



2017
ANNUAL
REPORT

COMPLIANCE ADVISOR OMBUDSMAN

2017
ANNUAL
REPORT



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Ombudsman (CAO)

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NOTES

This annual report covers Fiscal Year 2017 (FY2017), which ran from July 1, 2016 to June 30, 2017. All dollar amounts are U.S. dollars unless otherwise indicated.

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COVER IMAGE: *Herders involved in the Oyu Tolgoi case inside their Ger in Mongolia. (Felix Davey/CAO).*

OPPOSITE IMAGE: *CAO visits the Reventazón river basin as part of its assessment of a complaint regarding the Reventazón Hydropower project in Costa Rica, November 2016 (CAO).*

2017 ANNUAL REPORT

The Office of the Compliance Advisor Ombudsman (CAO) is the independent accountability mechanism for the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), members of the World Bank Group.

CAO is mandated to address complaints from people affected by IFC and MIGA projects in a manner that is fair, objective, and equitable and to enhance the environmental and social outcomes of IFC and MIGA projects. CAO is an independent office that reports to the President of the World Bank Group. For more information about CAO, visit WWW.CAO-OMBUDSMAN.ORG.

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Foreword from World Bank Group President Jim Yong Kim

People are at the heart of the World Bank Group's efforts to end extreme poverty and boost shared prosperity. To reach these goals, our investments must generate better jobs and lead to improvements in communities. The people in developing countries are our partners in development, and their meaningful participation in our work is critical to achieving our goals.

In this context, I emphasize the valued role of the Compliance Advisor Ombudsman (CAO), an independent mechanism through which people can voice concerns about private sector activities supported by IFC and MIGA. CAO provides a platform for peoples' grievances to be addressed, and for companies to engage in dialogue with local stakeholders to find joint solutions for problems.

CAO also enhances public trust in the World Bank Group by conducting independent reviews of our environmental and social performance. This helps ensure that our policies meet the highest standards. As we learn from these experiences, CAO helps strengthen our development impact in new markets and challenging environments. In short, CAO is part of the value proposition that the World Bank Group—as a premier development institution—offers our project beneficiaries, our clients, our partners, our shareholders, and the public. CAO remains a valuable piece of our accountability structure, through which we can provide the Environmental, Social and Governance (ESG) value that both investors and communities expect from the World Bank Group.

CAO's role remains important as we scale up our efforts to tackle poverty, inequality, and environmental and social sustainability through the framework of the Sustainable Development Goals. To make these goals a reality, the international community recognizes that we must achieve catalytic development solutions by unlocking the trillions of dollars in available private capital. IFC and MIGA will be at the forefront of these efforts as we work with partners to identify private sector opportunities, promote regulatory reforms, and crowd-in much needed investments in infrastructure and other priority sectors.

Scaling up development by crowding in private sector investments will require calculated risks in complex environments, including fragile and conflict-affected countries. Managing the impact of projects on people and the environment remains essential. We have strong structures in place to address these risks through our policy framework, citizen feedback mechanisms like CAO, and project-level grievance mechanisms that ensure direct engagement between our clients and the people who are impacted by their activities.

I commend CAO for its impactful work this year and thank all those who work with us to promote solutions, accountability, and learning—local communities, companies, civil society organizations, governments, and other stakeholders—who collectively contribute to our ambitious development goals.



JIM YONG KIM

President

October 2017



Message from the Compliance Advisor Ombudsman

Our 2017 report highlights the breadth of CAO's work through its dispute resolution, compliance, and advisory functions, as well as outreach activities. We managed 51 cases in 28 countries this year, of which 12 were new complaints. Complex cases are a consistent feature, and managing this caseload effectively remains a strategic priority for CAO.

Our caseload represents just over 1 percent—a small proportion—of the overall IFC and MIGA portfolios. We believe these numbers are a healthy sign that people are accessing CAO's services. However, many communities tell us that they do not have access to information about projects and grievance redress. Outreach is therefore an important part of our work, and we engaged over 200 organizations from 20 countries this year.

Through dispute resolution, communities and companies all over the world have reached significant agreements through dialogue. Of 21 cases in dispute resolution, 75 percent have reached full or partial agreement since CAO became involved. These include landmark agreements reached in Cambodia, Chad, and Mongolia this year between IFC clients and local communities, which are documented in these pages.

CAO published new compliance investigations related to IFC investments in the mining sector in Colombia, a port development in Togo, and tea plantations in India. In addition, CAO issued an enhanced monitoring report on IFC's investments through financial intermediaries. IFC has acknowledged learning from these, and other, cases with new procedures and guidance.

CAO Vice President Osvaldo L. Gratacós (back row, third from right), meets with the mediation team and complainants' representatives prior to a company-community dialogue session in Nicaragua, May 2017 (CAO).

CAO rolled out its Grievance Mechanism Toolkit this year, which is a practical resource to help companies implement effective project-level grievance mechanisms. Other advisory work focused on lessons learned from agribusiness investments, including advice on supply chains.

To address concerns about complainant safety, CAO has produced an *Approach to Responding to Concerns of Threats and Incidents of Reprisals in CAO Operations*. The process involved public consultation with around 20 non-governmental organizations (NGOs) and external experts, including the Office of the United Nations High Commissioner for Human Rights. The approach will be publicly released later this year.

We continue to diversify CAO's expertise, adding new staff to our dispute resolution and compliance teams, bringing the in-house team to 21 staff from 16 countries. We are also developing a cadre of qualified regional mediators to decentralize our response.

IFC and MIGA have ambitious development goals, particularly in fragile and frontier markets. CAO has a crucial role in continuing to provide a space for communities to raise their voices and promote the resolution of disputes, robust implementation of standards, and learning from experience.

I recognize the trust placed in CAO by communities, and the commitment of IFC and MIGA clients and staff to address issues through a CAO process. Together, despite the challenges, we have a shared purpose to deliver better projects and stronger development outcomes for people.



Osvaldo L. Gratacós

Vice President

October 2017



CASELOAD SNAPSHOT, FY2017

This year, CAO handled 51 cases in 28 countries. Of these, 12 were new complaints, including cases for the first time from Costa Rica, Guinea, and Uzbekistan. Full details on these cases are available at www.cao-ombudsman.org.

FIGURE 1. STATUS OF CASES, END FY2017

At the end of the fiscal year, 42 percent of CAO cases were in monitoring or closed following dispute resolution or compliance processes.

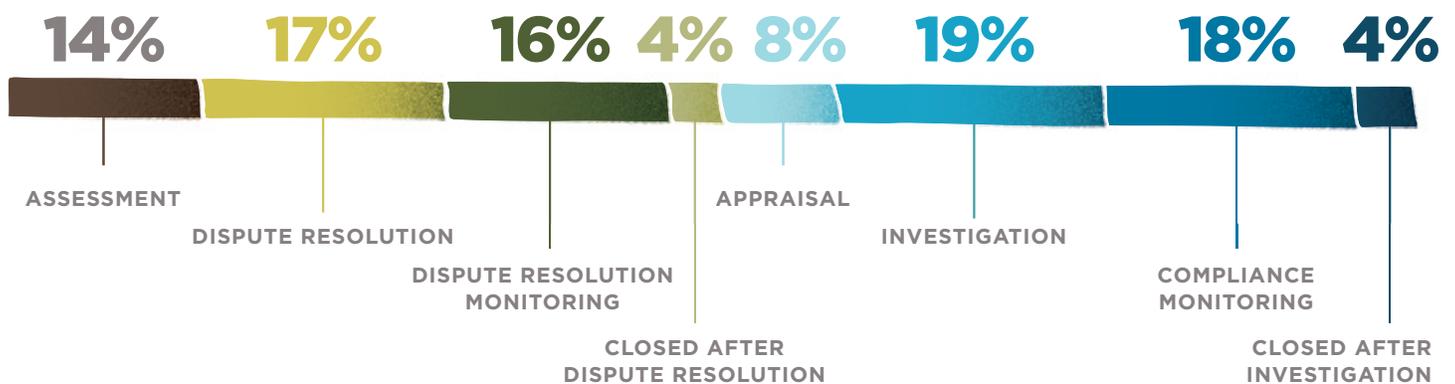


FIGURE 2. CASES BY INSTITUTION, FY2017

While IFC projects account for the majority of CAO's caseload, CAO is addressing complaints related to 4 MIGA projects in the extractive industry and hydropower sectors.

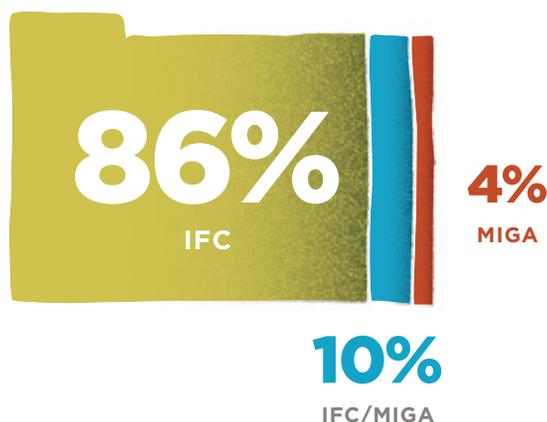
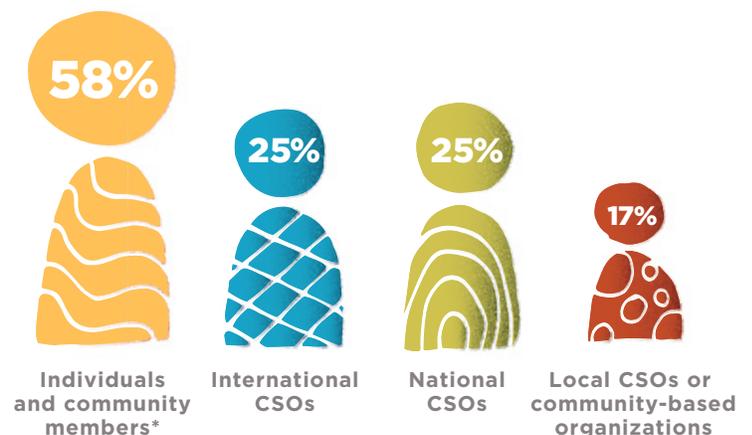


FIGURE 3. PROFILE OF COMPLAINANTS, FY2017

The majority of new complaints to CAO were filed by individuals and community members without the support of a civil society organization (CSO).



*Note: Percentages do not add up to 100% because three complaints were filed by more than one type of organization. The category for individuals and community members denotes complaints filed without the support of another organization.

FIGURE 4. CASES BY REGION, FY2017

The majority of cases this year were in the Latin America and Sub-Saharan Africa regions. Cases from the Middle East and North Africa doubled this year.

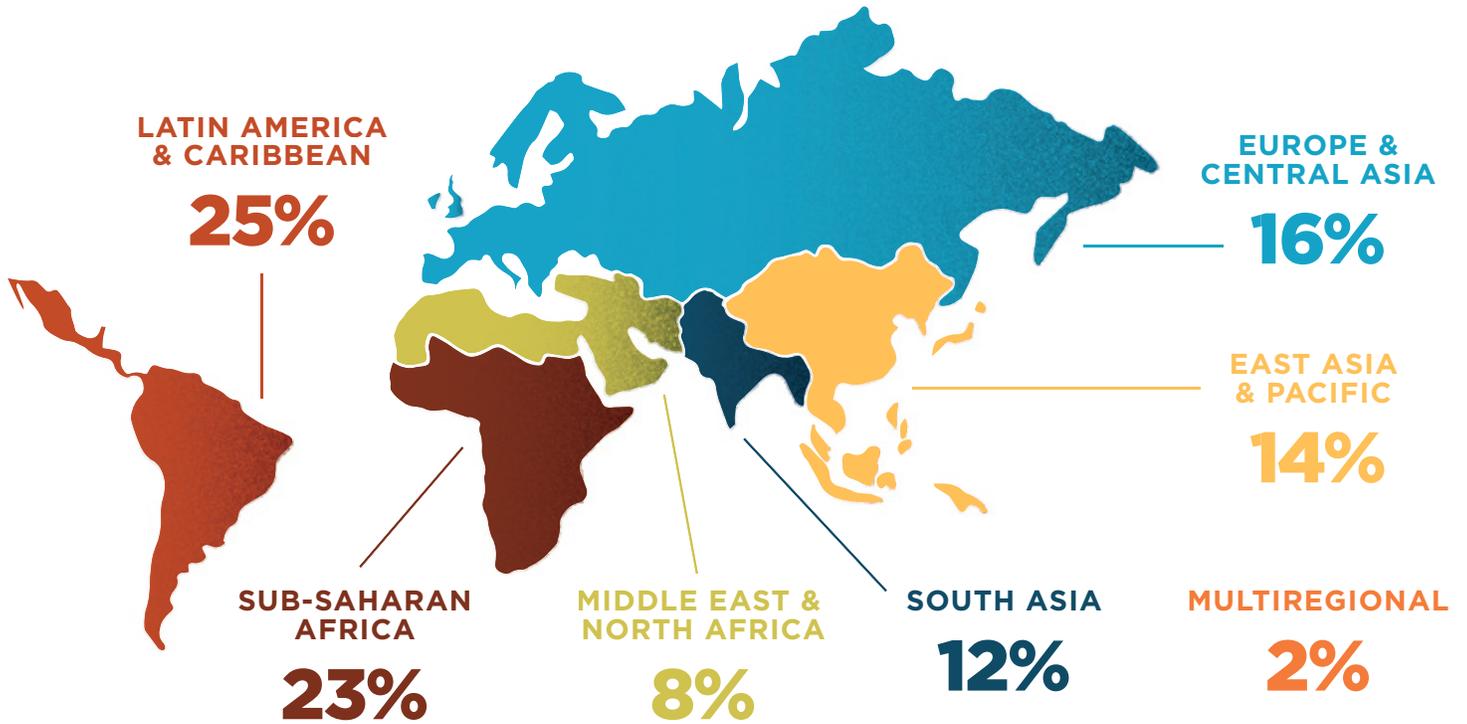


FIGURE 5. CASES BY SECTOR, FY2017

Extractive industries account for 25 percent of CAO’s caseload, up from 19 percent in FY2016. Cases related to manufacturing doubled this year, accounting for 16 percent of the caseload. Infrastructure remains the largest sector for complaints at 29 percent, the majority of which concern power projects.

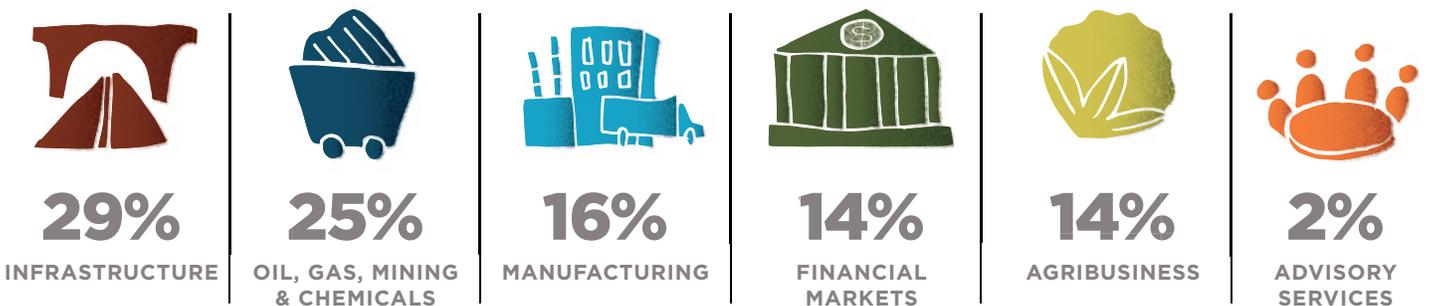
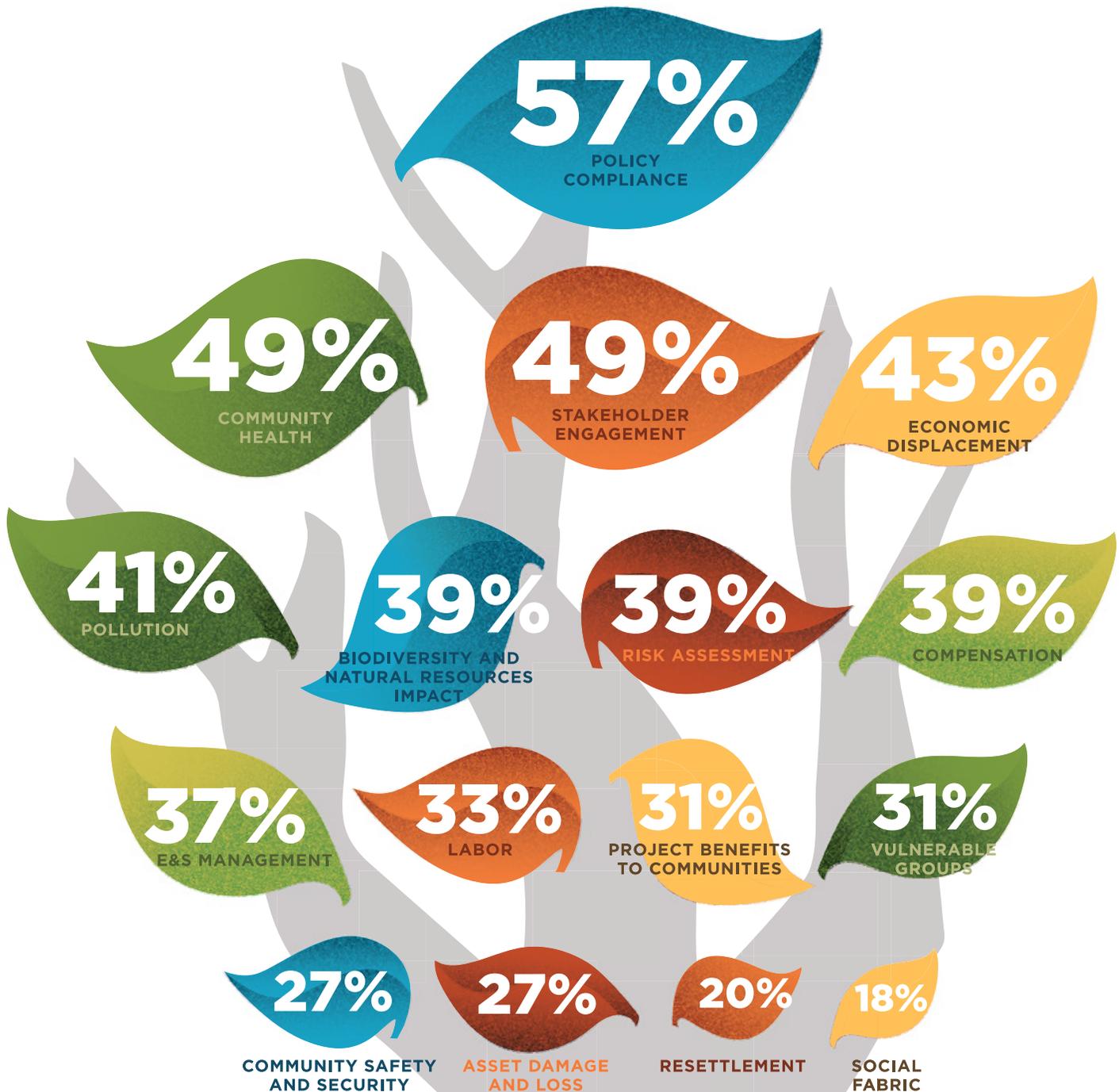


FIGURE 6. ENVIRONMENTAL AND SOCIAL ISSUES IN COMPLAINTS, FY2017

Concerns about environmental and social (E&S) policy compliance are articulated by complainants in 57 percent of cases. Stakeholder engagement is raised in just under fifty percent of all cases, as are community health concerns. Labor is emerging as a dominant issue, with a third of current cases—and almost 70 percent of new complaints this year—citing labor grievances related to health and safety, discrimination, wages and benefits, and forced labor, among others.



Note: Complaints typically include different environmental and social (E&S) issues. Percentages therefore denote the frequency that each issue was raised in the FY2017 caseload.

FIGURE 7. CASELOAD AND BUDGET, FY2017

Operational Budget

In FY2017, CAO had an operational budget of US\$5,375,718, of which CAO expensed 99.9 percent. CAO’s operational budget covers the costs of staff salaries, consultants, travel, communications, contractual services, and other administrative expenses. It is funded by IFC and MIGA on a cost-sharing basis.

Contingency Fund

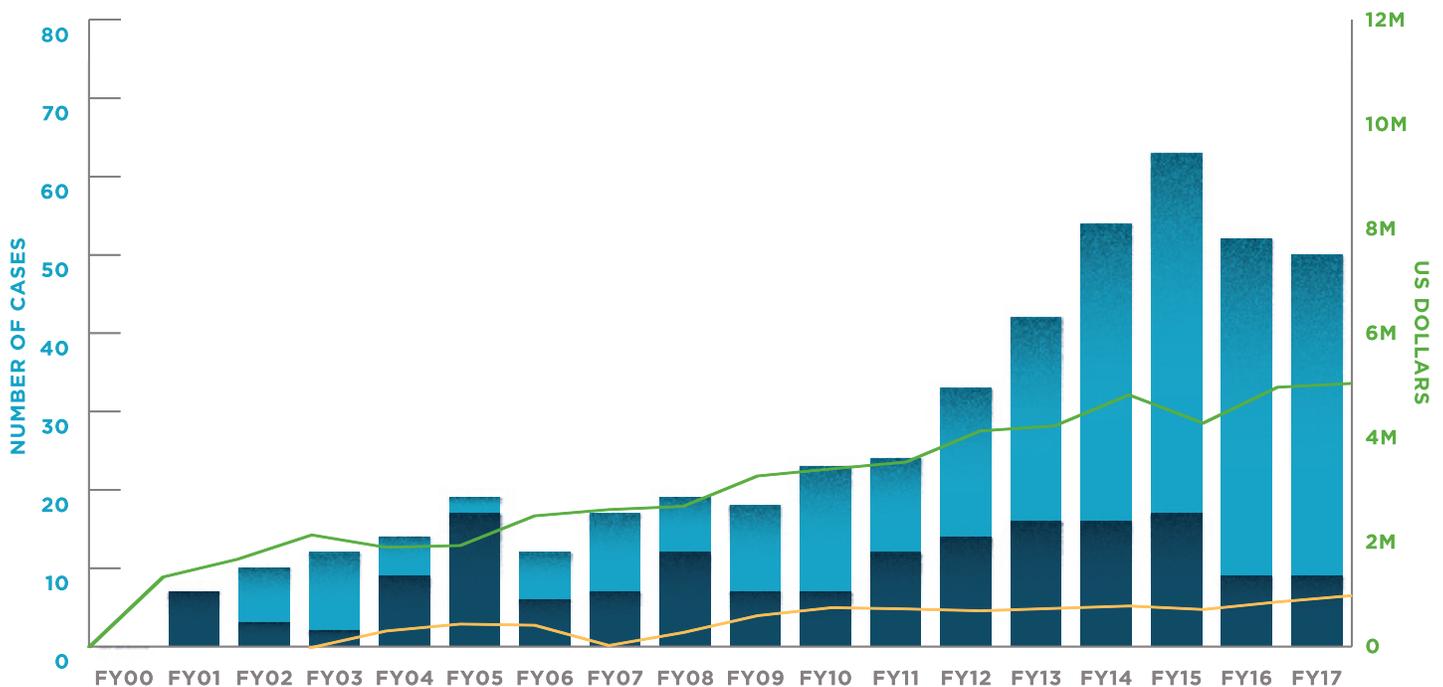
CAO’s Environmental/Social Mediation and Conflict Resolution Contingency Fund is available for specific, multi-year, case requirements under dispute resolution. The Contingency Fund is \$1 million annually. When the Contingency Fund was established in 2003, IFC committed to contribute 80 percent (\$800,000) of the \$1 million, with MIGA contributing 20 percent (\$200,000) each year. In addition to IFC’s contribution, CAO drew down \$107,895 of MIGA’s assigned contribution to the Fund this year and expensed 100 percent of those funds.

Cases

- CARRY-OVER CASES (left scale)
- NEW ELIGIBLE CASES (left scale)

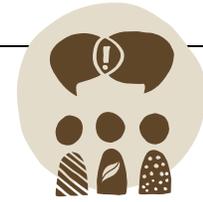
Budget

- ADMINISTRATIVE BUDGET (right scale)
- EXPENSED CONTINGENCY FUND (right scale)



ASSESSMENT

Exploring Options for Redress



The assessment phase helps CAO gain a better understanding of the issues raised in a complaint and enables the parties to determine which process—dispute resolution or compliance—is initiated to address the complaint.

An assessment typically involves in-country meetings with the complainants and the company receiving IFC or MIGA support. CAO may speak to other stakeholders too, such as broader community groups, civil society organizations, and government.

Through this process, the parties determine whether to address the issues through a dispute resolution or compliance process. Since participation in dispute resolution is voluntary, if one or more parties do not agree to dialogue, the case is referred to compliance.

CASES IN ASSESSMENT, FY2017

CAO handled 20 assessments in 15 countries this year. Of these, 13 were completed, with 6 cases referred to dispute resolution and 7 cases referred to compliance. Seven assessments were ongoing at the end of the year. CAO assessed complaints for the first time from Costa Rica, Guinea, and Uzbekistan:

COSTA RICA | CAO assessed two complaints regarding IFC's Reventazón Hydropower Project, the largest dam in the region. The complaints were filed by local residents regarding impacts of the project on biodiversity and land, among other issues. CAO coordinated with the Inter-American Development Bank (IDB) and European Investment Bank (EIB) accountability mechanisms, which also received complaints concerning the project. Both complaints were referred to compliance.

Uzbekistan | CAO is assessing a complaint filed on behalf of alleged victims of forced labor in the cotton sector in Uzbekistan. IFC is linked to the sector through an investment in a cotton yarn manufacturer and one of Uzbekistan's private banks.

Guinea | CAO is assessing a complaint from local communities about the Siguiri gold mine in Guinea. The complainants include artisanal miners, traders, and small-holder farmers who allege forced evictions connected to expansion of the mine. IFC is exposed to the project through a financial intermediary investment that was identified in the complaint.

Through the assessment, the parties determine whether to address the issues through a dispute resolution or compliance process.

ASSESSMENTS, FY2017

20

ASSESSMENTS

in

15

COUNTRIES

in the

AGRIBUSINESS
INFRASTRUCTURE
MANUFACTURING and
EXTRACTIVE INDUSTRY
SECTORS

Of

13

ASSESSMENTS
COMPLETED



6 entered dispute
resolution



7 moved to
compliance



CAO and two other independent accountability mechanisms meet with community members during the assessment of the first Reventazón Hydropower Project complaint, November 2016 (CAO).

DISPUTE RESOLUTION

Finding Solutions through Community-Company Dialogue



Through dispute resolution, CAO works to resolve issues raised in a complaint using a collaborative problem-solving approach. This voluntary process provides opportunities for affected communities and the IFC or MIGA client to engage directly with each other to address environmental and social concerns related to a project.

This year, communities together with IFC and MIGA clients all over the world reached significant agreements and milestones through voluntary dispute resolution processes facilitated by CAO. CAO handled 21 cases in varying stages of dialogue in FY17, with 75 percent of these reaching partial or full agreement, or settlement monitored by CAO. This included agreements in Cambodia, Chad, and Mongolia (see pp. 11-14).

The road to agreement involves effort and commitment by the parties. This work continues after the agreements are signed and the focus moves to implementation and monitoring. Throughout the process, CAO helps provide the appropriate structure and support to the parties. As the parties work to address challenges together, their relationships are often transformed. These elements, and more, are explored below.

FACILITATING DIALOGUE

LAYING THE GROUNDWORK

CAO moved six cases through the preparatory phase of dialogue this year, working jointly with communities and companies to develop a platform for effective engagement. This work includes identifying a skilled mediator (see p. 15), determining who the parties will mandate as their representatives, and what principles should guide their engagement. Commonly called “ground rules,” these principles cover aspects such as confidentiality, information sharing, and use of media. During this early engagement, community and company representatives experience the potential of working together and often start to build trust.

CAO also worked to build the capacity of the parties in 11 cases. This included preparing them for joint meetings, and conducting training in communication and negotiation. These activities often continue throughout the dialogue process (p.12).

Ways CAO helped the parties get started this year:

MOROCCO | Community and company representatives met to exchange information and hear one another’s perspectives, and agreed to engage in a mediated process.

BANGLADESH | CAO provided separate capacity building workshops to the parties to increase their understanding of facilitated negotiation and draw up ground rules.

INDONESIA | The parties met in the presence of a local religious leader to exchange views and agree on a way to resolve concerns related to a hydropower project.

DISPUTE RESOLUTION, FY2017

21

DISPUTE RESOLUTION CASES

in

15

COUNTRIES

FULL OR PARTIAL AGREEMENTS

in

OVER 75%

OF CASES

2

CASES CLOSED after implementation of agreements



3

CASES TRANSFERRED to compliance

FINDING SOLUTIONS THROUGH DIALOGUE

Once ground rules, scope, and structure are agreed, dialogue can start. Core elements of a dialogue process are that it is voluntary, and the parties—working with a mediator—control design of the process and share responsibility for the outcomes. CAO remains committed to supporting the dialogue provided there is good faith among the parties and satisfactory progress. During this process, relationships are often built that long outlast CAO's involvement and exit.

Six cases reached partial or interim agreements this year, and a further seven were fully settled (see pp. 12-14).

Dialogue is ongoing in two cases, and three were transferred to compliance where the parties did not reach agreement. One of these was in South Africa, where CAO worked with the women of Marikana and Lonmin, a large platinum producer. Through separate and joint meetings, the parties agreed on principles to guide their interaction, including confidentiality, good faith, and respect. While agreement regarding the issues raised in the complaint was not reached, the preparatory stages were important in providing a platform for the parties to interact.

Interim Agreements Reached

Six cases reached partial or interim agreements this year. Highlights include:

ALBANIA | The parties reached interim agreements including an independent study to assess seismic activity and joint monitoring trips to assess environmental impacts of an oil and gas development.

NICARAGUA | A joint agreement was signed in January 2017 between former workers and Montelimar, a sugar producer. Agreed actions include provision of health care and livelihood support to former workers affected by chronic kidney disease.

CASE HIGHLIGHT

Progress in Cambodia as Indigenous Communities and Company Reach Agreements in Land Dispute

A landmark agreement builds on previous progress: Significant agreements were reached in Cambodia this year, where CAO is mediating a dispute between a company operating rubber plantations and indigenous communities in Ratanakiri Province. Following a series of CAO-facilitated meetings, representatives of 11 affected villages, the company, and representatives of non-governmental organizations (NGOs) issued a Joint Statement setting out agreements to address some of the concerns raised in the complaint, including the return of spirit mountains and implementation of an earlier agreement to restore water sources and roadways. The parties agreed to cooperate with the government of Cambodia to enable the full implementation of the Joint Statement and to continue working together through the CAO process to address remaining issues.

Representatives of the community, company, government, and CAO shake hands in recognition of an agreement reached at Nye Village, Ratanakiri, May 2017 (CAO).

A government working group is assisting the parties: The agreements have led to joint field trips of the parties with local authorities, NGO advisors, and CAO to learn about the boundaries of company and village lands. The provincial

government has established a working group to help implement the agreements. CAO's work facilitating the dialogue process is continuing, and the parties meet regularly to discuss resolution of outstanding issues.



SETTLEMENT AND MONITORING

The resolution of issues leading to a signed agreement often builds on sustained efforts by the parties. These efforts continue as the parties work together to implement agreed actions, and overcome early hurdles. Capacity building often continues for community and company representatives because the skills required for implementing an agreement may differ from those needed during the dialogue process (see box 1, below). At this stage, CAO also discusses with the parties under what terms CAO can responsibly exit.

Understandably, not all cases are resolved. Parties may decide to stop their voluntary engagement at any point in the process for different reasons. In those situations, a case is transferred to CAO's compliance function. Of the 21 cases in dispute resolution this year, 10 have reached full settlement. For complex agreements, monitoring can take over a year. Three cases were in monitoring throughout the year.



Of the 21 cases in dispute resolution this year, 10 have reached full settlement.

BOX 1.

Capacity Building

CAO helps the parties prepare for joint meetings and often carries out formal workshops to help parties build skills.

CAO's capacity building work aims to address power imbalances to the extent possible and ensure that parties can participate in the dialogue process. CAO supported the parties with capacity building in 11 cases this year. In most instances, these activities were conducted both for community and company representatives.

In Cameroon, where CAO has been facilitating three parallel local mediation processes to address a complaint related to the Chad-Cameroon Pipeline, capacity building efforts have been tailored to the specific needs of the complainants. For example, CAO provided training in 11 villages to help set up a system of communication with the community leaders representing them in the dialogue process (see case highlight, p. 14).

In Indonesia, CAO held a joint training workshop to strengthen communication between the company and the local community to address a complaint related to the Rajamandala hydropower project. The training allowed the parties to agree on a framework for continued communication and collaboration, which was a key element of the parties' settlement agreement (see p. 15).

In Mongolia, CAO has provided training on negotiation, conflict resolution, communication skills, and joint fact-finding to all the parties involved in dialogue related to the Oyu Tolgoi mine. The joint fact-finding activities, which involved independent experts, were instrumental in helping the parties work through disagreements around project impacts (see case highlight, p. 13).

11 dialogue processes involved capacity building of the parties this year.



A flock of sheep and goats at a herder camp near the Oyu Tolgoi mine site (Felix Davey/CAO).

CASE HIGHLIGHT

Transformational Cooperation Between a Mining Company and Nomadic Herders in Mongolia

Comprehensive agreements reached by parties: Comprehensive agreements were reached this year in Mongolia, where CAO has been facilitating a dialogue process to address complaints from local nomadic herders regarding the Oyu Tolgoi mine. The mine, which is operated by Rio Tinto and supported by IFC and MIGA, is one of the largest copper and gold mines under development in the world. The parties have tackled issues together related to water, resettlement, economic displacement, human and animal health, cultural heritage, and impacts to rangeland, among others. Outcomes include improved access to information, herders' ability to tour and inspect the mine site, access to grazing land inside the mine license area, and compensation and livelihood support programs.

Strengthening local capacity and structures to address issues: Capacity building has been an important aspect of the four-year process and contributed directly to its outcomes (see box 1, p. 12). Two joint fact-finding processes, conducted by independent experts to assess a river diversion and socioeconomic impacts, were important in this respect. The dialogue also resulted in the establishment of a Tri-Partite Council involving herders, local government, and company representatives, which meets regularly to address current and emerging issues.

The dialogue process has resulted in the establishment of a Tri-Partite Council involving herders, local government, and company representatives.

Communicating shared outcomes: In June 2017, representatives of the herders, Rio Tinto, the Mongolian government, Accountability Counsel (an NGO that supported the herders in the dialogue process), and IFC took part in IFC's 2017 Sustainability Exchange in Colombia to share experiences of transforming conflict into collaboration through the CAO process. CAO is now monitoring implementation of the agreements.



A moral leader addresses a community meeting at which the agreement is read aloud and explained, Chad, January 2017 (CAO).

CASE HIGHLIGHT

Settlements Reached in Chad and Cameroon

Agreement in Chad sees company committing to community development projects: A CAO dialogue process in Chad has been addressing a complaint filed in 2011 on behalf of over 20,000 local farmers and other community members affected by the Chad-Cameroon oil pipeline and upstream development. The affected communities and project operator, Esso Chad, Inc., an Exxon subsidiary, have sought joint solutions on land use, compensation, access to jobs, environmental impacts, and sustainable development through the CAO process. In January 2017, the parties signed a final agreement, which commits to ongoing engagement and community development projects. The company also committed to immediate steps including the rehabilitation of roads, bridges, and wells, and compensation for some affected groups.

Agreements in Cameroon benefit local fishermen and indigenous peoples: In a parallel CAO dispute resolution process in Cameroon regarding the pipeline and export terminal, parties reached agreements securing company support for a fishing cooperative, building on previous agreements enabling fishermen from the town of Kribi access to secure waters near the export terminal.

Agreement was also reached between the company and Bagyeli indigenous peoples who live alongside the pipeline, including company support for cultivation on land identified through a participatory mapping exercise. CAO is monitoring implementation of agreements in both countries.

Agreement was reached between the company and Bagyeli indigenous peoples who live alongside the pipeline, including company support for cultivation on land identified through a participatory mapping exercise.

DATA SNAPSHOT

2

agreements include
COMPANY GRIEVANCE
MECHANISMS

5

agreements include
COMMUNITY DEVELOPMENT
PROJECTS

7

agreements include
ONGOING ENGAGEMENT
STRUCTURES

Other Agreements Reached

BANGLADESH | Company and community representatives signed a settlement agreement in December 2016 to address a complaint regarding an IFC-supported power plant, including commitments to conduct joint monitoring and physical works to decrease noise.

COLOMBIA | Agreement was reached in June 2017 between Alquería, one of the largest dairy companies in Colombia, and owners of an adjacent farm to address a complaint about industrial pollution. CAO is monitoring implementation.

EGYPT | A labor dispute related to a polyester manufacturer in Egypt resulted in an agreement for former workers to receive full pay and benefits owed to them after their employment contracts were terminated. The parties reached resolution within six months and CAO closed the case in May 2017.

INDONESIA | CAO facilitated successful negotiation and resolution of a land dispute related to construction of the MIGA-supported Rajamandala hydropower project in Java. Community and company representatives agreed on a framework for regular communication. The case was resolved within eight months and closed in January 2017.

MOROCCO | Bilateral meetings between local complainants and a poultry producer in Morocco led to agreement on a five-year plan to implement community development projects. A community-company dialogue committee has been established that will meet at least once a year.

UGANDA | CAO is monitoring implementation of land compensation agreements related to the Bujagali hydropower project. Most payments to some 500 claimants have been paid by the Uganda Electricity Transmission Company Limited (UETCL). IFC is updating its Resettlement Handbook, which will reflect learning from CAO cases, including Bujagali.

UGANDA | CAO is monitoring agreements reached between two affected communities and the New Forests Company to implement resettlement and local development projects. A local development coordinator is working closely with both communities to provide expertise on resettlement, governance, and activities to generate income. CAO's mediator meets monthly with the parties.



BOX 2.

Expanding CAO's Mediator Network through Technology

One of CAO's biggest challenges is finding local mediators with the capacity to mediate between communities and the private sector in a development context.

To fill this gap, CAO has conducted workshops for over 120 mediators worldwide since 2013 to help improve capacity and identify professionals to support its work. This year, CAO launched a pilot screening program to expedite identification of these professionals. Using an online platform and purpose built competency criteria, CAO successfully screened 18 mediators from the Asia region. These mediators then participated in a joint

training in Myanmar in May 2017 hosted by CAO with the European Investment Bank (EIB) and European Bank for Reconstruction and Development (EBRD) accountability mechanisms. CAO has also collaborated with donor organizations to create a program where less experienced mediators can observe or "shadow" more seasoned professionals, to ensure that when CAO exits there is local capacity to assist the parties with ongoing dialogue efforts.

COMPLIANCE

Providing Accountability for Environmental and Social Performance



In its compliance role, CAO independently verifies project due diligence and policy compliance to ensure that IFC and MIGA project outcomes are aligned with their environmental and social commitments. This process helps enhance legitimacy and public trust in both institutions.

CAO managed a total of 26 compliance cases this year, of which just under half were in monitoring or closed by the end of the fiscal year. CAO completed eight appraisals and published three new investigations regarding IFC investments in the Eco Oro mine project in Colombia, Tata Tea estates in India, and Lomé Container port in Togo (see pp. 17–19). CAO continues to focus on financial intermediaries (FIs), and has published a monitoring report of IFC's actions since 2013 to improve the environmental and social (E&S) performance of projects financed through banks and investment

funds. CAO is also monitoring ongoing actions by IFC to address findings related to investments in Dinant palm oil plantations in Honduras and the Tata Ultra Mega power plant in India. CAO closed two cases in monitoring related to IFC investments in Avianca airlines in Colombia and the Quellaveco mine in Peru. More broadly, labor issues related to freedom of association, working conditions, and worker health and safety are increasingly prevalent in CAO's compliance work (see box 3, p. 19).

APPRAISALS

This year, CAO completed appraisals for eight cases. Of these, two appraisals related to the Bujagali hydropower project in Uganda, one of which was closed and the other, regarding compensation for project impacts to crops, proceeded to investigation. Three appraisals led to investigations of IFC investments in a cement plant in Egypt; a consumer goods manufacturer in Kenya; and a financial intermediary with a hydropower investment in Guatemala.

Three other appraisals were merged into ongoing monitoring activities related to projects in Honduras: two regarding IFC investments in Dinant palm oil plantations, and one regarding Banco Ficohsa.



COMPLIANCE, FY2017

26
COMPLIANCE CASES
in
16
COUNTRIES

STATUS AT THE END OF THE FISCAL YEAR

4
ONGOING APPRAISALS
10
ONGOING INVESTIGATIONS
9
INVESTIGATIONS IN MONITORING
3
CASES CLOSED

NEW INVESTIGATION REPORTS



Villages east of the Port of Lomé, Togo (CAO).

TOGO

Investigation of IFC Investment in Lomé Container Terminal

CAO released an investigation report of IFC's investment in the Lomé Container Terminal (LCT), within the Port of Lomé, Togo. Lomé is one of the few deep-water ports in West and Central Africa and the terminal is Togo's largest-ever private investment project.

The investigation was initiated in response to a 2015 complaint from an organization representing coastal settlers who raised concerns regarding the project's impacts on erosion of the seashore in their communities, and that they were not consulted or informed about the project.

CAO's investigation acknowledged that the project is not solely or primarily responsible for coastal erosion in the area to the east of the port, but found

that further environmental and social assessment was required to provide assurance of compliance with IFC's standards.

IFC's response to the investigation included updating its Environmental, Health and Safety Guideline for Ports, Harbors and Terminals, adding a new section on coastal erosion, and offering

to participate in a multi-stakeholder dialogue to discuss erosion impacts off the coast of Togo.

IFC also committed to consulting with fishing and coastal communities in relation to research that the client is supporting on coastal erosion. CAO will be monitoring actions taken over the next year.

The investigation was initiated in response to a complaint from an organization representing coastal settlers who raised concerns regarding the project's impacts on erosion of the seashore in their communities.



Workers on an APPL tea plantation in northeast India (CAO).

INDIA

Labor and Working Conditions Related to IFC Investments in Assam Tea Estates

CAO released an investigation report in November 2016 regarding labor and working conditions in the tea sector in India. IFC invested in Amalgamated Plantations Private Limited (APPL), owned by Tata Tea, which is the second largest tea producer in India. More than 30,000 employees and over 150,000 people live on its 25 tea estates in Assam and West Bengal. IFC's equity investment sought to support an employee-owned plantation model, whereby tea workers were offered the opportunity to purchase shares in the company. In 2012, the International Union of Food Workers (IUF) raised concerns about conditions on the tea estates and two security incidents. In 2013, three NGOs also filed a complaint to CAO on behalf of tea workers working and living on the tea plantations.

CAO's investigation found shortcomings in IFC's review of key project risks before the investment was made, including the company's responsibility to provide a range of basic services such as housing, access to water, education, and medical care. CAO also identified shortcomings in IFC's assessment and supervision of living and working conditions on the tea estates, reported use of banned pesticides, information disclosure, and response to security incidents.

IFC has agreed to accelerate priority actions in the next two years with its client and Tata Global Beverages, and in consultation with workers, to repair and build new houses for workers, provide piped water to each household, upgrade hospitals, and provide mobile toilets for women in the plantation areas, among other commitments. CAO will be monitoring actions IFC takes over the next year.

CAO identified shortcomings in IFC's assessment and supervision of living and working conditions on the tea estates, reported use of banned pesticides, information disclosure, and response to security incidents.



Investigation of IFC Investment in a Gold and Silver Mine in an Environmentally Sensitive Area

In 2012, civil society groups in Colombia, with support from international NGOs, filed a complaint regarding the Angostura gold and silver exploration project in the Santurbán Páramo, an environmentally sensitive alpine area. IFC made an early equity investment in the exploration and development phase of the mine project, which is owned by Eco Oro, a junior mining company.

CAO released a compliance investigation of the case this year. It found that IFC’s review of the project did not focus on the environmental and social risks beyond the exploration phase. Thus, the potential of the company to comply with IFC’s environmental and social policies as it was developing the mine was uncertain and potentially challenging. CAO also found shortcomings in IFC’s supervision of biodiversity studies and security issues.

In its response to CAO’s investigation, IFC emphasized that it had developed new procedural guidance for staff describing IFC’s environmental and social approach for phased development investments like Eco Oro. In December 2016, IFC announced that it had decided to divest from Eco Oro.



BOX 3.

Labor: An Emerging Driver of Compliance Cases

The number of CAO cases concerning compliance with IFC labor requirements is increasing, with eight investigations this year focused on labor issues.

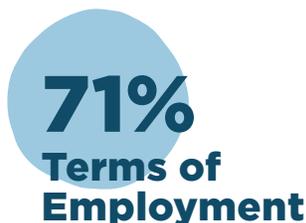
Several requirements in IFC’s Performance Standard on Labor and Working Conditions (PS2) are based on core international labor standards, which protect the fundamental rights of workers. IFC should work with clients to implement these requirements when the standards go beyond usual business practices in the countries and sectors where they operate. CAO is seeing an increase in cases concerning compliance with IFC labor requirements.

This year, CAO handled eight investigations involving labor issues related to IFC projects in the tea sector (see p. 18); as well as in the paper, cement and consumer goods manufacturing; hydropower; and aviation sectors. These cases raised concerns about freedom of association, working conditions, terms of employment, occupational health and safety, employee grievance mechanisms, and unpaid wages, among others.

IFC has taken a number of measures to support better implementation of PS2 in recent years. 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.

KEY ISSUES IN LABOR COMPLAINTS



MONITORING OUTCOMES

FINANCIAL INTERMEDIARIES

Investments in financial intermediaries (FIs) comprise 53 percent of IFC's long-term commitments, according to IFC's 2017 Annual Report. As highlighted in CAO's FI monitoring report this year, these investments expose IFC to potentially significant environmental and social risks in sub-projects financed through IFC-supported banks and investment funds.

FI-related complaints to CAO have increased in recent years. CAO is conducting investigations related to two hydropower plants in Guatemala financed by IFC-supported investment funds, and monitoring investigations of two IFC FI investments in Honduras and India, respectively. Other cases in dispute resolution relate to agribusiness projects funded through IFC FIs. CAO is also assessing a new complaint from Guinea regarding a gold mining project connected to an IFC client bank.

Monitoring report: Since 2013, CAO has been monitoring IFC actions to address CAO's sectoral audit of IFC FI investments. CAO released a monitoring report in March 2017, based on a sample of 38 active FI investments committed since 2012. The report confirms that IFC has improved the quality and intensity of its review and supervision of FI investments since 2013. However, the report emphasizes that IFC does not, in general, have a basis to assess FI clients' compliance with its environmental and social requirements. This is of particular concern in relation to FI clients that are supporting projects with higher risks, and for projects in which IFC does not have assurance that its standards are being implemented. IFC has piloted several tools to enhance environmental and social due diligence and supervision of FI clients. CAO welcomes these pilots and notes opportunities for IFC to adopt them more widely with other FI clients exposed to higher risk activities.

Need for better disclosure:

While progress has been made in IFC's disclosure of projects financed by private equity funds, there is no requirement for disclosure of sub-project information in most of IFC's FI portfolio. FIs that voluntarily subscribe to the Equator Principles have disclosed over 900 sub-projects since 2014. CAO welcomes IFC's recent commitment to encourage its FI clients to disclose sub-projects. Disclosure of information is an important element to ensure that people affected by FI business activities have ready access to grievance mechanisms.



MONITORING IFC PALM OIL INVESTMENT IN HONDURAS

CAO continues to monitor IFC's actions to address its 2014 audit findings related to IFC investments in Dinant in Honduras. The case was triggered by concerns of violent land conflict in and around Dinant palm oil plantations. CAO issued a monitoring report this year and conducted a monitoring visit to Honduras, meeting with representatives of the government, the IFC client (Corporación Dinant), and communities. In June 2017, CAO incorporated two additional complaints from communities regarding the project into the ongoing monitoring process.



Dinant palm oil plantations in Honduras (CAO).



Tata Ultra Mega power plant in Gujarat, India (CAO).

IFC POWER PLANT INVESTMENT IN INDIA

In February 2017, CAO released a monitoring report in relation to its 2013 audit of IFC's investment in Coastal Gujarat Power Limited (CGPL) for a 4,000MW

“ultra-mega” power plant in Mundra, in the state of Gujarat, India. The monitoring report emphasizes an outstanding need for a rapid, participatory, and remedial

approach to assessing and addressing project impacts raised by the complainants. CAO continues to monitor IFC's response to the audit.

INVESTIGATIONS CLOSED AFTER MONITORING

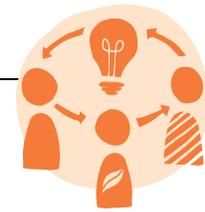
PERU | In March 2017, CAO released a second compliance monitoring report regarding IFC's investment in Quellaveco, a large-scale copper mining concession located in Peru. CAO's report concluded that, overall, IFC's response had not substantially addressed CAO's 2014 investigation findings, but closed the case considering the time passed since IFC's divestment from the project, and IFC's decision not to engage in a project-level response.

COLOMBIA | In May 2017, CAO released a monitoring report regarding IFC's investment in Avianca airlines in Colombia. Overall, CAO found that IFC's response to its 2015 compliance investigation had only partially addressed the compliance findings. CAO closed the case considering the time that had passed since the client's repayment of the IFC loan, and IFC's decision not to engage in a project-level response.

Systemic findings from CAO's investigation, which featured labor and working conditions as central issues, will be addressed through CAO's ongoing compliance and advisory work.

ADVISORY

Promoting Change and Preventing Harm through Learning



In its advisory role, CAO identifies broader environmental and social concerns that emerge from its caseload, and provides advice based on this analysis to the World Bank Group President and management of IFC and MIGA.

CAO's advice is designed to promote institutional learning and change, and plays an important role in drawing on the perspectives of project-affected people to improve IFC and MIGA policies and practices.

CAO focused its advisory activities this year on lessons learned from agribusiness—a sector that has historically accounted for a large share of complaints to CAO.

CAO organized a joint workshop with IFC on lessons learned from the sector and drafted an advisory memo series on supply chains. CAO also rolled out its Grievance Mechanism Toolkit for small and medium companies. CAO continues to improve data gathering, analytics, and the evidence base that underpins advisory products, as well as monitoring and evaluation activities.

In the year ahead, IFC's and MIGA's strategic emphasis on fragile and conflict states will be an important focus for CAO's advisory work. Investments in these contexts have unique environmental and social challenges. Learning lessons from past projects will be critical for IFC and MIGA to enhance their development impact.

GRIEVANCE MECHANISM TOOLKIT

This fiscal year, CAO rolled out its Grievance Mechanism Toolkit, after launching it in 2016. The toolkit, which is a practical, online resource, is designed to help IFC and MIGA clients implement better project-level grievance mechanisms—a Performance Standard requirement. The toolkit draws from CAO

case experience, external expertise, and inputs from IFC, MIGA, and World Bank staff on the challenges that exist in this area, particularly for smaller companies.

In June 2017, CAO conducted sessions on the toolkit at IFC's Sustainability Exchange, a conference involving over 200 global executives and practitioners,

including many IFC clients. CAO is planning further activities to raise awareness about the toolkit with stakeholders, including private sector companies and civil society organizations in other regions.

The toolkit's target audience—small and medium enterprises in non-extractive sectors—have reported through surveys and interviews that the toolkit has been useful in establishing and improving their grievance mechanisms. Given the positive feedback, CAO has made the content available in French and Spanish. For more information, visit WWW.CAO-GRM.ORG.



CAO launches its Grievance Mechanism Toolkit at an event for external stakeholders in Washington, DC, April 2017 (CAO).

INSIGHTS FROM CAO AGRIBUSINESS CASES

CAO cases regarding agribusiness projects have been growing over the last 10 years, and the sector accounts for 14 percent of CAO’s current caseload. Commodities in these cases range from palm oil, sugar, and tea to forestry and livestock farming, among others (see figure 8).

Sixty percent of these cases raise concerns about stakeholder engagement, impacts to biodiversity and natural resources, and compliance with policies (see figure 9). The majority are category B projects—those deemed by IFC to have limited adverse impacts.

This indicates that while projects in this sector may not initially be perceived as high-risk, their impact—particularly on land and livelihoods—often gives rise to local disputes.

FIGURE 8. COMMODITIES IN CAO AGRIBUSINESS CASES, FY2000-17

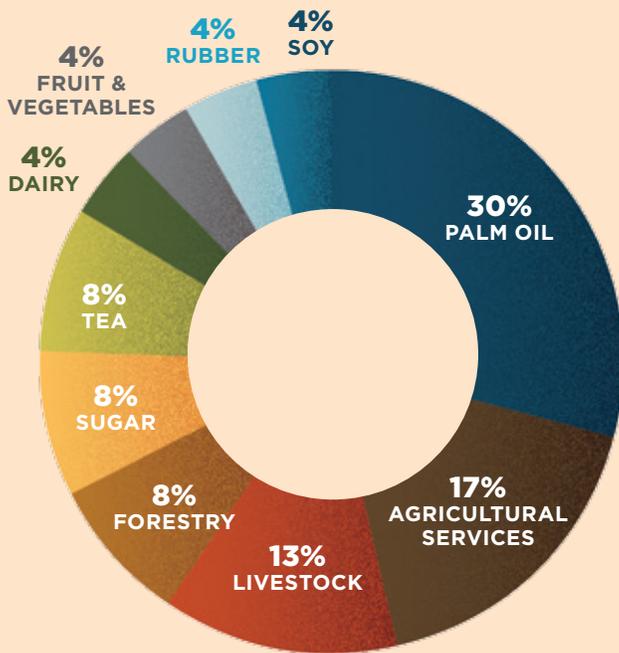


FIGURE 9. TOP ENVIRONMENTAL AND SOCIAL ISSUES IN AGRIBUSINESS CASES, FY2000-17

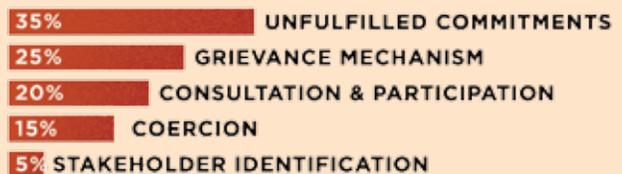
Policy Compliance



Biodiversity & Natural Resources



Stakeholder Engagement



JOINT IFC-CAO WORKSHOP ON LESSONS LEARNED FROM AGRIBUSINESS PROJECTS

This fiscal year, CAO collaborated with IFC to organize a joint workshop on applying lessons learned in the agribusiness sector.

This was the third workshop in a series that has drawn lessons from IFC and CAO experiences in tackling challenging environmental and social

issues in different sectors. Previous workshops focused on energy and financial intermediary investments. The agribusiness workshop covered issues related to resettlement, land rights, supply chains, stakeholder engagement, and community safety and security.

More than 60 agribusiness investment staff attended—many of whom are based in IFC’s regional offices—as well as environmental and social specialists, IFC senior management, and CAO staff.

SUPPLY CHAIN RISK MANAGEMENT: ADVISORY SERIES

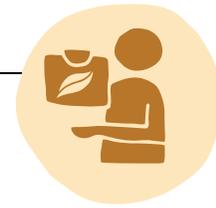
CAO is preparing a series of advisory memos on improving the environmental and social performance of supply chains.

While CAO’s recommendations are based primarily on cases related to agribusiness, they are broadly applicable and can help

identify and manage supply chain risks in other sectors. CAO expects to finalize the series during FY2018.

OUTREACH

Improving Access and Impact with Stakeholders



CAO met with over 200 civil society organizations from 20 countries this year through joint workshops in Eastern Europe, Asia, and Latin America.

Public awareness about the existence of grievance mechanisms at the project level, as well as independent accountability mechanisms like CAO, is critical to ensure access to recourse for communities affected by IFC and MIGA projects.

This remains a key challenge for CAO, in part due to low awareness in many countries about IFC and MIGA projects, and options for grievance redress. Outreach is therefore an important aspect of CAO's work to raise awareness with key constituencies, particularly project-affected communities and any organizations that may support them.

Through outreach activities this year, CAO engaged civil society organizations, IFC and MIGA staff and clients, development practitioners, academia, the private sector, and other international financial institutions. In partnership with other accountability mechanisms, CAO co-organized workshops in Eastern Europe and Central Asia, East Asia, and Latin America reaching 200 civil society organizations from 20 countries to discuss ways to improve access to recourse and outcomes for local communities.

CAO also used its convening power to bring together private sector and civil society to discuss ways to improve consultation and engagement around projects. Highlights from the year are outlined below.

OUTREACH TO CIVIL SOCIETY IN COLOMBIA

Fifty civil society organizations from across Colombia attended a one-day workshop in Bogota in December 2016 co-hosted by the IDB's Independent Consultation and Investigation Mechanism, the World Bank Inspection Panel, and CAO. Participants cited challenges in accessing project information, concerns about community safety, and their experiences of engaging with the mechanisms.

PRIVATE SECTOR-CIVIL SOCIETY DIALOGUE IN ALBANIA

CAO's dispute resolution team facilitated a stakeholder dialogue in Tirana attended by national civil society, local communities, mediation professionals, and national and international companies, including IFC staff and clients. The workshop was the first of its kind organized by CAO together with IFC. Participants discussed ways to better engage communities in project consultations, the need to build transparency and trust, and opportunities for meaningful dialogue with communities about the technical aspects of projects.

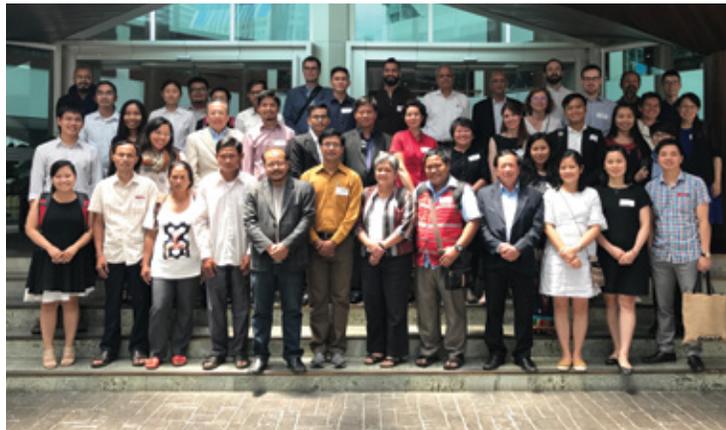
EASTERN EUROPE AND CENTRAL ASIA OUTREACH

CAO partnered with five other accountability mechanisms and CEE Bankwatch Network, a regional NGO, to convene a workshop in Kiev for 75 civil society organizations from Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Moldova, and Ukraine. Discussions focused on improving access to recourse for communities around international development projects in Eastern Europe and Central Asia.

ASIA REGIONAL OUTREACH WORKSHOP IN BANGKOK

CAO co-hosted a two-day workshop in Bangkok in June 2017 with the Inspection Panel and Asian Development Bank's (ADB) accountability mechanism, together with International Accountability Project, Asian Indigenous Peoples Pact, the NGO Forum on ADB, International Rivers, and Center of International Environmental Law. The workshop included 40 civil society representatives from Cambodia, China, Indonesia, Laos PDR, Malaysia, Myanmar, Nepal, Thailand, and Vietnam to discuss improving access to project information and recourse for affected communities in the Asia region.

PHOTOS OPPOSITE: (Clockwise from top) Participants complete a group activity at the Colombia outreach workshop, December 2016; small group dialogues at a regional outreach workshop in Ukraine, November 2016; regional civil society organizations and staff of various independent accountability mechanisms in Bangkok, June 2017; and a CAO-IFC community-company dialogue workshop in Tirana, Albania (CAO and Oriana Bolvaran).



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CAO's reports, findings, and case updates are available on CAO's website. All other public documents, including CAO Advisory Notes and past Annual Reports, are also available in hard copy. CAO's Operational Guidelines are available in the seven official languages of the World Bank Group. Further resources on how to file a complaint are available in additional languages on CAO's website. For more information, see WWW.CAO-OMBUDSMAN.ORG.



Independent Accountability Mechanism for the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA), Members of the World Bank Group
