team meets with community members in Nuevo Sucre, Peru (Maple Energy).

scope for an environmental and health study, which aimed to get to the heart of the communities' concerns, and provide assistance to the dialogue table participants on developing a participatory monitoring process. Such dialogue tables have proven highly successful in other CAO cases, for example during our three-year dialogue with complainants and a Nicaragua sugar producer (see pp. 44–45). Early outcomes of the dialogue table have included the company facilitating Internet access for the communities and analyzing the quality of the communities' freshwater.

This is a challenging case in which we have been reminded that building trust both between the parties and within the dialogue process itself takes time. To ensure that dialogue is effective and needs are being met, it is important that the process adapts continuously, subject to feedback and actions implemented.

In keeping with the schedule agreed to by the parties, a series of monthly meetings is taking place. The CAO ombudsman team continues to facilitate the dialogue process with the parties.



# South Asia



## India

### India Infrastructure Fund-01/Dhenkanal District

*IFC, Global Financial Markets; Received April 2011; Ombudsman assessment is ongoing; Open*



#### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:**

India Infrastructure Fund 26237

**Department:** Global Financial Markets

**Company:** India Infrastructure Fund

**Sector:** Finance & Insurance

**Region:** South Asia

**Country:** India

**Environmental Category:** FI

**Commitment:** \$100 million equity investment



CAO team meets with local women from Dhenkanal village in Odisha, India.

In April 2011, the CAO received a complaint from a grassroots organization in India, Odisha Chas Parivesh Surekhsa Parishad (Odisha Agriculture and Environmental Protection Council), together with Delhi Forum, a Delhi-based advocacy and research organization. The complaint related to the GMR Kamalanga Energy project, a 1050-megawatt coal-fired power plant near Kamalanga village in Dhenkanal, a district of Odisha state. Filed on behalf of people affected by the project, the complaint cited concerns about disclosure of project information, resettlement, and transparency around potential environmental and social impacts of the project in Odisha. The complainants also questioned IFC's financing role.

IFC made a \$100 million equity investment in the India Infrastructure Fund (IIF) in 2007, which is managed by the project equity company of Infrastructure Development and Finance Company Limited (IDFC). IIF, which is based in Mumbai, and has a target size of \$1 billion, makes equity investments in energy and utilities, transport infrastructure, telecommunications, and other infrastructure solely in India. One of IIF's 12 portfolio investments is GMR Kamalanga Energy Limited, a part of the GMR Group.

The CAO found the complaint eligible for further assessment in May 2011 based on IFC's financing role in the IIF and the connection to potentially affected people in the vicinity of one of IIF's subprojects, GMR Kamalanga Energy.

This case is significant as it is the first eligible complaint that the CAO has ever received that specifically relates to the impacts of an IFC financial intermediary investment. As a subproject, the link between the company, GMR, and IFC is indirect, which may affect the CAO's leverage in this case. A CAO ombudsman team has embarked on an assessment of the issues raised in the complaint and is working with the parties to ascertain whether a collaborative solution can be found.

### Tata Ultra Mega-01/Mundra and Anjar

*IFC, Infrastructure; Received June 2011; Ombudsman assessment is ongoing; Open*



#### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:** Tata Ultra Mega 25797

**Department:** Infrastructure

**Company:** Coastal Gujarat Power Limited

**Sector:** Power

**Region:** South Asia

**Country:** India

**Environmental Category:** A

**Commitment:** \$450 million A loan, \$300 million B loan, \$50 million equity

In June 2011, the CAO received a complaint from Machimar Adhikar Sangharsh Sangathan (MASS, Association for the Struggle for Fishworkers' Rights), representing various fishing



communities in the state of Gujarat, India. The complaint concerns the IFC-supported Tata Ultra Mega project, a 4,000-megawatt coal-fired power plant in Mundra, a port city in Gujarat. Developed and operated by the Coastal Gujarat Power Limited, the project will source imported coal from mines in Indonesia and other countries, and will use the Mundra port for its operations. IFC invested \$500 million in the project for its own account and leveraged an additional \$300 million in B loans.

The complainants raised issues relating to the impact of the project on their fishing communities, which they claim were not adequately identified and mitigated, and claim that the cumulative impact of the project was not appraised adequately by IFC.

The CAO accepted the complaint in June 2011, and an assessment is under way.

## Sri Lanka

### Rainforest Ecology Linkages-01/Deniyaya

*IFC, Advisory Services; Received August 2009; Closed after ombudsman assessment, June 2011*



#### PROJECT INFORMATION

**Institution:** IFC

**Project Name & Number:** Rainforest Ecology Linkages 547845

**Company:** Rainforest Ecology Company (REC)

**Sector:** Advisory Services

**Region:** South Asia

**Country:** Sri Lanka

**Environmental Category:** n/a

**Commitment:** \$119,706

Located close to the Sinharaja Rainforest in southern Sri Lanka, the Rainforest Ecology is an ecotourism project set up several private sector tourism companies. IFC, through its South Asia Enterprise Development Facility (SEDF), is providing technical advisory services to the company, REC, to obtain U.S. Green Building Certification and promote ecotourism 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 voiced concerns about how the project has benefitted local communities living in the area and environmental concerns relating to tree felling 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 Ombudsman conducted a field assessment in October 2009 and discussed the claimant's issues with local stakeholders. During this field visit, the CAO was given the opportunity to meet with representatives from Deniyaya Kotapola Pradeshiya Sabha (local council), community members, the government's Central Environmental Authority, World Conservation Union (IUCN), UNESCO, United States Agency for International Development (USAID), and the company, REC. These wide-ranging conversations allowed for a balanced and thorough understanding of the project, as well as issues impacting local communities and the environment. Our assessment revealed a history of concerns about the implementation of the project, but also a trend of corrective actions and improving relationships. As one tangible example, REC had recognized its error in building "treetop" chalets in forest fragments, and had dismantled these structures.

In discussion with the company, IFC, and the complainant, the CAO secured the agreement of all the parties to address the issues raised in the complaint. Specifically, REC welcomed the involvement of the complainant or other community representatives to visit the site and verify implementation of the project. REC also agreed to 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 Advisory Services accepted the CAO's recommendation to revise its procedures for social and environmental requirements on IFC-managed Advisory Services projects in order to improve identification, mitigation, and supervision of environmental and social risks. These new procedures are being applied.

Periodic updates confirmed to the CAO that implementation has proceeded on the ground and IFC continues to monitor the situation with regard to the CAO's recommendations. The company's relationship with the

local council has improved, with better information sharing and relationship building. It has also been engaged in conducting activities benefiting the local community such as monthly health clinics, entering into supply agreements, and public health awareness programs.

The CAO's understanding is that dialogue has continued with the Forest Department and authorities responsible for demarcation of the forest boundary, but that this issue cannot be fully resolved by the company alone. The Forest Department holds the responsibility for this activity and it is a wider concern for many national stakeholders across the whole of the forest boundary, not just the project site. The company continues to urge the Forest Department to address this complex issue.

Casting a wide net for discussions with multiple stakeholders on all sides of the complaint was important to resolving this case. We were able to access senior representatives of both IUCN and UNESCO, both of whom were able to provide an independent and critical perspective on the project and its context. The perspective of the government's Central Environmental Authority was helpful to understanding the impact assessment process and permitting.

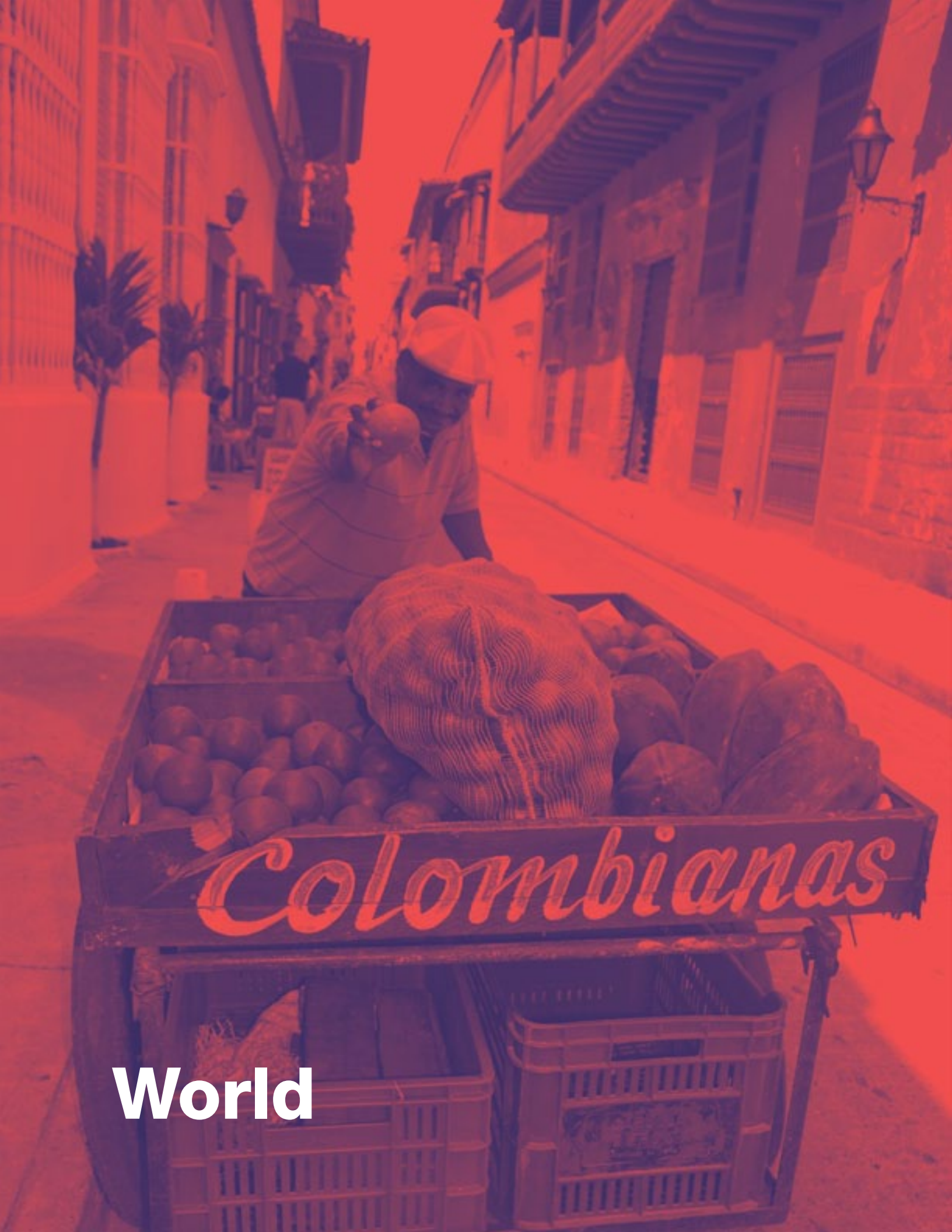
In addition, meetings with representatives of the local council were essential to understand local capacity and existing processes for assurance relating to environmental and social project commitments. The representatives were clearly well-informed, challenging, and professionally skeptical of the project, while at the same time constructive in their approach.

This complaint is indicative of an opportunity for IFC to provide more effective, targeted support to its clients in advisory projects. An appraisal by a relevant IFC specialist, combined with guidance on supportive actions and appropriate disclosures (for example, the initial social and environmental impact assessment), would have been helpful in supporting the company in addressing some of questions raised in this case. We are encouraged that IFC Advisory Services has taken the initiative to revise its procedures for social and environmental requirements, and are hopeful that this may lead to improvements in project implementation..

This case reached full settlement and the CAO closed the case in June 2011.



CAO outreach in Mumbai, India, November 2010.



**World**



## Multiregional

### Financial Intermediaries-01/CAO Vice President Request

*IFC, Global Financial Markets; Compliance appraisal triggered by CAO Vice President April 2011; Audit initiated June 2011 and is ongoing; Open*



A large portion of IFC financing is currently channeled to private sector projects in developing countries and emerging markets through third party entities. The CAO's experience over the past 11 years in working to resolve complaints related to IFC projects shows that grievances raised by affected communities have related predominantly to IFC's real sector investments. The CAO's analysis indicates that this is a consequence of a combination of factors. Most basically, according to its eligibility criteria, the CAO may accept only those complaints alleging direct or perceived harm. Moreover, financial sector projects are less known and understood by affected communities because financial disclosure provisions in the markets in which IFC operates are typically governed by central banking rules, and the structures and instruments used by IFC to support private sector development through financial intermediaries and other instruments are complex.

Findings from analysis of the CAO's data from over 10 years shows a predictable set of social and environmental risks at the project level, which occur predominantly in the

extractives, agribusiness, infrastructure, and manufacturing sectors. Since these same sectors are supported through IFC's investments via financial intermediaries, it is possible that the same types of risks and harm exist at the level of these IFC "subprojects." The reduced visibility of these activities presents a barrier for potentially affected people to bring issues of concern to the CAO's attention. This may present increased risk to IFC and may constitute missed learning opportunities for improvements in IFC's social and environmental due diligence related to its financial sector investments. Along with increased public scrutiny of the financial sector in recent years, the CAO initiated discussion with IFC on how to be proactive regarding the matter, which resulted in the CAO Vice President initiating a compliance appraisal of IFC's financial sector activities in April 2011.

This work is being conducted in accordance with the CAO's mission to enhance the social and environmental outcomes and sustainability of IFC-supported business activities.

In the appraisal report, released in June 2011, the CAO found that audits of IFC's different financial sector investments would be helpful to assess whether actual social or environmental investment outcomes are consistent with, or contrary to, the desired effect of IFC's policy provisions. As of June 30, 2011, the CAO audit panel had selected a sample of 63 FI projects for the investigation and the audit process was under way.



IFC's financial sector investments account for a large share of its overall business activities, © World Bank.



# Advisory Work

The CAO's advisory role captures learning from our ombudsman and compliance work to help improve the overall effectiveness of IFC and MIGA.

In its advisory role, the CAO provides advice to the President of the World Bank Group and senior management of IFC/MIGA about broader social and environmental issues.

We draw this advice from experiences gleaned from our ombudsman and compliance work. We are careful to avoid conflicts of interest, and never give project-specific advice to IFC or MIGA, as this may compromise the CAO's neutrality should the same project be subject to a complaint to the CAO in the future. Periodically, we publish Advisory Notes with formal findings and recommendations for the President and senior management. The CAO's independence and credibility underline its advisory role, which provides a valuable opportunity for us to help improve the overall effectiveness of IFC and MIGA.

## MAINTAINING A FOCUS ON PROJECT-AFFECTED COMMUNITIES

This year, IFC completed its revision of its Policy and Performance Standards on Social and Environmental Sustainability ("Sustainability Framework"), which articulates the roles and responsibilities of IFC and

its clients around project performance. Originally adopted in 2006, the Sustainability Framework was updated following an 18-month consultation process to incorporate valuable lessons from IFC's implementation experience. As IFC was developing the Framework and soliciting comments through its policy review, the CAO submitted an Advisory Note that focused on policy areas that directly impact project-affected communities. The CAO highlighted implementation challenges at the project level and provided specific recommendations to IFC to help improve company-community relationships, enhance IFC's environmental and social performance in working with financial intermediaries, and improve IFC's own management systems in dealing with environmental and social risks and impacts.

IFC adopted many of the CAO's recommendations, most specifically related to improvements to IFC's own disclosures at the project level. This also included a requirement in IFC's new Access to Information Policy for disclosures about the CAO in IFC's Environmental and Social Review Summary—a document that IFC clients are required to share with project-affected communities. The CAO also recommended that IFC increase the

staffing level for environmental and social appraisal and supervision of IFC's financial intermediary portfolio, and IFC proposed several new staff positions to carry out this activity in its report to the World Bank Board's Committee for Development Effectiveness (CODE). The CAO will continue to monitor how these recommendations are adopted in practice.

## IN-DEPTH ANALYSIS OF CAO'S CASELOAD

In October 2010, the CAO launched a comprehensive review of its activities from FY2000–10. The report, *The CAO at 10*, included a substantive analysis of CAO's ombudsman, compliance, and advisory work over 10 years of operations. It included contributions from community members and mediators who have worked

with the CAO, as well as representatives from the private sector, nongovernmental organizations, academia, and IFC/MIGA staff. This initial analysis of CAO's cases is now forming the basis of in-depth research and analysis under CAO's advisory function.

Digging deeper into our case files this year, we have tried to analyze the underlying trends and issues evident in our cases. What are the concerns at the root of complaints? What types of processes did the CAO's dispute resolution experts use to help parties seek resolution to their concerns? Were agreements reached and were they successfully implemented? What were the outcomes from cases transferred to the CAO's compliance function? The CAO will make findings from this case analysis publicly available in FY2012.

CAO team on assessment, Bujagali Energy, Uganda.







# Monitoring and Evaluation

The CAO conducts monitoring and evaluation of its work to help identify inherent challenges, areas for improvement, and what we are doing well.

## MONITORING AND EVALUATION SYSTEM

The CAO piloted its monitoring and evaluation (M&E) system in FY2009 to measure the success of its ombudsman and compliance work. Overall, the survey results help the CAO identify challenges inherent in our work, areas for improvement, and what we are doing well. We conduct M&E surveys on a rolling basis as complaints proceed from one phase to the next during the ombudsman and compliance processes. In FY2011, we conducted surveys related to eight cases: Ambuklao-Binga, Cambodia Airport II, Interagua, Maple Energy, Mozal, Pando Montelirio, Rainforest Ecolodge, and TCBuen.

The surveys provided the following conclusions, based on information collected from complainants, client companies, and IFC/MIGA staff:

- Parties are satisfied with the relative ease of filing a complaint with the CAO.
- Parties are well informed by CAO staff about the opportunities and limitations of the CAO's ombudsman and compliance processes.
- The CAO's suggestions about how to proceed with a case showed a clear understanding of the issues raised and the options available to address them.

- The CAO was deemed professional and capable of developing positive relationships during its assessment processes.
- Parties were satisfied that they had necessary information to make an informed decision as to whether or not to pursue a dispute resolution process.
- However, gaps remain and there is room for CAO to improve the quality of information available to participating parties about next steps in the CAO's complaint handling process.
- Parties are mostly satisfied with the mediators used by the CAO.
- Implementation of settlement agreements will make a substantial difference for community members.
- The CAO's ability to generate changes in business procedures or policies at IFC/MIGA needs to be better communicated to stakeholders.

The CAO continues to engage with IFC and MIGA to explore ways of sharing insights and lessons learned from its monitoring and evaluation surveys.

## MANAGEMENT ACTION TRACKING RECORD

In order to track IFC's and MIGA's responses to the CAO's interventions, and at the request of CODE, the CAO developed a Management Action Tracking Record (MATR) jointly with IFC and MIGA. As of February 2011, the CAO has used the MATR to track IFC/MIGA actions with respect to 18 CAO cases, including both ombudsman and compliance interventions, as well as two CAO Advisory Notes.

The CAO and IFC management have established procedures to guide communication and institutional responses to all three functions of the CAO, and these have been functioning adequately. While the CAO welcomes IFC's strong responses on a number of CAO cases this year, there are still opportunities to achieve a more engaging and effective response from the institution to other CAO interventions.

CODE's request for the MATR has resulted in IFC better institutionalizing its response to the CAO. The Corporate Risk Committee (CRC), chaired by the IFC's Executive Vice President and Chief Operating Officer, considers key systemic issues raised by the work of the three functions of the CAO on a quarterly basis. In addition, the Committee takes responsibility for IFC's response to each case covered in the MATR that is presented to CODE.

The establishment of more formalized procedures has enhanced the efficiency and integrity of the CAO's interactions with IFC. The CAO is in the process of creating a similar protocol with MIGA, elements of which are starting to be implemented.

Head of community (foreground) and community members, Nuevo Sucre, Peru (Maple Energy).





# Outreach

The CAO's global outreach program aims to ensure that the people most likely to need the CAO's services are aware of its existence and are able to raise issues of concern.

As mandated by CODE in 2007, the CAO continues to develop its communications and outreach program. The primary goal of these activities is to ensure that the people most likely to need the services of the CAO are aware of its existence, understand our role and mandate, and are able to access our services to raise issues of concern about IFC/MIGA business activities.

In FY2011, we met with organizations from Botswana, Cambodia, India, Indonesia, Kyrgyzstan, Lao PDR, Lesotho, Malaysia, Moldova, Mongolia, Myanmar, Namibia, Papua New Guinea, Peru, the Philippines, Russian Federation, South Africa, Swaziland, Thailand, and Vietnam, as well as from the United States and Europe. Where relevant, we also partner in our outreach efforts with the Independent Accountability Mechanisms (IAMs) of other international financial institutions (see p. 84). In FY 2011, we participated in events with our counterpart mechanisms at the African Development Bank, Asian Development Bank, European Investment Bank, Overseas Private Investment Corporation, and World Bank Inspection Panel.

In November 2010, CAO staff traveled to India to conduct a second round of outreach to civil society after our initial effort in 2009. In collaboration with the Delhi office of the Washington-based NGO Bank Information Center (BIC), we met with civil society organizations and community representatives in Mumbai, New Delhi, Meghalaya to discuss the CAO's work in India, our accessibility, and projects of concern.

In April 2011, we traveled to Moscow to meet with NGOs and Indigenous Peoples leaders from across the Russian Federation and Central Asia (see box 6, p. 61). In May, we attended the 10th Session of the United Nations Permanent Forum on Indigenous Issues (UNPFII) in New York. This event, convened by Tebtebba Foundation, aimed at creating a better understanding of the accountability mechanisms available to Indigenous Peoples and how they can use the mechanisms to ensure that their rights are protected and their complaints addressed in projects funded by the international development banks. We have more outreach planned for FY2012, with a focus on regions of business growth for IFC/MIGA, particularly Africa and Asia.



## BOX 6

**OUTREACH IN RUSSIA, APRIL 2011**

In April 2011, we traveled to Russia to conduct outreach to Moscow-based NGOs and IFC staff, as well as Indigenous Peoples (IP) leaders from across the Russian Federation. This trip built on the CAO's first outreach to Russia in 2008, when we met with academics and civil society leaders in Moscow, Novosibirsk, and Vladivostok. This time, we partnered with the Bank Information Center (BIC) and World Wildlife Fund-Russia to convene meetings to discuss the CAO's work in the region and issues of concern related to the oil and gas and financial sectors in the Russian Federation. CAO staff also met with NGOs visiting Moscow from across the Central Asia region who were attending a consultation hosted by the European Bank for Reconstruction and Development (EBRD).

In a separate event convened for the CAO by the Russian Association of Indigenous Peoples of the North (RAIPON), we met with over 20 Indigenous Peoples leaders from across Siberia. This half-day meeting included presentations by RAIPON on experiences of IP communities in their interactions with major corporations in the Russian Federation, by the CAO on its work with Indigenous Peoples communities around the world, and by BIC on IFC's policy provisions specifically relating to Indigenous Peoples. Discussion focused on issues related to project monitoring, communicating with the CAO and other recourse mechanisms, and how to share best practice examples of corporate-IP community interactions with IPs.

CAO-RAIPON outreach meeting with Indigenous Peoples leaders from the Siberian North, Moscow, April 2011.



Every year, the CAO hosts sessions at the Civil Society Policy Forum at the World Bank-IMF Annual and Spring Meetings, which attract civil society delegates from all over the world. At the Spring Meetings in April 2011, the CAO facilitated a Roundtable Discussion on water, business, and conflict with panelists from American University, Food and Water Watch, and IFC and MIGA. The session was based on our experience with conflicts over water, which are central to more than 40 percent of CAO cases, most especially in development sectors where projects tend to be large-scale, such as extractives, agribusiness, infrastructure, and manufacturing.

We have continued to work on improving understanding of the CAO's role and mandate among IFC and MIGA staff in both Washington and the field, especially in light of IFC's decentralization through 2013. In FY2010, the CAO held informational meetings with staff in Jakarta, Johannesburg, Manila, Moscow, New Delhi, Russia,

and Paris, in addition to specific interactions with project teams around CAO cases. We also continued our practice of sharing insights from closed cases with staff through learning events, in addition to briefings on CAO's advisory work and on the *The CAO at 10* report.

In recognition of our leadership with respect to professional dispute resolution and accountability, we have received requests to share our knowledge and experience more widely. We support these requests where possible, including engagement with our partner IAMs, particularly in the areas of monitoring and effectiveness, and in the form of keynote addresses at conferences and industry groups.

In addition, the CAO has a long-term commitment to build a network of mediators around the world and develop the capacity of those mediators to work on potential future complaints to the CAO. In FY2010, we continued to engage in training for mediators at a regional level (see box 7).

## BOX 7

### TRAINING SEMINAR FOR MEDIATORS IN CENTRAL ASIA AND THE SOUTH CAUCASUS

The CAO partnered with the Office of the Special Project Facilitator (OSPF) of the Asian Development Bank (ADB) in May 2011 to conduct a three-day seminar in Tbilisi, Georgia, for mediators and conflict resolution practitioners from the Central Asia and South Caucasus region. The seminar was designed to inform local mediators about the independent accountability mechanisms of the ADB and IFC/MIGA, and how these mechanisms work to redress grievances and provide dispute resolution services to citizens affected by development projects in the region.

Sixteen conflict resolution professionals from Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan participated in the seminar. The sessions used case studies, conflict simulations, role play, and group work to explain how the mechanisms work with civil society, their respective complaint-handling processes, and what local mediators



can expect from involvement in a dispute resolution process facilitated by the mechanisms. Feedback from the seminar was positive, with many participants noting that they had received a fair amount of new and practical knowledge. The CAO hopes to conduct similar trainings for mediators in other regions in the future.



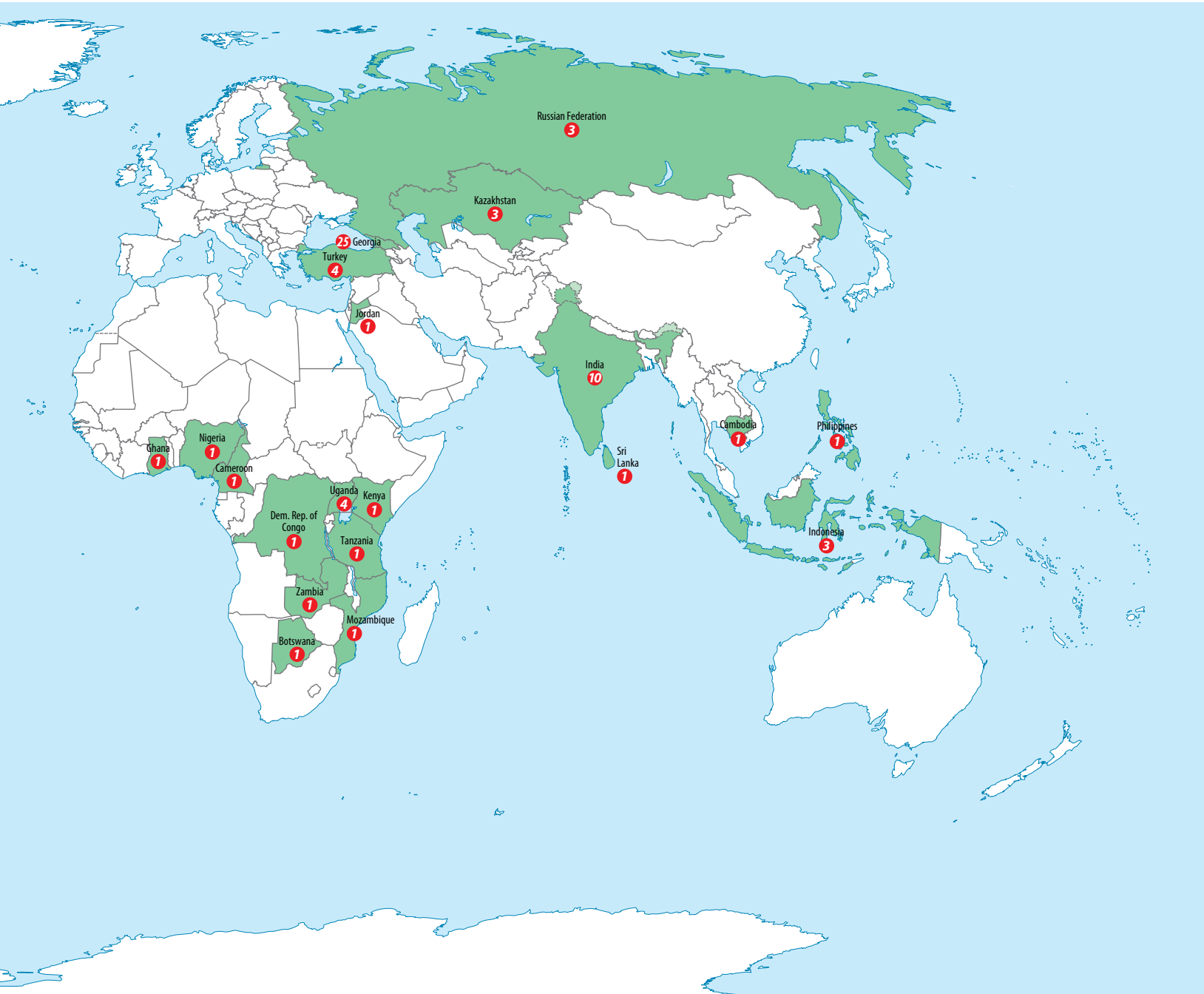
# Appendixes



## APPENDIX A. WORLD MAP OF CAO CASES, FY 2000–11



*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. COMPLAINT LOG, FY2000–11

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
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



Complaint	Date submitted	Eligible for assessment?	Ombudsman activities	Transfer to Compliance	Eligible for audit?	Compliance activities	Date case closed
Georgia: BTC Pipeline-03/Switzerland	Mar 2004	No	—	—	—	—	Apr 2004
Georgia: BTC Pipeline-04/Switzerland	May 2004	No	—	—	—	—	May 2004
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/Tetritskaro	May 2004	Yes	Settled	—	—	—	Feb 2005
Georgia: BTC Pipeline-10/Tetritskaro	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
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	Noa	—	—	—	—	Mar 2005
Georgia: BTC Pipeline-19/Atskuri	Apr 2005	Yes	Settled	—	—	—	Feb 2006

Complaint	Date submitted	Eligible for assessment?	Ombudsman activities	Transfer to Compliance	Eligible for audit?	Compliance activities	Date case closed
Georgia: BTC Pipeline-20/Atskuri	Apr 2005	Yes	Settled	—	—	—	Feb 2006
Romania: BCR	May 2005	No	—	—	—	—	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
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

Complaint	Date submitted	Eligible for assessment?	Ombudsman activities	Transfer to Compliance	Eligible for audit?	Compliance activities	Date case closed
Southeast Asia: Gender Discrimination	May 2006	No <sup>a</sup>	—	—	—	—	May 2006
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: Micro-finance 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
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 Group-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



Complaint	Date submitted	Eligible for assessment?	Ombudsman activities	Transfer to Compliance	Eligible for audit?	Compliance activities	Date case closed
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	Settled	—	—	—	Jan 2011
Papua New Guinea: Digicel	Jan 2008	No <sup>a</sup>	—	—	—	—	Jan 2008
Russian Federation: Ruskiy 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
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	No	Appraisal	Sep 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 Aluminyum-01/Dilovasi	Sep 2008	Yes	Settled	—	—	—	Aug 2010
Chile: Empresa Electrica Pangue S.A.-03/ Mulchen	Oct 2008	No	—	—	—	—	Oct 2008

Complaint	Date submitted	Eligible for assessment?	Ombudsman activities	Transfer to Compliance	Eligible for audit?	Compliance activities	Date case closed
Indonesia: Wilmar Group-02/Sumatra	Dec 2008	Yes	Ongoing case	—	—	—	Open
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	Settled	Mar 2010	Yes	Audit, ongoing case	Open
<b>FY 2010</b>							
Uruguay: Orion-02/ Gualaguaychu	Aug 2009	Yes	Assessed and transferred to Compliance	Jan 2010	No	Appraisal	Mar 2010
Sri Lanka: Rainforest Ecolodge Linkages-01/ Deniyaya	Aug 2009	Yes	Settled	—	—	—	Jun 2011
Chad-Cameroon: Chad-Cameroon Pipeline-01	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	Settled	—	—	—	Nov 2010
Cambodia: Cambodia Airport II-01/Preah Sihanouk	Dec 2009	Yes	Ongoing case	—	—	—	Open
Panama: Pando Montelirio-01/Chiriquí	Jan 2010	Yes	Assessed and transferred to Compliance	Apr 2011	June 2011	—	Open
Malaysia: Reges	Feb 2010	No <sup>a</sup>	—	—	—	—	Feb 2010
Togo: Heidelberg Cement	Feb 2010	No	—	—	—	—	Feb 2010
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
<b>FY 2011</b>							
Turkey: Public Energy & Energy Efficiency Project	Jul 2010	No <sup>a</sup>	—	—	—	—	Jul 2010
Indonesia: PT Weda Bay Nickel-01/Weda Bay	Jul 2010	Yes	Assessed and transferred to Compliance	Jun 2011	TBD	—	Open
Tajikistan: Giavoni	Jul 2010	No	—	—	—	—	Sep 2010

Complaint	Date submitted	Eligible for assessment?	Ombudsman activities	Transfer to Compliance	Eligible for audit?	Compliance activities	Date case closed
Ghana: Tullow Oil, Kosmos Energy and Jubilee FPSO-01/CAO Vice President Request	Aug 2010	—	—	Aug 2010	No	Appraisal	Jun 2011
Mozambique: Mozal-01/ Matola and Maputo	Oct 2010	Yes	Ongoing case	—	—	—	Open
Bangladesh: AK Khan Water Health-01/Dhaka	Nov 2010	No	—	—	—	—	Dec 2010
Mozambique: Africap Investment Fund	Dec 2010	No <sup>a</sup>	—	—	—	—	Dec 2010
Ecuador: Pronaca Expansion-01/Santo Domingo	Dec 2010	Yes	Assessed and transferred to Compliance	Jun 2011	TBD	—	Open
World: Financial Intermediaries-01/CAO Vice President Request	Apr 2011	—	—	Apr 2011	Yes	—	Open
Uganda: Bujagali Energy-04/Bujagali	Mar 2011	Yes	Ongoing case	—	—	—	Open
Brazil: Anima Educacao	Mar 2011	No <sup>a</sup>	—	—	—	—	Apr 2011
Vietnam: Global CyberSoft	Apr 2011	No <sup>a</sup>	—	—	—	—	Apr 2011
India: India Infrastructure Fund-01/Dhenkanal District	Apr 2011	Yes	Ongoing case	—	—	—	Open
Panama: Panama Canal Expansion-01/Lake Gatún	May 2011	Yes	—	—	—	—	Open
Nigeria: Nun River Kolo Creek Oil Pipeline	May 2011	No	—	—	—	—	May 2011
Uganda: Bujagali Energy-05/Bujagali	May 2011	Yes	Ongoing case	—	—	—	Open
Sri Lanka: Sinharaja Forest	Jun 2011	No	—	—	—	—	Jun 2011
Cameroon: Chad-Cameroon Pipeline-02/Cameroon	May 2011	Yes	Ongoing case	—	—	—	Open
Georgia: BTC Pipeline-33/Vale	May 2011	Yes	Ongoing case	—	—	—	Open
India: Tata Ultra Mega-01/Mundra and Anjar	Jun 2011	Yes	Ongoing case	—	—	—	Open

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.



## APPENDIX C. REPORTS AND PUBLICATIONS, FY2011

### OMBUDSMAN REPORTS

Assessment Report, Complaint Regarding the Electron Investment S.A. Pando–Monte Lirio Hydroelectric Project (#27975), Chiriquí Province, Panama, July 2010  
(Case: Panama/Pando Montelirio-01/Chiriquí)

Assessment Report, Complaint Regarding IFC's Cambodia Airport II Project, August 2010  
(Case: Cambodia/Cambodia Airport II-01/Preah Sihanouk)

Assessment Report, Complaint Regarding TCBuen S.A. Buenaventura, Colombia, August 2010  
(Case: Colombia/TCBuen-01/Buenaventura)

Assessment Report Regarding Community and Civil Society Concerns in Relation to the Activities of Maple Energy, Peru, January 2011  
(Case: Peru/Maple Energy-01/Nuevo Sucre and Canaan)

Conclusion Report, CAO's Complaint Handling Process on the MIGA-supported Interagua Project in Guayaquil, Ecuador, January 2011  
(Case: Ecuador/Interagua-01/Guayaquil)

Assessment Report, Complaint Regarding the Mozambique Aluminum S.A.R.L. (MOZAL) Investment–IFC Mozal II Project (#10323), Boane District, Maputo, Mozambique, February 2011  
(Case: Mozambique/Mozal-01/Matola and Maputo)

Conclusion Report, Complaint Handling Process by the CAO Regarding IFC's Involvement in the Agrokasa Project in Ica, Peru, April 2011  
(Case: Peru/Agrokasa-01/Ica)

Assessment Report, Complaint Regarding the MIGA PT Weda Bay Nickel Project (#8113) Halmahera Island, North Maluku, Indonesia, June 2011  
(Case: Indonesia/PT Weda Bay Nickel-01/Weda Bay)

Assessment Report, Regarding Concerns of Local Stakeholders about the PRONACA Farms in Santo Domingo, Ecuador, June 2011  
(Case: Ecuador/Pronaca Expansion-01/Santo Domingo de los Tsachilas)

Conclusion Report, CAO's Complaint Handling Process on the IFC-supported Rainforest Ecologge Project, Sri Lanka, June 2011  
(Case: Sri Lanka/Rainforest Ecologge Linkages-01/Deniyaya)

### COMPLIANCE REPORTS

CAO Audit of IFC's Investments in Agribusiness in the Ica Valley, Peru, February 2011 (This report was pending clearance for public disclosure as of June 31, 2011.)  
(Case: Peru/Agrokasa-01/Ica)

Appraisal Report, Case of IFC's Involvement Linked to the Jubilee Oil Field, Tullow Oil/ Kosmos Energy/Jubilee FPSO, Ghana, May 2011  
(Case: Ghana/Tullow Oil, Kosmos Energy & Jubilee FPSO-01/CAO Vice President Request)

Appraisal Report for Audit of IFC's Investment Projects in the Financial Sector Multiregional/World, June 2011  
(Case: World/Financial Intermediaries-01/CAO Vice President Request)

## 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 in 1999, when the Office was established.*

### 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

### INDEPENDENCE AND IMPARTIALITY

The 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 balances 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.

### PUBLIC DISCLOSURES ABOUT THE CAO

As understanding of the CAO's work has increased both within IFC/MIGA and among communities and client companies (as requested by World Bank Group Board's Committee on Development Effectiveness, CODE), IFC and MIGA have reviewed some of their public disclosures to enhance awareness about the CAO and 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. IFC's revised Sustainability Framework, approved in 2011, includes disclosures about the role and mandate of the CAO. Specifically, IFC's new Access to Information Policy requires disclosures about the CAO in IFC's Environmental and Social Review Summary (ESRS), a document that IFC clients are required to disclose to project affected communities.

## 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 E.1). The CAO also communicates with the Boards of the World Bank Group (the Board) on a regular basis.

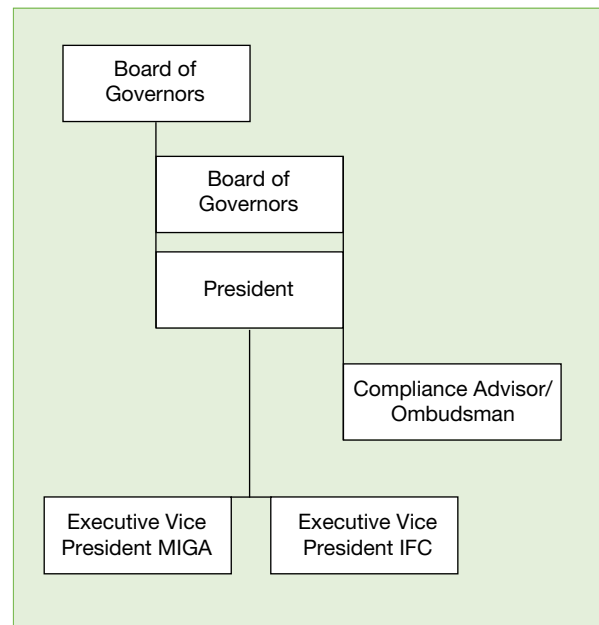
The CAO informs the President and Board when a complaint has been found eligible for assessment. The CAO reports the outcome of an ombudsman assessment to the President and informs the Board. The CAO informs the Board of the findings of a compliance audit, after clearance from the President. The CAO 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 the President and Board, and disclosed publicly. More detailed summaries on specific cases or activities 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. Since FY2010, the CAO also has met quarterly with IFC's Corporate

Risk Committee. Together with MATR reporting (see p. 59), 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.

**Figure E.1. The CAO's Reporting Lines within the World Bank Group**



CAO team with community members in Sihanoukville, Cambodia.



## APPENDIX F. FUNDING, FY2010

### ADMINISTRATIVE BUDGET

In FY2011, the CAO had an administrative budget of \$3,576,345 (see table F.1). 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 basis. Variable costs are shared based on the ratio of time spent by CAO staff on each institution's business matters (see table F.2). The CAO's administrative budget covers the costs of staff salaries, consultants, travel, communications, contractual services, and other administrative expenses.

The 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 ombudsman-related activity (see table F.3).

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.

**Table F.1. The CAO's Administrative Budget, FY2011 (U.S. dollars)**

Salaries	1,370,210
Benefits	693,855
Consultants	366,965
Travel	458,079
Contractual services	340,789
Publications	89,530
Communications and IT services	51,583
Temporaries	49,543
Representation and hospitality	8,438
Equipment and building services	1,310
Other expenses	656
<b>Total expenses</b>	<b>3,430,957</b>
<b>Current budget</b>	<b>3,576,345</b>

**Table F.2. IFC/MIGA's Contribution to the CAO's Administrative Budget, FY2000–11 (U.S. dollars)**

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
FY 2011	2,941,911	634,434	3,576,345
<b>Total</b>			<b>23,160,711</b>



## 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.

The Contingency Fund is US\$1 million. 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. To date, it has not been necessary for the CAO to access MIGA's 20 percent commitment. In FY2011, the CAO used \$743,627 from its Contingency Fund.

**Table F.3. CAO Contingency Fund, FY2003–11 (U.S. dollars)**

Fiscal Year	Total
<i>Direct contributions from IFC</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
FY 2011	743,627
Subtotal	3,603,627
<i>Contributions from an IFC sponsor (Minera Yanacocha)</i>	
FY 2003–06	3,231,000
<b>Total funds expended on multi-year mediation</b>	<b>6,834,627</b>

CAO Ombudsman team on assessment in North Maluku, eastern Indonesia (PT Weda Bay Nickel).



## APPENDIX G. STAFF



### **Meg Taylor, Compliance Advisor/Ombudsman and 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 served 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.

### **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, the Netherlands.



### **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 the hiring of consultants and for processing other management transactions for the CAO.

### **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.







### **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 postconflict societies and international humanitarian law. Clare left the CAO in June 2011 to embark on a LL.M at Columbia University School of Law, New York.

### **Emily Horgan, Communications & Outreach 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 operations evaluation and sustainability reporting. 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.



### **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. After seven years leading the ombudsman team, Amar left the CAO in June 2011 to undertake a new assignment with the World Bank.

### **Henrik Linders, Principal 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.







**Paula Panton, Executive Assistant**

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

**Andrea Repetto Vargas, Specialist, Ombudsman**

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.

**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. She has been with the World Bank Group for 17 years and brings a life of rich and eclectic experience to the CAO. Rosemary works directly with the Principal Specialist Ombudsman, and supports the ombudsman team.



## APPENDIX H. STRATEGIC ADVISORS

The CAO's Strategic Advisors Group has been active since 2002. Members as of June 30, 2011 are:

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



A fisherman off the coast of northern Colombia, © CAO.



## APPENDIX I. INDEPENDENT ACCOUNTABILITY MECHANISMS

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.

International Financial Institution	Independent Accountability Mechanism
African Development Bank (AfDB)	Compliance Review and Mediation Unit
Asian Development Bank (ADB)	Office of the Special Project Facilitator and 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
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 Group International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA)	Inspection Panel

CAO and representatives of the IAMs meet with Indigenous Peoples' leaders at the United Nations Permanent Forum on Indigenous Issues, New York, April 2011.





## APPENDIX J. 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/MIGA followed the Safeguard Policies prior to 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 Policies**

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.

For more information see:

IFC's Web site: [www.ifc.org/sustainability](http://www.ifc.org/sustainability)

MIGA's Web site: [www.miga.org/policies](http://www.miga.org/policies)

## APPENDIX K. FILING A COMPLAINT

### 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 business activity. 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 appendix I).

The CAO will direct complaints relating to fraud and corruption to the World Bank Integrity Vice Presidency (INT). The CAO also cannot review complaints related to IFC and MIGA procurement decisions, nor does the CAO 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 a complaint is lodged with the CAO, or after.

#### Can complainants request confidentiality?

The CAO takes confidentiality extremely 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.

#### What happens after a party has filed a complaint?

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 (see figure K.1, p. 88). If a complaint meets the CAO's eligibility criteria:

- First, CAO Ombudsman 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 of IFC/MIGA is warranted.

#### What does the CAO Ombudsman do?

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. Rather, the ombudsman 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 ombudsman 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.

### What does CAO Compliance do?

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 a 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 (p. 89).

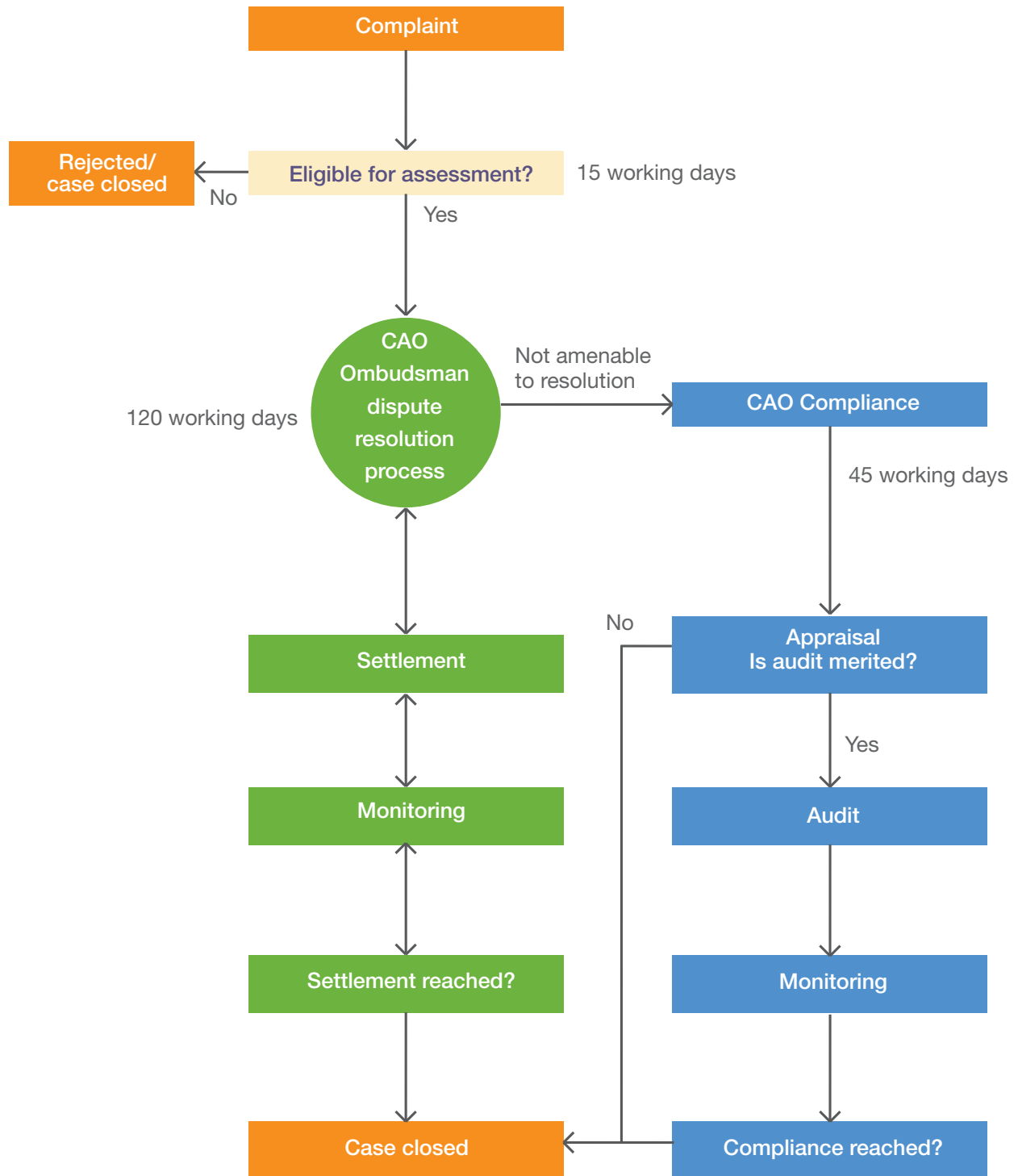
Compliance Advisor/Ombudsman (CAO)  
2121 Pennsylvania Avenue, NW  
Washington, DC 20433 USA  
Tel: +1 202-458-1973  
Fax: +1 202-522-7400  
e-mail: [cao-compliance@ifc.org](mailto:cao-compliance@ifc.org)  
[www.cao-ombudsman.org](http://www.cao-ombudsman.org)



CAO Ombudsman specialist with complainants in Uganda (Bujagali Energy).



Figure K.1. The CAO's Process for Handling Complaints



## MODEL LETTER OF COMPLAINT TO THE CAO

To:

Compliance Advisor/Ombudsman (CAO)  
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

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

## CONTACT US

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

Tel: + 1-202-458-1973

Fax: + 1-202-522-7400

e-mail: [cao-compliance@ifc.org](mailto:cao-compliance@ifc.org)

Web site: [www.cao-ombudsman.org](http://www.cao-ombudsman.org)

CAO staff with a member of the Selkup tribe from the Tomsk region of Siberia, Indigenous Peoples Convention, Moscow, April 2011.









**World Bank Group**  
Multilateral Investment  
Guarantee Agency



**International  
Finance  
Corporation**  
World Bank Group



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)  
Web site: [www.cao-ombudsman.org](http://www.cao-ombudsman.org)

