

CAO Update

Issue 16 / July 2019



Did you know? The Office of the Compliance Advisor Ombudsman (CAO) is the independent accountability mechanism for the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA), members of the World Bank Group. CAO addresses grievances from people impacted by IFC and MIGA projects with the goal of improving environmental and social outcomes on the ground. For more information, see www.cao-ombudsman.org.

CAO Concludes Involvement in Oyu Tolgoi Project in Mongolia after Monitoring of Agreements

CAO has concluded a **dispute resolution process** related to the IFC and MIGA-supported Oyu Tolgoi copper and gold mine in Mongolia. Since 2017, CAO has been monitoring the implementation of mediated agreements reached between nomadic herders, the mining company, and the local Khanbogd Soum Government.

The mediation addressed grievances from two groups of herders concerning the mine's resettlement process and compensation program, as well as its use of land and water, including the diversion of the local Undai River, impacts which the herders claim disrupt their nomadic way of life and put into jeopardy their

indigenous culture and livelihood. The herders were supported throughout the process by the local, national, and international civil society organizations, *Goviin Gazar Shoroo* ("Gobi Soil"), OT Watch, and Accountability Counsel.

As part of the mediation process, the parties founded the "Khanbogd Soum Tripartite Council", equally composed of representatives of local herders, Oyu Tolgoi mine, and the Khanbogd Soum Government. The Tripartite Council will continue to work on implementation of the mediated agreements, consultations regarding local public policy and development, and other collaborative projects.

In March 2019, CAO and the Tripartite Council convened a formal case closure meeting in Khanbogd and a knowledge-sharing event in Ulaanbaatar, Mongolia, which included participants from private sector, civil society, government, and international donor and development organizations. The Tripartite Council has released a video about their experience in the CAO mediation process, which can be [viewed here](#). CAO expects to release a public Conclusion Report early in FY20, which will mark the official closure of the two cases.



Participants at the knowledge-sharing event in Ulaanbaatar, Mongolia, convened by CAO and the Tripartite Council as part of case closure activities, March 2019 (CAO).

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CAO Releases Compliance Monitoring Report Related to IFC's Investment in Lomé Container Terminal in Togo

In April 2019, CAO released a **second compliance monitoring report** of IFC's response to a 2016 **CAO investigation** of IFC's investment in the Lomé Container Terminal project in Togo. The investigation addresses **allegations from coastal communities** that the IFC-financed construction of a new container terminal within the Port of Lomé had accelerated coastal erosion, leading to a loss of property and livelihoods. At project-level, CAO's monitoring report recognized IFC's efforts to engage with the complainants and respond to their concerns since the publication of the investigation. While noting delays in implementation since of IFC's action plan in response to the investigation, CAO reported recent progress. In particular, in early 2019, IFC commissioned an environmental audit of the project including a component on coastal erosion, and initiated a study on the contribution of different infrastructure projects on coastal erosion on the Togolese coast. These initiatives, which both envisage consultations with coastal communities, are positive steps towards bringing the project back into compliance. CAO continues to monitor the case and will issue a follow-up monitoring report next year.



Villages east of the port, Lomé, Togo, April 2016 (CAO).

CAO Closes Case After Appraisal of IFC's Involvement in the Tema Port Expansion Project in Ghana

CAO released a **compliance appraisal report** in response to a **complaint** from a property owner affected by the Tema Port expansion project in Ghana. The complainant, who owned a resort in the vicinity of the port and whose property was acquired for the expansion project, alleged that she and her staff were forced to vacate the property by armed security personnel without compensation, and raised concerns that she was unable to compensate her staff for loss of livelihoods.

CAO's appraisal, released in May 2019, determined that the complaint did not meet CAO's criteria for a compliance investigation. In making this decision, CAO noted that only one land owner, the complainant, was impacted by the project and that IFC reached a reasoned conclusion that the compensation awarded by the Ghanaian courts was consistent with the requirements of Performance Standard 5 on Land Acquisition and Involuntary Resettlement. CAO has now closed this case.

CAO Publishes Compliance Monitoring Report of IFC's Investment in India Infrastructure Fund

CAO continues to monitor IFC's actions to address **compliance findings** related to its investment in India Infrastructure Fund (IIF). CAO's investigation, which was released in 2016, addressed a **complaint** regarding the environmental and social impacts of the GMR Kamalanga Energy Limited's (GKEL) coal power plant in Orissa, an IIF portfolio investment.

CAO's **latest monitoring** report notes that IFC has actively monitored the Fund's implementation of the IFC-IIF Environmental & Social Action Plan. Positively, IFC has negotiated additional supervision access rights and has conducted site supervision visits to three portfolio companies to verify Performance Standards implementation. Despite IFC's active supervision of the Fund, IFC's view is that the Fund's E&S performance has been unsatisfactory since 2012. CAO is concerned that IFC's investments through the Fund have potentially had adverse E&S project impacts which have yet to be resolved. Regarding the Kamalanga project, CAO notes IFC's active supervision of the implementation of the IIF-GKEL Environmental & Social Action Plan. While this action plan has led to the development of additional assessments and plans to resolve project impacts, further supervision by IFC is necessary to provide assurance of compliance. CAO continues to monitor IFC's response to this complaint.

CAO Closes Investigation of IFC's Investments in Banco Ficohsa in Honduras after Monitoring

CAO released a **second compliance monitoring report** in June 2019 of IFC's investments in Banco Ficohsa, a large Central American commercial bank with operations in Honduras. The report assesses actions taken by IFC in response to CAO's **2014 compliance investigation**, which was initiated after CAO became aware of IFC's significant exposure through Ficohsa to Honduran agribusiness conglomerate, **Dinant**. The monitoring report also considers IFC's supervision of Ficohsa's investment in Indura Beach and Golf Resort, a tourist development in Tela Bay, which was the subject of **a complaint** to CAO in 2015.

The monitoring report documents IFC's supervision of Ficohsa since CAO's investigation, and IFC's assertion that Ficohsa was in material compliance with IFC's environmental and social (E&S) requirements. While acknowledging the progress reported by IFC, available documentation leads CAO to conclude that IFC lacks assurance that Ficohsa is

implementing an Environmental and Social Management System that applies IFC's E&S requirements for financial intermediaries to the end-use of funds.

CAO's report also considered IFC's supervision of Ficohsa's **exposure to Dinant**. CAO noted while IFC's direct financing of Dinant was contingent upon a corrective action plan developed following CAO's 2013 compliance investigation, IFC did not assure itself that Ficohsa's ongoing financing for Dinant included binding commitments to implement the Performance Standards. CAO also concluded that IFC lacked sufficient evidence that the Indura project was prepared and implemented in accordance with IFC's Performance Standard requirements. While IFC's response only partially addressed CAO's compliance findings, CAO is now closing the case considering IFC's divestment from its equity and corporate loan investments in Ficohsa.

OUTREACH

CAO Outreach with Stakeholders Across Four Continents

Haiti: CAO participated in an **outreach meeting** with Haitian civil society organizations (CSOs) in April 2019. The meeting was organized together with the World Bank's **Inspection Panel** and the Inter-American Development Bank's independent accountability mechanism, **MICI**, with assistance from **Action Aid Haiti**. Over 20 NGO and community leaders from throughout Haiti participated in the two-hour session held at the World Bank Office in Port-au-Prince. During the event, CSO participants also met with the World Bank Country Director in Haiti, Anabela Abreu, to discuss the Bank's country strategy.

Ethiopia: In May 2019, CAO convened an **outreach meeting** via video conference with Ethiopian CSOs to provide information about its work and listen to concerns. The event, which took place at the IFC country office, was co-hosted with **Transparency International Ethiopia**, and included the participation of the World Bank's Inspection Panel. Some 20 NGO and community leaders from Addis Ababa and surrounding areas participated in the meeting. After the outreach meeting, civil society representatives also had the opportunity to meet with the IFC Country Manager, Adamou Labara.

China: This quarter, CAO Vice President, Osvaldo L. Gratacós, participated in a **regional workshop** in Shanghai, China, hosted by the Asian Development Bank and the China Banking and Insurance Regulatory Commission. The workshop, which was held in May 2019, focused on the development of a workable Accountability Mechanism Framework for Financial Intermediaries in the region, and brought together about 250 participants, including 30 state-owned banks and other FIs

from China and 20 developing countries in the region; along with representatives from the public sector, civil society, and academia. During the workshop, the CAO Vice President moderated a panel on the 'Challenges Faced by FIs on Environmental and Social Risks in Investments' and spoke on two further panels addressing safeguard compliance.

Ireland: The CAO Vice President also participated in a **high-level conference** in Dublin, Ireland in May 2019, hosted by the Government of Ireland and Sustainable Nation Ireland. The conference, "Catalyzing Global Savings to Advance our Sustainability Goals", convened bond issuers, investors, and other key market participants for action on the Sustainable Development Goals. CAO staff additionally participated in a **symposium** on Non-Financial Reporting: Implications for Business and Human Rights in Galway hosted by the **Irish Centre for Human Rights** in April 2019. CAO spoke about IFC/MIGA project level disclosure requirements and their applicability in international project finance, and highlighted CAO cases raising project-level disclosure concerns.



CAO Vice President (far right) participates in the panel discussion during the "Catalyzing Global Savings to Advance our Sustainability Goals" conference in Dublin, Ireland, May 2019 (CAO).

CAO Delivers Master Class in Mediation for Women Business Leaders and Shares Insights from Casetwork

In June 2019, Gina Barbieri, CAO Principal Ombudsman, was invited by IFC to deliver a master class in mediation for women business leaders, as part of **IFC's flagship Sustainability Exchange** in Dakar, Senegal. This event was co-hosted with the **Graca Machel Trust** and focused on unpacking barriers for women's full and equal participation in business and entrepreneurial activities. Entitled "Leaders as Mediators", Ms. Barbieri drew on her expertise as a mediator in sharing ideas and tools for women leaders to engage in collaborative problem solving with a focus on enhancing the sustainability of their activities. During the Exchange, Ms. Barbieri additionally participated on a panel entitled "Fragility and Social Cohesion in Action", along with

representatives from civil society and the private sector. The conversation focused on the challenges in ensuring sustainability in fragile and conflict affected environments, followed by a dynamic conversation about what tools are available to overcome these challenges.

Ms. Barbieri also participated in a roundtable discussion in Glasgow, Scotland in May 2019, on *Stakeholder Engagement in Development Finance: Mediation, Land Rights and Sustainable Peace*. The roundtable was hosted by the University of Glasgow, in partnership with Durham Global Security Institute. The event brought together human rights advocates, investment professionals, and mediators to discuss ways in which

development impact and prevention of harm can be enhanced through improved stakeholder engagement.

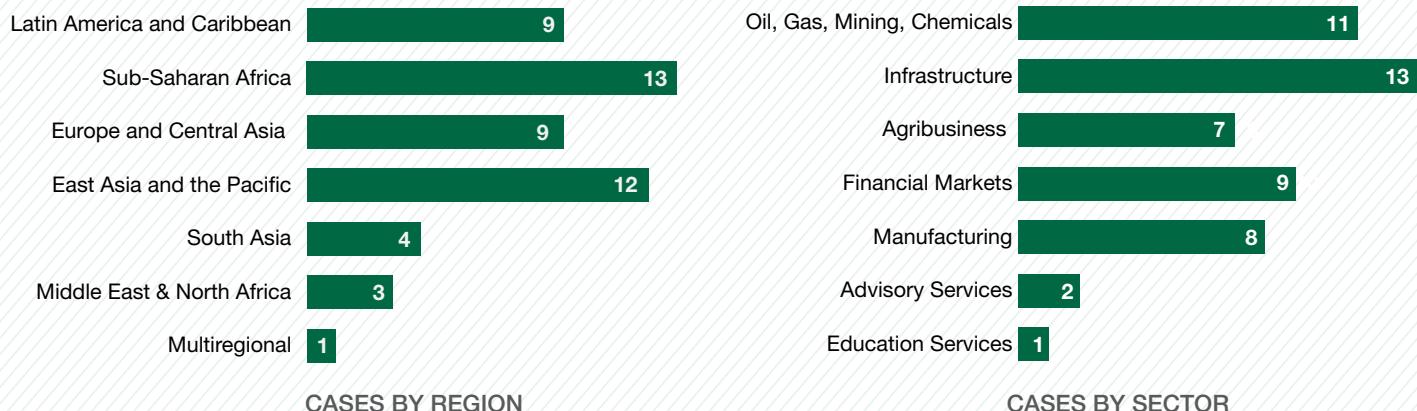


Gina Barbieri, CAO Principal Ombudsman, with participants and other presenters from the master class in mediation for women business leaders, Dakar, Senegal, June 2019 (IFC).

CAO CASE TRACKER FY19

Status as of June 30, 2019. For more information about CAO cases, see www.cao-ombudsman.org/cases

During the fourth quarter (April 1, 2019 - June 30, 2019), CAO accepted three new complaints — one from Sub-Saharan Africa, one from Europe & Central Asia, and one from East Asia & the Pacific. In all, CAO handled 13 assessments this quarter, with four cases referred to compliance for appraisal. At the end of the quarter, the assessments for the 9 remaining cases were ongoing, 15 cases were in dispute resolution, and 27 cases were in compliance.



FOR MORE INFORMATION

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