DISPUTE RESOLUTION CONCLUSION REPORT

Regarding a complaint in relation to
'IFC’s Investment in Alcazar Energy – 01 (#35909) in Jordan

All documentation relevant to this case is available on CAO’s website at www.cao-ombudsman.org

1. OVERVIEW

In March 2020, CAO received a complaint from a resident of Al-Rajef in Jordan, raising concerns about the Al-Rajef Wind Farm’s impact on his residence near the project site. The wind farm was developed by Alcazar Energy Partners (the "Company"), an IFC client focused on renewable energy projects in the MENA region. The complaint alleged that the noise and flashing lights from the project site negatively impact the Complainant’s residence. CAO determined that the complaint met its three eligibility criteria and began an assessment of the complaint.

During CAO’s assessment, both the Complainant and the Company expressed an interest in engaging in a CAO dispute resolution process. CAO convened a dispute resolution process in December 2020. Following dialogue between the Company and the Complainant, the Complainant initially elected to withdraw from the dispute resolution process, and later became unreachable. The complaint will now be transferred to CAO’s Compliance function for appraisal.

This conclusion report documents key outcomes from the process, including insights and reflections.

2. THE PROJECT

According to IFC, IFC has held an equity investment since 2015 in the Company. The investment has helped increase power generation capacity in the region and supported economic growth and job creation. The Company currently has seven assets in operation in Egypt and Jordan. The complaint relates specifically to the Al-Rajef Wind Farm in Jordan, an 86.1-MW wind farm with a project cost of US$184.6m, located near the village of Al-Rajef in the Ma’an Governate of Jordan. The Al-Rajef Wind Farm commenced commercial operations in November 2018 and was financed by the European Bank for Reconstruction and Development (EBRD), Deutsche Investitions- und Entwicklungsgesellschaft (DEG), and Proparco. IFC was not part of the lender consortium that provided debt finance to the Al-Rajef Wind Farm.

3. THE COMPLAINT

In March 2020, CAO received a written complaint from an individual (the Complainant) living close to the Al-Rajef Wind Farm. The complaint raised concerns about the impact of the wind farm on the Complainant’s residence near the project site. The Complainant claimed that he is affected by noise and flashing lights from the
project site. Although a single Complainant filed the complaint, the Complainant alleged that several neighbors are also affected. At the time of filling the complaint, the Complainant requested confidentiality.

4. CAO’S ASSESSMENT

The CAO found the complaint eligible in March 2020. However, due to COVID-19-related restrictions on travel and social gatherings, CAO staff were unable to conduct a regular assessment involving a field visit to meet with the Complainant/s and Company. After consulting with the parties, CAO conducted the assessment via virtual platforms. CAO’s assessment of the complaint included email correspondence; videoconferences with the Complainant, the Company, and the IFC; and a desk review of project documents.

It took some time for CAO to contact the Complainant, due to the Complainant’s lack of connectivity. Once contact was made with the Complainant, he clarified that the complaint is limited to noise and that flashing lights are not a problem. The Complainant also raised concerns of threats and reprisals and initially requested that his identity be kept confidential. In accordance with the CAO’s Approach to Responding to Concerns of Threats and Instances of Reprisals in CAO Operations, the CAO team proactively assessed, discussed, and addressed risks of threats and reprisals with the Complainant. The Complainant indicated that he was keen to engage the Company in a dispute resolution process to resolve the issue. Therefore, he indicated that he would be willing to disclose his identity to the Company for the dispute resolution process.

CAO also raised the Complainant’s concerns of threats and reprisals with the Company. The Company expressed their commitment to resolving all complaints brought by community members without threats, intimidation, or harassment. The Company also stated that they had received similar complaints from other community members which had been addressed through the company grievance mechanism to the satisfaction of each community member who brought the complaint. They noted that the Complainant had not previously raised a grievance with the Company via the company grievance mechanism or attempted to reach out to the Company through other means. They stated their commitment to upholding environmental and social standards in their projects and expressed willingness to engage in a CAO facilitated dialogue with the Complainant, to understand his concern, evaluate whether the noise levels are within the applicable noise standards and to determine whether any remedial actions would be required.

5. PRE-DISPUTE RESOLUTION PREPARATION

Following the assessment, the CAO team worked with both parties to ensure they had the requisite capacity to participate in the mediation process. CAO conducted capacity-building workshops for the Complainant and the Company representatives in October 2020. The capacity-building workshops, which were conducted separately for each party, sought to equip the parties with the necessary communication and negotiating tools to effectively engage in the dispute resolution process. The capacity building workshops were interactive and were conducted virtually via video calls. The content of the workshops included information about the CAO process, what to expect from a dispute resolution process and the role of each party in the process. The capacity building process also helped the parties brainstorm the ground rules and framework they wished to put in place at the start of the joint session, which
would govern the dispute resolution process. The Complainant participated on his own, while the Company had four representatives in the workshop and in the dispute resolution process.

6. DISPUTE RESOLUTION PROCESS

In November 2020, the first virtual joint meeting was scheduled for the parties. Due to unforeseen circumstances, the Complainant was unable to attend the meeting. The meeting was rescheduled to December 2020, and both parties attended. Although the Complainant had previously requested confidentiality, he willingly revealed his identity to the Company for the first time during this meeting.

At the start of the meeting, the parties agreed on ground rules and emphasized the need for confidentiality during the process. The Complainant then explained that the main issue he wanted resolved through the dispute resolution process was the issue of noise from the wind turbines. The Complainant shared his concerns with the noise levels and how it affects his quality of life. In response to this, the Company stated its willingness to work with the Complainant to understand the issue. They explained the national and international regulations related to noise from wind turbines and the effects on the surrounding communities. The Company also explained that noise assessments were conducted in line with the project’s legal framework prior to the construction of the project and once all turbines were operational (and prior to Commercial Operation), and that, based on those assessments, no exceedance of noise level limits was envisaged from the operation of the wind farm. The company also explained that despite the results of the assessments, the Project has a grievance mechanism in place to register and evaluate, on a case-by-case basis, any complaints raised by nearby residents. The Company told the Complainant that, to evaluate his complaint, they would need to have a better understanding of the location of the Complainant’s house and potentially take further noise measurements to ascertain whether there is an actual exceeding of applicable noise standards. The Company requested the Complainant to share the exact location of his house. The Company would then check the existing assessment, which was conducted between 2014 and 2018, for the potential effect of the turbine on the Complainant’s house. This would determine if a more detailed monitoring assessment was required similar to how the Company evaluated and resolved other noise grievances for units in close proximity of the turbines.

At the end of the first joint meeting, the parties agreed to meet so that the Company could identify the location of the Complainant’s house and determine its distance from the turbines. The parties exchanged contact information, and the Complainant gave consent for a Company representative to contact him directly to arrange the meeting. Both parties agreed that, by 19 December 2020, the Complainant would send confirmation to the CAO that the meeting had happened.

The Company reported on 18 December that their representative could not reach the Complainant via phone as agreed and requested CAO’s assistance to reach the Complainant.

After several attempts to reach the Complainant, the Complainant contacted the CAO in late December 2020 and stated that he no longer wished to continue with the CAO dispute resolution process. He asserted that the Company’s explanation of the national and international regulations during the joint meeting was unsatisfactory.
and that he did not believe his concerns would be resolved to his satisfaction. He also asserted that the Company did not abide by the confidentiality principle agreed to in the ground rules at the start of the joint meeting, which caused him problems. After receiving this message, CAO could not reach the Complainant to get further clarity on his assertions. CAO held a second meeting with the Company on January 6, 2021, to discuss the Complainant’s decision to withdraw from the dispute resolution process and the next steps in the CAO process. The Company explained their attempts to reach the Complainant and assured CAO that they did not breach confidentiality. The Company expressed disappointment in not being able to evaluate and collaboratively resolve the complaint through the DR process. The Company agreed to share information with the CAO about the noise assessment conducted for the Project. The Company reiterated that it is willing to continue evaluating and addressing this complain through the Project grievance mechanism should the complainant refer to it.

Following the meeting in January, the Company expressed that, without the exact location of the Complainant’s unit, they used the approximate location given by the Complainant, to review the assessments already conducted by an independent third party for the project and determine the possible impact of the Wind Farm’s on the Complainant’s unit.

The Company explained that several assessments were conducted for the project to check the noise levels. The first assessment was conducted between 2014 and 2016, to evaluate the noise that already existed in the area before the Project was constructed and ensure that the Project would not generate noise levels above the baseline noise levels. The baseline noise levels are defined as the noise level exceeded for 90% of the measurement time, without short abnormal peak noise events (e.g. vehicles or machinery).

The second assessment was conducted in 2017 before the Wind Farm operations started. The last assessment was conducted in October 2018, once all turbines were operational, to verify the actual sound level propagation from the turbines and ensure compliance with applicable noise standards.

The Company stated that studies performed at different stages of the Project show that in the area where the Complainant’s unit is potentially located, the existing noise levels (before the wind farm started operations) or baseline noise levels, already exceeded the Jordanian Regulations limits at certain points in the day.

The studies and actual measurements after the project started confirmed that the noise levels in the area where the Complainant’s unit is potentially located do not exceed the requirements under IFC Standards and Jordanian Regulations.

Therefore, with the available information at the Company’s disposal, it can be considered that, although the Complainant could experience perceptible levels of noise during specific times of the day and year, the noise is not produced by the Al Rajef Windfarm.

7. OUTCOMES

In December and January, CAO made efforts to reach the Complainant to get a better understanding of his reasons for withdrawal from the dispute resolution process, but these attempts were unsuccessful. At that time, CAO was unable to ascertain from the Complainant, any additional risk placed on him due to the disclosure of his identity. The Company
reiterated that confidentiality was not breached from their side.

The complainant re-established communication with CAO via email and participated in a call with CAO on March 5, 2021. The complainant expressed regret with his decision to withdraw from the case and indicated that he wanted to continue with the dispute resolution process. The Complainant also indicated that he was not facing any threats or reprisals. CAO relayed this information to the Company and the Company proposed, on the basis of concerns about the complainant’s inconsistencies over the last year which have caused significant delays on the CAO process and prevented any type of evaluation and resolution from the Company’s side, that the case be closed and that the Complainant lodge the complaint via the Company’s formal grievance mechanism. However, the Company indicated willingness to recommence the CAO dispute resolution process in the event that the Complainant was unwilling to close the case and follow the formal grievance mechanism. The Company provided information about the grievance mechanism to CAO.

CAO relayed the company’s position to the complainant through email but did not hear back from the complainant and has not been able to contact the complainant since 5 March 2021. The case will therefore be transferred to CAO’s Compliance function for appraisal of IFC’s involvement in the project, and to determine if an investigation is warranted.

8. INSIGHTS AND REFLECTIONS

Delays in the assessment phase:

CAO noted that the case was delayed initially by the inaccessibility of the Complainant. Although the complaint was deemed eligible in March 2020, CAO could only hold the first meeting with the Complainant in September 2020. The Complainant explained that the delay in communication was due to his lack of internet connectivity and email access. The Complainant did not have a laptop and relied on his mobile phone and mobile data for connection. This resulted in further delays when organizing virtual meetings during the assessment and dispute resolution phase.

Threats and Reprisals:

When the complaint was filed, the Complainant raised concerns about reprisal and requested that his identity be kept confidential. Once the assessment process was underway, the Complainant again expressed his reluctance to proceed with the CAO process, for fear of reprisal. Although he was eager to resolve the noise issue, he was concerned about the ramifications of raising a complaint against the Company. The issue of threats and reprisals was raised with the Company. The Company expressed their desire to work well with the community to create a long-lasting relationship. They also stated that they had received a few other noise complaints and had worked directly with the complainants to resolve them in line with the Project legal framework and applicable standards and to the satisfaction of the complainants. They expressed openness to hearing from the Complainant and resolving his concerns through the Project established grievance mechanism. The Company mentioned that it has dealt with community grievances which are also reported to Project Lenders and regularly audited. The Company also mentioned that it dedicates specific resources to the management of the grievance mechanism including a Community Liaison Officer (CLO) from the community who also acts as a conduit for grievances in line with the established mechanisms and best practice.
COVID-related restrictions:

The in-country and World Bank Group travel restrictions made it impossible to convene face-to-face meetings with the parties. Although the Complainant requested CAO to visit the site in question, the CAO team could not travel. The restrictions also made it challenging to communicate with the Complainant. The CAO interpreter based in Jordan was the only one who could reach the Complainant via phone. Communication was often unreliable and presented challenges when the Complainant was unable to respond.

Company concerns:

The Company expressed frustration with the length and outcome of the CAO dispute resolution process, especially given that the Company has several avenues available for members of the local communities, workers, and other stakeholders to raise any concerns. The Company stated that they invested significant time and resources into this complaint, and the process was prolonged significantly with no positive results. The Company indicated frustration at not being able to evaluate the unit and the potential impacts the project has on the Complainant’s unit since March 2020 when the complaint was filed with the CAO.

The Company also shared concerns about the potential reputational damage that this complaint could bring, particularly once the complaint is transferred to CAO’s Compliance function.