



APPRAISAL REPORT

CAO Compliance Appraisal

CAO REF: C-I-R6-Y14-F212

October 14, 2014

IFC Investment in Lafarge Surma Cement (IFC Project #8035), India

Case of

Complaint from Project Affected People Whose Identities Are Confidential

Summary

In 2006, Lafarge Surma Cement (the company) completed construction of a cement plant in northeast Bangladesh (the project). The plant is supplied with limestone from a quarry operated by a subsidiary in the neighboring Indian state of Meghalaya. A conveyor belt connects the two sites.

IFC's investment in the project consisted of an equity investment of \$10 million and loans of \$50 million. IFC's initial investments (equity and loan) were committed in 2001 and disbursed in 2003. A further loan was disbursed in 2005. IFC exited the project in 2014 after repayment of the loans and sale of its equity.

In January 2014, CAO received a complaint from three individuals about the company's operations in India. The complainants allege that their ownership of several plots of land acquired by the project was not recognized, and therefore they did not receive compensation. They also raise concerns regarding the project's impact on local indigenous people.

The purpose of a CAO Compliance Appraisal is to determine whether an investigation of IFC's environmental and social performance is required in relation to a project. In deciding whether to initiate an investigation, CAO weighs factors including the magnitude of the E&S concerns raised by a complaint, results of a preliminary review of IFC's E&S performance in relation to these issues, and a more general assessment of whether the complaint raises issues of systemic concern for IFC or MIGA.

The primary concerns of the complainants in this case relate to the company's acquisition of land that they claim to own. While a just resolution of these issues is no doubt important for the parties, the information available does not support the conclusion that they raise substantial concerns about environmental and/or social outcomes of the project. CAO also notes the complainants' concerns about the adequacy of IFC's engagement with the project's impacts on indigenous people. Absent a complaint from a broader group of project-affected people, however, CAO is reluctant to pursue an investigation on this basis.

While this Compliance Appraisal raises a number of questions as to the strength of IFC's engagement with E&S risks arising from the project, these are not found to be of sufficient systemic importance to justify an investigation. CAO thus decides to close the case.

About CAO

The CAO's mission is to serve as a fair, trusted, and effective independent recourse mechanism and to improve the environmental and social accountability of IFC and MIGA.

CAO (Office of the Compliance Advisor Ombudsman) is an independent post that reports directly to the president of the World Bank Group. CAO reviews complaints from communities affected by development projects undertaken by the two private sector lending arms of the World Bank Group: the International Finance Corporation and the Multilateral Investment Guarantee Agency .

For more information about CAO, please visit www.cao-ombudsman.org

1. Overview of the CAO Compliance Appraisal process

When CAO receives a complaint about an IFC or MIGA project, the complaint is referred for assessment. If CAO concludes that the parties are not willing or able to reach a facilitated solution, the case is transferred to CAO Compliance for appraisal and potential investigation.

A Compliance Appraisal also can be triggered by the CAO vice president, IFC/MIGA management, or the president of the World Bank Group.

The focus of the CAO Compliance function is the performance of IFC and MIGA, not their client. CAO assesses how IFC/MIGA assured itself/themselves of the performance of its business activity or advice, as well as whether the outcomes of the business activity or advice are consistent with the intent of the relevant policy provisions. In many cases, however, in assessing the performance of the project and IFC/MIGA's implementation of measures to meet the relevant requirements, it is necessary for CAO to review the actions of the client and verify outcomes in the field.

In order to decide whether a Compliance Investigation is warranted, CAO Compliance first conducts a Compliance Appraisal. The purpose of the Compliance Appraisal process is to ensure that Compliance Investigations are initiated only for those projects that raise substantial concerns about environmental and/or social outcomes, and/or issues of systemic importance to IFC/MIGA.

The scope of a CAO Compliance Appraisal is defined by issues raised in the complaint and those identified during the CAO assessment phase.

To guide the Compliance Appraisal process, the CAO applies several criteria. These criteria test the value of undertaking a Compliance Investigation and include:

- whether there is evidence of potentially significant adverse environmental and/or social outcome(s) now, or in the future;
- whether there are indications that a policy or other appraisal criteria may not have been adhered to or properly applied by IFC/MIGA; and
- whether there is evidence that indicates that IFC's/MIGA's provisions, whether or not complied with, have failed to provide an adequate level of protection.

In conducting the appraisal, CAO will engage with the IFC/MIGA team working on the project and other stakeholders to understand which criteria IFC/MIGA used to assure itself of the performance of the project, how IFC/MIGA assured itself of compliance with these criteria, how IFC/MIGA assured itself that these provisions provided an adequate level of protection, and, generally, whether a Compliance Investigation is the appropriate response. After a Compliance Appraisal has been completed, CAO can close the case or initiate a Compliance Investigation of IFC/MIGA.

Once CAO concludes a Compliance Appraisal, it will advise IFC/MIGA, the president of the World Bank Group, and the IFC/MIGA Board in writing. If a Compliance Appraisal results from a complaint, the complainant will also be advised the outcome. The appraisal report will be made public on the CAO website.

If CAO decides to initiate a Compliance Investigation as a result of the Compliance Appraisal, CAO will draw up terms of reference for the investigation in accordance with its Operational Guidelines.

2. Background

2.1 Investment

Lafarge Surma Cement Limited (LSC or the company) has constructed a greenfield cement plant with a capacity of 1.2 million tons per year in northeastern Bangladesh (the project). The plant is supplied with limestone from a quarry operated by a subsidiary of LSC, Lafarge Umiam Mining Private Limited (LUMPL), in the neighboring Indian state of Meghalaya. A 17-kilometer cross-border overhead belt conveyor connects the two sites. The plant was commissioned in October 2006 at a cost of \$270 million.

LSC holds a 74-percent equity stake in Lum Mawshun Minerals Private Limited (LMMPL), a company that acquired the mining rights and land leases needed to operate the limestone quarry and conveyor belt in India. The remaining equity in LMMPL is owned by two shareholders from the project area.

IFC's investment consisted of: (a) \$10 million of equity for a 10-percent stake in the company; (b) an initial loan of \$35 million, and (c) an additional loan of \$15 million. IFC's initial investments (equity & loan) was committed in 2001 and disbursed in 2003. The subsequent loan was disbursed in 2005. IFC exited the project in 2014 after repayment of the loans and sale of its equity.

2.2 Complaint

In January 2014, CAO received a complaint with regard to the Project's operations in East Khasi Hills District, Meghalaya, India. CAO deemed the complaint eligible, and issued an Assessment Report based on the complaint dated May 2014.¹ As the company did not agree to participate in a CAO dispute resolution process, the complaint was transferred to CAO Compliance for appraisal.

The complainants are three individuals who claim to be landowners in Shella Confederacy of East Khasi Hills District. The complainants assert that they were brought up in Shella and maintain residences and family ties there, although they live primarily in a nearby town. The complainants allege that their ownership of several plots of agricultural land in the project area was not recognized, and that they therefore did not receive compensation for land acquired by the project. The complaint also contests the legality of the transfer and mortgage of the land in question.²

More broadly, the complaint raises concerns about the way in which the project engaged with the local authorities to determine issues of land ownership. As a result, it is alleged that the council (durbar) of one local village (Nongtraï) was allowed to authorize the sale of land belonging to two other villages (Shella and Tynger). The complainants also allege that the headman of Shella Village wrongfully granted land ownership certificates to individuals who were not the owners of the land in question. This, the complainants allege, could occur for a number of reasons including: (a) because the land acquisition was facilitated by a locally well connected middle man (one of the owners of LMMPL); (b) because there was insufficient consultation and disclosure around the land acquisition process; and (c) because the land acquisition process bypassed the proper authority of the Shella Village Court in verifying and certifying the ownership of land.

Finally, the complaint states that the project has had negative impacts on the indigenous/tribal people of the area. The impacts are described in terms of: (a) in migration of workers for the mining project, and (b) detrimental effects on traditional small-scale mining in the area.

¹ Further details about CAO's handling of this case (including the complaint) are available on the CAO website: http://www.cao-ombudsman.org/cases/case_detail.aspx?id=211

² CAO notes that the complainants also have initiated court proceedings in relation to these issues. At the time of writing, a decision in this court case had not been issued.

The complainants have provided CAO with documentation which they assert supports their claims.

With regard to these issues, the complaint alleges that IFC has breached requirements of its E&S policies as well as conditions of its loan agreement with the company. In particular, the complaint alleges that IFC did not ensure adequate implementation of land acquisition and indigenous peoples' development activities.

2.3 Company position

CAO notes that the company has published information outlining its view of the issues raised by the complaint.³ Relevantly, the company asserts that it has "fully complied with laws of the land" and received necessary approvals under the Meghalaya Transfer of Land Act (1971). It also notes that the company received approval for project related land acquisitions from the durbars of Nongtraï and Shella Villages.

3. Analysis

3.1 Issues related to IFC's pre-investment due diligence

A key question for this Compliance Appraisal is whether IFC prepared the project in accordance with its E&S requirements for the issues raised by the complaint. This section identifies E&S requirements that applied to IFC's preparation of the project, and reviews steps taken by IFC in light of these. It concludes that while IFC did incorporate relevant E&S requirements into its loan agreement, the E&S documentation present in June 1998, when IFC's Board approved the project, may not have been sufficient to support approval of the project according to the IFC policies in place at the time.

3.1.1 Requirements

Preparation of the project commenced under IFC's Procedure for Environmental Analysis and Review of Projects (1993).

The 1993 Procedure requires IFC projects to comply with the World Bank's Safeguard Policies and other relevant environmental guidelines (paras 1 & 4). For projects with "the potential for diverse and significant environmental impacts" (Category A projects) the 1993 Procedure requires the IFC client to prepare a "full Environmental Assessment (EA)" (para. 23ff). A full EA was expected to cover:

- (a) existing environmental baseline conditions; (b) potential environmental impacts, direct and indirect, including opportunities for environmental enhancement; (c) systematic environmental comparison of alternative investments, sites, technologies, and designs; (d) preventive, mitigatory, and compensatory measures, generally in the form of an environmental mitigation or management plan; (e) environmental management and training; and (f) environmental monitoring (para.13).

The 1993 Procedure also requires disclosure of information to affected people and local stakeholders. In relation to Category A projects, this was expected to include:

- (a) for the initial consultation, a summary of the project description and objectives, and potential impacts of the proposed project; and (b) once the EA has been prepared, an Executive Summary of its conclusions in a form and language meaningful to the groups being consulted (para. 30).

³ Case study: Nongtraï Quarry. Available at http://www.lafarge.com/07032014-Case-study_Meghalaya-uk.pdf

In terms of timing, the introduction to the 1993 Procedure states that it is “designed to allow the flexibility to accommodate projects which are brought to IFC in various stages of development” (p.1). Nevertheless, for Category A projects, the Procedure appears to require the EA to be complete and “all significant environmental issues [to be] satisfactorily addressed prior to submission of project documents to the Board” (para. 10).

3.1.2 IFC’s pre-investment review of the project

IFC’s preparation of the project commenced in early 1997. According to the Summary of Project Information (SPI) published by IFC in May 1998, the project was Category A on the basis of environmental, occupational, health, and safety issues, including “compensation, relocation and resettlement of residents, occupants and land users” as well as “quarry operation.”⁴

The SPI also notes that:

The [company] has prepared environmental assessments (EAs) for both the quarry site in India and the plant site in Bangladesh ... As part of the environmental and social review process, the sponsor has undertaken the necessary public consultation and public disclosure. The plant site in Bangladesh is currently farmed by approximately 75 persons, and there are an additional 110 persons living in 5 dwellings in the proposed jetty area. The sponsor has prepared a detailed Resettlement Action Plan (RAP) which fully addresses all of the resettlement issues and ensures that the relocation process is carried out in full compliance with the applicable World Bank Group policies and procedures.

The SPI does not make any specific reference to issues of land acquisition on the Indian side of the border or to the impact of the project on indigenous peoples.

The SPI notes that project environmental documents were made publicly available at the “Office of Headman” in Shella Bazar, Meghalaya, India.

The EA for the proposed mining site in India (as referenced in the SPI) identifies no expected adverse impacts from the Project.⁵ While the EA acknowledges that the project will cut off access to village-owned land used for fuel wood collection and plantation crops, it finds that this would be adequately offset by the availability of significant amounts of similar land. Positively, the EA notes expected annual royalty flows of approximately \$1,400 per household in Nongtraï Village. The EA also notes the company’s commitments to: (a) reforest two plots owned by Nongtraï Village and (b) use local labor, where possible, for construction and operation of the quarry. In relation to public disclosure and consultation, the EA notes that the company has made “significant effort to approach and inform the local communities ... during project planning and implementation.”⁶ Details of these efforts are, however, not provided. The EA does not discuss land acquisition or the potential impact of the project on indigenous peoples.

The RAP prepared in advance of project approval focuses on the plant site in Bangladesh, and does not cover the India side of the project.⁷ IFC’s Environmental Clearance Memorandum, dated May 20, 1998, notes, however, that to ensure compliance with applicable World Bank policies, the company would be required to develop a Social Mitigation Plan for the selected conveyor belt route, to the same level of detail and adhering to the same principles as the RAP.

⁴ Statement of Project Information (1998). Available at <http://goo.gl/c6lyvP>

⁵ Appendix to EIA of a Proposed Limestone Mining Project: Nongtraï, Meghalaya State, India (February 1998).

⁶ *Ibid*, para. 2.5, p. 5.

⁷ Resettlement Action Plan, ERM, April 1998; Baseline Survey and Resettlement Action Plan (Addendum) (Final Report), ERM, August 1999.

3.1.3 IFC approval of the project and loan agreement

IFC's Board approved the project in June 1998.

IFC and the company signed a loan agreement on September 18, 2001. The loan agreement requires that the project be constructed and operated in compliance with the World Bank's safeguard policies. Relevant to the issues raised by the complainants, these include:

- World Bank Operational Directive (OD) 4.20 Indigenous Peoples (1991); and
- World Bank OD 4.30 Involuntary Resettlement (June 1990).

Specifically, the loan agreement requires a "RAP for the Conveyor Belt," though this is restricted to the conveyor belt route in Bangladesh and does not extend to India. The loan agreement also requires an "RAP Audit Report" to be completed no later than September 30, 2003, though this again relates only to resettlement activities in Bangladesh. For the India side of the project, the loan agreement requires a "Social Mitigation Plan for the Conveyor Belt" that would assess social impacts and provide an action plan for mitigating such impacts. A social impact and mitigation plan and/or a RAP also is required before the initiation of mining activities in India.

The Share Subscription Agreement that governs IFC's equity investment in the project (also dated September 18, 2001) incorporates the E&S covenants from the loan agreement.

3.1.4 Conclusion

IFC incorporated World Bank Safeguard Policies into its loan agreement for the project as required by its 1993 Procedure for Environmental Analysis and Review of Projects. At approval, however, no full EA for the India side of the project was available. RAPs and indigenous peoples' development plans, as required by OD 4.20 and OD 4.30, covering the mine site and conveyor belt route in India were, similarly, yet to be developed.⁸ To address these gaps, IFC incorporated into the loan agreement requirements to complete specific studies and action plans. In this context, CAO notes that the 1993 Procedure provides for flexibility in the timing of the EA process. At the same time, CAO notes significant gaps in the E&S documentation available at appraisal. Under these circumstances, CAO is unclear whether IFC met its requirements for E&S analysis prior to project approval.

3.2 Issues related to project supervision

A further question for this Compliance Appraisal is whether IFC properly supervised the project in relation to the issues raised by the complaint. This section identifies requirements that applied to IFC's supervision of the project and reviews steps taken by IFC in light of these. It concludes by raising questions about the robustness of IFC's supervision of the project, in particular IFC's review of the India SIA and its monitoring of the commitments made therein.

3.2.1 Requirements

IFC's investment in the company was committed and initially supervised under the 1998 Procedure for Environmental and Social Review of Projects. As of April 2006, supervision was conducted under IFC's Policy on Environmental and Social Sustainability (Sustainability Policy) and the Environmental and Social Review Procedures (ESRP), as updated from time to time.

⁸ Note: According to OD 4.20 (para. 18) & OD 4.30 (para. 30) action plans addressing resettlement and indigenous peoples' issues should be prepared before project appraisal.

IFC is required to supervise clients' compliance with agreed E&S requirements throughout the life of an investment. If a client fails to meet its E&S commitments, IFC's approach is to work with the client to bring it back into compliance to the extent feasible and "if the client fails to reestablish compliance, exercise remedies where appropriate."⁹ Supervision is conducted through site visits and annual monitoring reports (AMRs).¹⁰ The ESRPs in place from 2006 also include "responding to ... inquiries and complaints" as part of the E&S supervision role.¹¹

An elaboration of the relevant requirements of OD 4.20 and OD 4.30 incorporated into the loan agreement is also important at this point.

OD 4.30 - Involuntary Resettlement

- In addition to providing for physical displacement, OD 4.30 requires that: "Land, housing, infrastructure, and other compensation should be provided to the adversely affected population, indigenous groups, ethnic minorities, and pastoralists who may have usufruct or customary rights to land or other resources taken for the project. The absence of legal title to land by such groups should not be a bar to compensation" (para. 3(e)).
- The content and level of detail of resettlement plans is acknowledged as varying "with circumstances, especially the magnitude of resettlement..." but should include: (i) analysis of the legal framework relating to land tenure (including customary tenure); (ii) baseline data on affected households; (iii) valuation of lost assets; and (iv) arrangements for monitoring implementation including independent monitoring as necessary (para. 5).
- "schemes for conflict resolution" to deal with appeals related to the compensation payable to affected persons are required for all resettlement plans (para. 8).

OD 4.20 – Indigenous Peoples

- For any investment project that affects indigenous peoples, OD 4.20 requires the borrower to prepare an *Indigenous Peoples Development Plan* (para. 13).
 - The requirements of an *Indigenous Peoples Development Plan* include: (i) an analysis of the legal status of the IPs; (ii) baseline data on the resources that IPs use; (iii) engagement with land tenure issues that affect IPs in the project area; (iv) development of mechanisms to ensure participation of IPs in decision making throughout the project cycle; (v) detailed plans for development or mitigation activities including budgets and timelines for implementation; (vi) measures to address the institutional capacity as necessary; and (vii) measures to ensure robust monitoring of the plan, including evaluation reports that are made public (para. 15).
 - Measures to address issues pertaining to IPs must be based on the informed participation of the IPs themselves (para. 8).

3.2.2 The India Social Impact Assessment

In fulfilment of the requirements of the loan agreement (see Section 3.1 above), the company commissioned a Social Impact Assessment for the India components of the project (the India SIA).¹² The India SIA (dated July 2002) covers the impact of the project from the construction of the elevated conveyor belt and the limestone quarry. It also describes how the project plans to avoid,

⁹ *Sustainability Policy* (2006), para. 26.

¹⁰ *Ibid.*

¹¹ ESRP v.1, para. 6.1.

¹² Elevated Conveyor Belt Meghalaya: Social Impact Assessment & Mitigation and Rehabilitation Action Plan (July 2002). Available at: <http://goo.gl/NvDN03>

minimize, or compensate for adverse impacts. IFC reviewed and disclosed the India SIA in October 2002, prior to disbursement of the initial loan in May 2003.

The India SIA addresses the following key issues:

Land Acquisition

Regarding land issues, the India SIA:

- identifies the residents of the project area as being almost exclusively of the Khasi tribe (p.15).
- provides an overview of the legal framework for land tenure in the project area, outlining key requirements of state law and describing local systems of land administration under the authority of village councils (*durbar*) (p.16).
- concludes that tribal land in Meghalaya can be transferred to a non-tribal person only with government clearance and approval from the relevant *durbar* (p.17).
- identifies the mine site as community land belonging to Nongtraï Village, and the conveyor belt as crossing mostly private lands owned by people from Shella Village (p.29).¹³

For the communally owned land required for the mine, the SIA describes a process whereby LMMPL entered into lease and royalty agreements with Nongtraï *durbar* (p.52).

Regarding the private property required for the conveyor belt track, the SIA identifies the need to acquire land from 54 families. In the absence of formal land records, the SIA states that a “landholding survey for the affected plots was undertaken by the project proponents” (p.54). The SIA notes that landholding maps were sent to the *durbars* for verification, with public notifications issued to inform the affected landowners. On the basis of certificates issued by village headmen and applications lodged by the landowners, the SIA reports that government approval was received allowing the transfer of the concerned plots of land.

Grievance Mechanism

The SIA describes a grievance mechanism, with grievances about land ownership to be resolved by the village *durbar* in the first instance, this being the traditional mechanism (p.76). In addition, establishment of a Review Committee (comprising representatives of the company and the village *durbars*) is proposed to oversee the effectiveness of the grievance mechanism.

Consultation and Disclosure

According to the SIA, the project proponents engaged in an extensive process of stakeholder consultation on the India components of the project, commencing in late 1998 (p.65f). Through this process, the project proponents are reported to be disseminating information about the project and its impacts. Beginning in 1999, the SIA reports that there were detailed discussions with landowners regarding the land required for the conveyor belt. The SIA also notes negotiations with Shella and Nongtraï *durbars* over the Project, covering issues including land acquisition.

Indigenous Peoples' Development Plan

The SIA includes an Indigenous Peoples' Development Plan, which is described as having been prepared on the basis of extensive discussions with the respective *durbas* (p.61). The IPDP is based on the broader legal, socio-economic and institutional analysis as set out in the SIA. Key aspects of the IPDP include:

- the allocation of funds and provision of technical assistance to the *durbas* (Nongtraï and Shella) to support community development activities; and

¹³ Note the SIA does not contemplate any physical relocation (in other words, relocation of dwellings) in India. It does, however, envisage acquisition of land and other productive assets.

- establishment of a health center at the mine site to which local residents would have access and provision of an annual grant to Shella durba for community development activities.

Monitoring

The SIA describes internal and external monitoring measures to assess the effectiveness of the company's program to mitigate the project's socio-economic impact (p.82f). These include: (i) ongoing internal monitoring by a community relations officer, and (ii) external monitoring by an "independent organization" comprising an annual socio-economic survey, a midterm evaluation and an post implementation evaluation at the end of three years.

3.2.3 General Supervision

IFC supervised the project on the basis of Annual Monitoring Reports submitted by the company and periodic site supervision visits.¹⁴

IFC's supervision documentation indicates that the company's E&S performance was generally considered to be satisfactory.¹⁵ In the course of supervision, the project's performance on land acquisition, consultation and disclosure, and the processing of grievances was considered, without identifying significant concerns. In this context, it is notable that IFC does not appear to have assured itself that the project completed the program of independent external monitoring as set out in the India SIA.

Of particular relevance, CAO notes that the complainants met with IFC in the course of a site supervision visit in May 2008. At this time, the complainants raised concerns regarding land issues and requested that IFC conduct an inquiry into the project. IFC also met with Shella durbar representatives during this visit and was assured that customary law regarding these issues had been followed. Given that the complainants had also commenced proceedings against the project, IFC considered the issues to be "sub-judice," or awaiting judicial determination, and decided not to take a position on them until they had been decided by the courts. As noted above, at the time of writing the complainants court case had not been decided.

3.2.4 Conclusion

CAO finds that IFC reviewed its client's India SIA, and its ARMs as well as conducting site supervision visits, finding the company to be in material compliance with its E&S commitments.

Given the requirements of the loan agreement and ODs 4.20 and 4.30, however, it is unclear to CAO that IFC's supervision of the project was sufficient. In particular, based on the documentation available, CAO is unclear as to the adequacy of IFC's review of the India SIA. It is similarly unclear to CAO whether IFC adequately supervised its client's commitment to carry out a program of independent external monitoring as set out in the India SIA.

When IFC became aware of the complainants' specific concerns about land acquisition, IFC determined that it was appropriate to await the outcome of court proceedings before taking further action. In complex operating environments, grievances such as those discussed in this report are to be expected and are not necessarily indicators of poor project performance. Nevertheless, in accordance with the ESRP, supervision may require IFC to assure itself that a client's response to complaints is consistent with its E&S requirements. In this context, it is unclear to CAO whether IFC's response to the issues raised by the complainants was sufficient. More generally, CAO notes

¹⁴ The company submitted AMRs to IFC for 2006 -2012 for the Bangladesh side and for 2007-2012 for the Indian side. IFC site supervision visits were undertaken in 2004, 2006, 2008, 2011 & 2013.

¹⁵ IFC assigned the project an E&S Review Rating of 2 (Satisfactory) from 2008 onward.

that the ESRPs do not provide substantive guidance to IFC staff on how to respond to complaints about client E&S performance.

4. CAO Decision

In deciding whether to initiate an investigation, CAO weighs factors including the magnitude of the E&S concerns raised by a complaint, results of a preliminary review of IFC's E&S performance in relation to these issues, and a more general assessment of whether the complaint raises issues of systemic concern for IFC or MIGA.

A key question in determining whether CAO triggers an investigation in relation to an IFC project is whether the complaint raises "substantial" or "potentially significant" concerns regarding a project (para. 4.2.1). The primary concerns of the complainants in this case relate to the company's acquisition of agricultural land that they claim to own. While a just resolution of these issues is no doubt important for the parties, the information available does not support the conclusion that they raise substantial or potentially significant concerns about environmental and/or social outcomes of the project.

CAO also notes the complainants' concerns about the adequacy of IFC's engagement with the project's impact on indigenous people. Absent a complaint from a broader group of project-affected people, however, CAO is reluctant to pursue an investigation on this basis.

This Compliance Appraisal raises a number of questions about the adequacy of IFC's preparation and supervision of E&S aspects of the project. These alone, however, are not found to be of sufficient systemic importance to justify an investigation, particularly given that the project was processed under superseded policies and procedures. On the balance of these considerations, CAO thus decides to close this case.