Labor Standards: An Emerging Driver in Compliance Cases

Complaints sent to CAO related to the implementation of IFC’s Performance Standard on Labor and Working Conditions (PS2) have increased in recent years, with the three most cited issues being freedom of association, terms of employment, and occupational health and safety.

Several requirements of PS2 are based on core international labor standards. Through its compliance work, CAO has observed that IFC clients may face challenges implementing these requirements when they go beyond usual business practices in the countries and sectors where they operate. CAO has also identified challenges that IFC faces in ensuring that staff reviewing and supervising projects which raise PS2 concerns have access to appropriate expertise on labor issues. A case in point is the recently concluded investigation of IFC’s investment in APPL/Tata Tea in India where CAO documented the vulnerable status of workers and the client’s failure to provide basic services to those workers. Other examples where complainants have raised concerns about labor standard compliance include a hydropower plant in Uganda, a paper plant in Malaysia, a cement plant in Egypt, and a manufacturing facility in Kenya.

At the same time, CAO notes several measures that IFC is taking to improve implementation of its labor standards in challenging contexts. These include capacity building and training of environmental and social specialists on assessing and managing labor-related risks; developing internal and external guidance on managing labor issues; and relying on the support of independent labor experts. Given IFC’s focus on creating quality jobs as part of its development mission, the ability of IFC staff to identify and address risks in the client-worker relationship will remain an important issue.
CAO Mediation in Bangladesh Mitigates Harms Related to Power Plant

CAO has concluded its mediation and monitoring work related to the United Ashuganj Energy Limited (UAEL) gas power plant in Bangladesh. The case was initiated in May 2016, when CAO received a complaint on behalf of a group of plant workers and their families living near the plant. The complainants raised concerns about noise generation and steam emissions from the UAEL plant, as well as about hazardous waste and storm water management. During the mediation process, CAO sponsored capacity-building sessions to help prepare the parties for participation in a dispute-resolution process. CAO also convened and facilitated meetings to discuss issues and identify solutions, translated documents into the local Bangla language, and organized joint inspection visits to the UAEL plant. The parties expressed their satisfaction with the dispute-resolution process and how it helped them overcome communication barriers and identify practical solutions. CAO issued a conclusion report in September 2017 which summarizes the dispute resolution process, agreements reached, and lessons learned. This report and more information on this case are available on CAO’s website.

Agreement Reached Between Egyptian Indian Polyester Company and Former Employees in Egypt

CAO has concluded a mediation process between Egyptian Indian Polyester Company (EIPET) and three former employees of the company, after an agreement was reached between the parties and the complainants confirmed the agreed actions had been implemented. The complaint concerned lack of compensation for work performed and accrued benefits. CAO determined the complaint eligible in December 2016, and began an assessment of the complaint. The assessment included separate discussions with the complainants, company representatives, and IFC staff. The company was willing to resolve the issue and in April 2017 CAO received confirmation from the complainants that all outstanding amounts had been paid and that the matter had been resolved. The case was therefore closed and CAO has produced a conclusion report which provides an overview of the assessment and dispute resolution processes. This report and other documentation relevant to this case is available on CAO’s website.

Film: Building Hope and Health Through Dialogue in Nicaragua

CAO has just produced a video depicting the positive outcomes of a complex mediation process related to a large sugar producer in the department of Chinandega, Nicaragua. In March 2008, a complaint was filed on behalf of 673 rural residents and former workers of the Nicaragua Sugar Estates Limited (NSEL). The complaint alleged a series of harms including the high incidence of Chronic Kidney Disease (CKD) and respiratory problems due to sugarcane burning, unfair labor practices, inappropriate indigenous land acquisition, and negative environmental impacts such as water contamination and pesticide affluence. A dispute resolution process was initiated in 2009 which involved capacity-building training of community leaders, field-based medical research, and discussions between representatives of the complainants and NSEL that focused on researching the cause of CKD and exploring initiatives to support health and livelihood challenges faced by the affected community. A final agreement was reached in 2012 which included: improvements in the medical facilities and direct medical care for sufferers of CKD; development of income-generation projects for households impacted by the disease; and continued support for medical research by Boston University’s School of Public Health into the causes of the disease. After three years of monitoring the process to ensure that the agreed action items had been properly implemented, CAO closed the case in August 2015 and produced a detailed Conclusion Report. The 10-minute video “Building Hope and Health Through Dialogue in Nicaragua” vividly captures the diverse voices and perspectives of key stakeholders, provides a summary of the dialogue process, and highlights key lessons and challenges. The video is available on CAO’s website, www.cao-ombudsman.org.

The CAO and Boston University teams meet with the local organization representing complainants in Chichigalpa, Nicaragua (Felix Davey/CAO).
CAO Releases Investigation Report Related to Armenia Gold Mine Case

CAO released an investigation report on IFC’s investment in Lydian International Limited in August 2017. The investigation was initiated in response to two complaints sent to CAO in 2014 by communities living near the Amulsar gold mine project in southern Armenia. The complaints allege that the design of the mine did not adequately consider its impacts on water basins, endangered animal species, and local tourism. CAO’s investigation found shortcomings in IFC’s initial review of environmental and social risks associated with the mine’s exploration phase. However, improvements in IFC’s supervision after 2013 resulted in the client developing an Environmental and Social Management System for the exploration phase and an international standard Environmental and Social Impact Assessment (ESIA). CAO’s investigation also identified gaps in how project impacts on local tourism and communities were assessed and supervised. However, IFC’s supervision of land acquisition, consultation, and stakeholder engagement provided reasonable assurance of compliance with relevant policies.

Workshop on Strengthening Project Accountability in West Africa

In August 2017, CAO co-hosted a regional workshop entitled “Improving Accountability of Development Projects in West Africa” in Abidjan, Cote d’Ivoire with the African Development Bank’s Compliance Review and Mediation Unit (BCRM). The purpose of the workshop was to engage private sector clients and civil society representatives from West Africa on effective accountability, access to recourse, and conflict resolution to address the environmental and social impacts of private sector projects supported by the AfDB and IFC. The first day was devoted to the private sector and included 20 representatives of companies, some of whom are implementing joint AfDB-IFC financed projects in the region. In addition to discussions about environmental and social safeguards, and the role of the accountability mechanisms in carrying out mediation and investigations, the clients received a presentation on the CAO’s Grievance Mechanism Toolkit. During the second and third days, CAO and BCRM engaged 30 civil society representatives from 10 West African countries to discuss the mechanisms, how they work with civil society and local communities, and tools to address project-related grievances. During follow-up discussions, both the private sector and civil society representatives highlighted the importance of effective stakeholder engagement and grievance redress mechanisms as they can often be critical to the success of development projects.

Participants complete a group exercise during the Abidjan workshop, August 2017 (CAO).
CAO Participates in Annual Meeting of the Independent Accountability Mechanisms

CAO participated in the 14th Annual Meeting of the Independent Accountability Mechanisms (IAMs) held in Thessaloniki, Greece on August 28–30, 2017 and hosted by the Black Sea Trade and Development Bank (BSTDB). The first two days involved a working meeting between some 50 representatives of IAMs from 17 international financial institutions (IFIs) to exchange information and discuss core issues related to their mediation and compliance work. The issues discussed included: the benefits and constraints associated with joint-IAMs mediation and/or investigations; how to ensure effective accountability within financial-sector investments; and challenges IAMs face in trying to reduce reprisals against complainants. CAO made a presentation on its toolkit for screening of mediators. The third day was devoted to an ongoing dialogue with 50 international civil society organizations to discuss issues of common interest such as how to ensure community access to the IAMs and whether mediation processes can be rights-compatible.

For more information about CAO cases, see www.cao-ombudsman.org/cases

FOR MORE INFORMATION

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