



## **CAO ASSESSMENT REPORT**

**Complaints regarding IFC's investment in Dinant (Project # 27250)**

**Aguán Valley, Honduras**

February 2017

Office of the Compliance Advisor Ombudsman (CAO)  
*for*  
the International Finance Corporation (IFC) and the  
Multilateral Investment Guarantee Agency (MIGA)  
[www.cao-ombudsman.org](http://www.cao-ombudsman.org)

## **About CAO**

The Office of Compliance Advisor Ombudsman (CAO) is the independent accountability mechanism for the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), the private sector lending arms of the World Bank Group. CAO reports directly to the President of the World Bank Group. Its mandate is to assist in addressing complaints by people affected by IFC and MIGA projects in a manner that is fair, objective and constructive and to enhance the social and environmental outcomes of projects in which IFC and MIGA play a role.

For more information, including an overview of CAO's compliance and dispute resolution work see [www.cao-ombudsman.org](http://www.cao-ombudsman.org).

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## LIST OF ACRONYMS

CAO	Office of Compliance Advisor Ombudsman
CBI	Consensus Building Institute
EIA	Environmental and Social Impact Assessment
ESAP	Environmental and Social Action Plan
IFC	International Finance Corporation
MCRGC	Movimiento Campesino Refundación Gregorio Chávez
MIGA	Multilateral Investment Guarantee Agency
MUCA	Unified Peasant Movement of the Aguán
UMVIBA	Violent Deaths Investigation Unit of Bajo Aguán

## CONFIDENTIAL DRAFT

### 1. OVERVIEW

In July 2014, the Movimiento Campesino Refundación Gregorio Chávez (MCRGC)<sup>1</sup> and the Unified Peasant Movement of the Aguán (MUCA)<sup>2</sup> (“Complainants”) filed two separate complaints with CAO on behalf of their members in the Aguán Valley, Honduras, regarding concerns arising from the palm oil operations of an IFC client, Corporación Dinant (“the Company” or “Dinant”). The complaints raised a number of issues related to land disputes, displacement of communities, violence, use of security forces, and environmental impacts which the Complainants link to the Company’s palm oil operations in the Aguán Valley. At the time the complaints were filed, CAO was monitoring IFC’s actions to address findings from a CAO compliance investigation of IFC’s environmental and social performance with regard to its investment in the Company. The investigation had been triggered by CAO in 2012 and the investigation report was released in January 2014. The IFC management response to the CAO Audit and a proposed Enhanced Action Plan was drafted, and implementation began in April 2014.

CAO’s assessment of these complaints concluded with the Company’s decision for the complaints to be referred to CAO’s Compliance function for an appraisal of IFC’s environmental and social due diligence of the project. In their view, dialogue efforts continue to be explored through the work of the Consensus Building Institute (CBI) under the support of IFC and addressing the issues of concern would also require the willingness of other stakeholders to participate holistically, such as the Government of Honduras, other peasant movements, NGOs, amongst others. This report provides an overview of the CAO assessment process, including a description of the project, the complaints,<sup>3</sup> the views of the parties and next steps.

### 2. BACKGROUND

#### 2.1 The Project

IFC’s support for Dinant, a vertically-integrated palm oil and food Company headquartered in Tegucigalpa, Honduras, comprised a corporate loan to enable it to develop young palm oil plantations, increase production capacity in its snacks and edible oils divisions, expand and upgrade its distribution network, and build a biogas facility to generate electricity for its own and third-party consumption.<sup>4</sup> The total project cost, as indicated by IFC, was estimated at US\$75 million, and IFC’s investment was a \$30 million loan. Up to date only \$15 million were disbursed.

As specified by IFC, the Company owns palm oil plantations across the Aguán and Lean Valleys and operates two palm oil mills and an edible oil refinery near the cities of Tocoa and La Ceiba. IFC also indicates that the Company operates a port storage facility at Puerto

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<sup>1</sup> MCRGC is an associative company constituted by approximately 480 families who form part of the Panama community in the Aguán Valley.

<sup>2</sup> MUCA is a conglomeration of associated companies representing approximately 702 families from the Aguan Valley and together they constitute 16 companies.

<sup>3</sup> This CAO assessment report covers the assessment of the following two complaints Honduras / Dinant-02/Aguan Valley and Honduras / Dinant-03/Aguan Valley.

<sup>4</sup> Visit

<http://ifcext.ifc.org/ifcext/spiwebsite1.nsf/c9aba76ed1df1938852571c400727d66/2f9b9d3afcf1f894852576ba000e2cd0?opendocument> Accessed on October 16, 2016.

Castilla; owns vegetable greenhouses, soap manufacturing plant and a food processing plant in the Comayagua Valley; and has a snack plant in San Pedro Sula.

## **2.2 The Complaints**

The Complainants filed two separate complaints with CAO on behalf of their members in the Aguán Valley regarding concerns arising from the Company's palm oil operations. The complaints raise a number of issues related to land disputes, displacement of communities, violence, use of security forces, and environmental impacts which the Complainants link to Company's palm oil operations in the Aguán Valley.

The complaints were filed six months after CAO had released its Compliance Audit regarding IFC's investment in the Company.

## **3. ASSESSMENT PROCESS**

### **3.1. Methodology**

The aim of the CAO assessment is to clarify the issues and concerns raised by the Complainants, to gather information on the different stakeholders' views, and to determine whether the Complainants and the IFC client and project sponsor (Company) would like to pursue a dispute resolution process facilitated by CAO, or whether the complaint should be handled by CAO's Compliance function for appraisal of IFC's performance (see Annex A for CAO's complaint handling process). CAO does not gather information during assessment to make a judgment on the merits of the complaint.

In this case, CAO's assessment of the complaints comprised the following:

- a review of IFC project documentation, along with documents submitted by the IFC client, and the Complainants;
- meetings with community leaders and members of the communities that filed the complaints, MCRGC and MUCA;
- meetings with Company's staff from headquarters and field office;
- visit to Company's palm oil operations;
- meetings with the Plataforma Agraria and other peasant organizations;
- meetings with Government officials; and
- meetings with IFC's project team and World Bank representation in Honduras.

After finding the complaints eligible in August 2014, CAO initiated an assessment of the issues. A CAO team conducted two trips to Honduras in 2014 as part of its assessment. After consultation with the Complainants, the Company, and the Government of Honduras, and agreement from these stakeholders, CAO postponed completing its assessment to respect dialogue efforts already underway under the auspices of IFC through the work of the Consensus Building Institute (CBI).<sup>5</sup> Initiating a similar initiative could have duplicated or

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<sup>5</sup> According to IFC, IFC Management's Response and Action Plan in reaction to the CAO Compliance Audit of IFC's Investment in Dinant benefited from substantial feedback from stakeholders, including civil society and IFC's Board of Directors. IFC retained the services of CBI to provide support for a more robust conflict mapping and consultation process associated with building out and finalizing the Enhanced Action Plan and scoping the possibility for dialogue around the issues of concern. For more information, see: [http://www.ifc.org/wps/wcm/connect/region\\_ext\\_content/regions/latin%20america%20and%20the%20caribbean/strategy/corporacion\\_dinant](http://www.ifc.org/wps/wcm/connect/region_ext_content/regions/latin%20america%20and%20the%20caribbean/strategy/corporacion_dinant)

complicated the ongoing dialogue efforts. CAO's decision to postpone the assessment was formalized with the relevant parties in November 2014.

During 2015 and 2016, CAO followed up with the Complainants regarding progress in the dialogue efforts led by CBI to address their issues of concern. Between July and December 2016, CAO resumed the assessment at the request of the Complainants. The CAO team held conversations with the Company and the Complainants to help them assess the situation, and for CAO to better understand how they would like to move forward with the CAO process in the context of the ongoing work led by IFC and CBI.

Concurrently, CAO's Compliance function has been monitoring IFC's actions to address findings from CAO's 2014 Audit of IFC's environmental and social performance with regard to its investment in the Company. CAO Compliance released two monitoring reports during the period of 2015 – 2016.

### **3.2. Summary of Views**

CAO heard from the Complainants and the Company that there is a sense of impunity that prevails in the Aguán Valley region. The Complainants and the Company are deeply concerned about this. Both parties also shared their desire for a dialogue that might help resolve the conflict with decisive government participation and leadership.

After reviewing documents and holding meetings and discussions with the parties, CAO found divergent perspectives between the Complainants and Company representatives regarding the origins, history, and causes of the conflict in the Aguán Valley; the factors that drove the crisis of violence between 2009 and 2011; allegations of human rights violations during that period; dispute of land ownership; environmental impacts; and the role the World Bank Group has played.

#### *Complainants' perspective*

- The Complainants indicated that for years they have been victims of constant forceful and illegal displacements, killings, kidnaps, forceful disappearances, and human rights violations.
- They stated that the role of the World Bank during the agrarian reform in the 1990s in promoting the establishment of the Modernization of the Agrarian Activity Law,<sup>6</sup> was instrumental in exacerbating the conflict around land in the Aguán. They believed the process of land acquisition by the private sector under the auspices of the law and the World Bank was problematic and inadequate. After the law was enforced, from their perspective, land for agrarian reform was made available to be sold outside the parameters of the agrarian reform to the private sector, which promoted a cycle of extreme violence and fraud perpetuated against cooperatives and peasant enterprises with the objective to force them to sell their lands to the private sector and thus concentrate the land. The peasant movement initiated legal proceedings for the land to be returned. The Complainants are of the opinion that through corruption, violence and impunity their claims were never met and their access to justice was denied. They believed that their allegations for the land to be returned continued to be affected by corruption and killings. They believe the taken of the peasant's land by the private sector was detrimental to the peasants, and little attention was given to the long term negative socio-economic impacts it would bring to the region.

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<sup>6</sup> In Spanish "Ley para la Modernización y el Desarrollo del Sector Agrícola" can be found on the website of the National Agrarian Institute: [http://www.ina.hn/userfiles/files/ley\\_lmdsa.pdf](http://www.ina.hn/userfiles/files/ley_lmdsa.pdf)

- In their view, their constant advocacy for the land to be returned to the peasant communities, and for recognition of peasant rights to land, led as an outcome the agreement signed by one of the complainant groups, MUCA, with the Government of Honduras in 2010. According to the Complainants, the government committed to providing eleven thousand hectares of land to the peasant communities of the Aguán. Eventually, in 2012, the final agreement was signed and, as per the Complainants, approximately 3,900 hectares were provided to the communities through MUCA. At the time of writing of this report, MUCA claims there are still seven thousand hectares that have not yet been turned over to the peasant communities from the Aguán Valley, as agreed with the government in 2010. The Complainants fundamentally believe that the land is theirs by right and the government has the responsibility of returning it to them.
- They indicated that the creation by the Government of Honduras of the Violent Death Units of Bajo Aguán (UMVIBA)<sup>7</sup> and the Xatruch task force operation<sup>8</sup> have not helped to bring security and justice to the region. The Complainants expressed that for many years they have felt that their participation in fighting for return of land has resulted in their persecution, criminalization, fear driven by detentions and search of their homes without proper warrants, and, in some cases, has resulted in the assassination of their members. They claim that between 2009 and 2016 there are more than 150 peasant deaths in the Aguán. They believe there is an ongoing strategy to criminalize peasants' activities and fear that the measures put in place to bring security have not necessarily been helpful. Some examples they describe are the militarization of the area of the Aguán and the creation of the units mentioned above. In their view, these initiatives have created more tension and fear.
- In their view, for years, hundreds of peasants have been accused of usurpation while the authorities do not investigate the illegality of tenure of the businessmen who claim the right to land and thus accuse the peasants of usurpation.
- In their opinion, there have been human rights violation and environmental impacts due to the Company's operations. They hoped that CAO and World Bank Group would intervene to resolve the conflict that, in their view, was created by the intervention of the World Bank by promoting the Modernization of the Agrarian Activity Law in 1992 and financing the palm oil companies since then, which fundamentally changed the way peasants organized themselves in the area of the Aguán Valley.
- They indicated that a way forward in resolving the conflict would require:
  - creation of a high level international and independent commission to determine the origins of the conflict, land tenancy, and the selling-buying of land process during the 1990s;
  - demilitarization of the Aguán area;
  - return of the remaining seven thousand hectares of land to MUCA;
  - establishment of a team of international and independent experts to undertake and accompany the exhumation and forensic process in the Aguán region;
  - suspension or cancellation of all financing/investments including military aid to the government;
  - end to the criminalization of local leaders;

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<sup>7</sup> For more information on the creation of the UMVIBA by the Attorney General Office, Government of Honduras see: <http://www.sre.gob.hn/portada/2015/Mayo/08-05-15/Honduras%20cumple%20el%2082%20porcentaje%20de%20las%20recomendaciones%20del%20EPU%20de%20las%20Naciones%20Unidas.pdf> Accessed December 14, 2016.

<sup>8</sup> For more information on the creation of the Xatruch task force operation by the Executive Branch of the Government of Honduras see: <http://www.sre.gob.hn/portada/2015/Mayo/08-05-15/Honduras%20cumple%20el%2082%20porcentaje%20de%20las%20recomendaciones%20del%20EPU%20de%20las%20Naciones%20Unidas.pdf> Accessed December 14, 2016.



- return of land so the communities can have their livelihood restored and have space for the settlement of their families.
- The Complainants expressed that all the measures the Company has taken as a result of CAO's compliance investigation have not addressed the fundamental issue of security. In their view, the security protocols incorporated by the Company after the CAO's audit may have addressed the fact that the Company's private security forces are no longer armed. However, in their view, the violence and harassment has continued. They highlighted as problematic that the Company's property is now protected by military forces. Additionally, paramilitary groups have emerged in the region and have brought additional conflict, fear and concerns.

### *Company's perspective*

- The Company indicated that the issue of land is a concern that has been present in the Aguán Valley for many decades. From their perspective, the crisis started in 2009 and was addressed by President Lobo by facilitating funds for the peasant movement to buy land from Dinant; however, this has not yet satisfied the Peasant Movement expectations. In addition, in the Company's view the situation has been aggravated through the years by the violence and impunity that characterize the Aguán region.
- The Company described that the violence in the region is extended well beyond the area of influence of their operations and is a result of a complex set of factors. They claim they have also been victims of similar violence as heavily armed groups have assaulted and killed their security guards. They contend that the influence of organized illegal activities in the Aguán Valley is directly associated with the levels of violence the region is experiencing.
- The Company contends that there are diverse voices within the communities in the Aguán region and, in their view, representation of the peasant movement is not reflective of this diversity of viewpoint thus presenting a significant challenge in addressing the overall land conflict.
- According to the Company, between 1992 and 1995 they bought most of the lands in the Aguán from cooperatives on a willing seller, willing buyer basis, which led to the event of such cooperatives to be liquidated by the national regulatory agency and judicially no longer existed. According to the company, a minority were dissatisfied with this reality. As a result, only some members of the San Isidro Cooperative took their case to court. The Company indicated that the courts ruled that Dinant are the legal owners of the land in question. The latest dispute was resolved by the Honduran Supreme Court.
- In the Company's view, they had an open channel of communication with the peasant groups up until June 2009. The Company's perspective is that the conflict began in 2009 when the first incursion of land happened in the Aguán and forced evictions by the public authorities took place as a result of court rulings.
- According to the Company, since 2009 up to April 2010, approximately over 50 percent of their land has been occupied for at least some period of time by protestors, and 19 of Dinant staff or contractors have been killed as a direct result of defending themselves and company property from armed invasions. The economic loss for the Company for the period between 2009 and 2012 is approximately equivalent to \$67.8 million as per a study committed by the Company through a loss adjuster.
- The Company expressed that, in June 2009, President Jose Manuel Mel Zelaya Rosales committed to the creation of a commission to study Dinant's title deeds ownership with two possible outcomes: a) Dinant pays so the government could buy land in case Dinant had exceeded the legal amount allowed, if the findings showed that Dinant has excess land over a permit known as "Sobretechos" (over the limit permits) – since in the Aguán in accordance with agrarian law the limit was established at 300 hectares, unless a "Sobretechos" permit was issued by legal authority; or b) return the land if Dinant was not able to provide funds to pay for it. If Dinant was complying with the law, they indicated,

none of these options would be applied. He also promised houses for peasant families. Any opportunity President Zelaya may have had to fulfill his commitments was cut short due to his early exit from the Presidential term on June 28, 2009, qualified by some parties as a coup d'état.

- According to the Company, between the period of 2010-2012, a process was put in place by the Government of Honduras to reduce tensions, whereby MUCA was able to acquire land. The process, which started in April 2010, was set up as a direct response to the violence and tension among groups that, in their view, had invaded the Company's property protected by private security forces. The process was marked by violence and resulted in land being transferred from the Company to the peasant movement MUCA, with funds provided by the government through commercial banks. The total land transferred was 3,962.50 hectares paid through government aid and arrangements between the government and MUCA.
- The Company indicated that a new agreement was then signed in April 2010 between the government of President Porfirio Lobo and MUCA. This time the agreement established that land would be provided with the support of government and 100 houses were promised for social projects. The government was expected to identify the land, and provide financing. As recalled by the Company, President Lobo also agreed to provide peasants with a total of eleven thousand hectares of land – four thousand with plantations and seven thousand with no plantations.
- According to the Company, in November 2012, MUCA received a credit equivalent to \$27.3 million to buy the land (3,962.50 hectares of palm plantations) that was still company's property but had remained invaded under the April 2010 agreement, between President Lobo and MUCA. They were given 3 to 5 years of forgiveness on the principal (depending upon specific characteristics for every Plantation sold), only being responsible to pay the accrued interest. MUCA made its first payment in November 2013 and the government has had to support the organization to cover these costs. According to the Company, the delay in MUCA's decision to sign the agreement led the Company to once again request eviction orders in June 2012. The government subsequently changed its position and started to put pressure on MUCA to move forward and reach an agreement. By November 2012, the buying-selling process was legalized and finalized and 3,962.50 hectares (7 farms) were acquired by MUCA.
- The Company expressed that in January 2014, MCRGC approached the Company to determine whether they would be interested in selling the Paso Aguán farm. MCRGC based their request on the fact that the Government still owed MUCA seven thousand hectares. The Company believes that the land proceeded to be invaded in 2014 because in their view the outcome that MCRGC was looking for could not be achieved.
- It also states, that since the Government's deployment of Xatruch in 2011, violent incidents throughout the Aguán have dropped dramatically. The Company states that there have been no deaths related to the land conflicts over the last 18 months. In their view, Xatruch has prevented many land seizures, and evicted invaders quickly and peacefully in accordance with Honduran law and the rulings of the courts. The Company makes every effort to ensure that its relationship with Xatruch continues to be based on principles of independence, transparency and co-operation.
- The Company indicated that, as part of its expanded community engagement program, it has established regional Community Grievance Mechanisms intended to provide all members of the public with simple, safe and reliable ways of making complaints and requests, and providing feedback. From their perspective the Grievance Mechanisms has been established in collaboration with local people and are operating in Comayagua, Leán, San Pedro Sula and the Bajo Aguán. Community Liaison Staff based in each region are tasked with proactively engaging with all local communities, listening to concerns, and wherever possible finding ways to improve the quality of life of all local people. The company has expressed its willingness for third parties to visit and learn about its community engagement program as well as its grievance mechanism.

- The Company expressed they have consistently and publicly supported the approach being suggested by the Consensus Building Institute (CBI), under the supervision of the IFC, to seek resolutions to ongoing problems in the Aguán. As part of the CBI Roadmap, Dinant has agreed for an independent board to review its land titles and related documents, and for the findings to be made public.

### 3.3 CAO assessment and its timeframe

As mentioned above, CAO's decision to postpone the assessment of the two complaints was discussed and agreed with the relevant parties. Between November 2014 and December 2016, CAO followed up closely with the Complainants, Company, CBI and IFC on the process underway, including progress and challenges that lay ahead for ongoing dialogue efforts. CBI spent several months undertaking participatory stakeholder mapping, identifying issues of concern (in particular regarding impunity, land, and inclusive economic development) and then formulating a first and second draft documenting those concerns and defining a framework for possible dialogue to address them. This document is known as the Roadmap. Stakeholders engaged included the Complainants, local and international CSOs, the Government, the Company and local community members.

CBI's Road Map suggested four areas that would need to be covered by an ongoing dialogue process with an inclusive group of stakeholders, concerning:

- Dinant's use of security forces and associated protocols, protection of human rights, community engagement and grievance mechanisms and their implementation.
- Clarifying key structural issues and facts regarding the Aguán via an expert assisted and government led process aimed at:
  - Strengthening the ongoing Aguán Criminal Investigation.
  - Understanding the origin of land tenure and transfer disputes in order to inform future inclusive development.
- Envisioning and aligning on a joint effort of Socio-economic Inclusive Development for the Aguán.
- Strengthening multi-party negotiation and dispute resolution capacity.

Both the Company and the Complainants welcomed the opportunity to discuss the initial design of the draft proposal. According to the Company, they thought the involvement of a third-neutral expert would afford an opportunity to look at land titles and define whether land transfer and ownership patterns and process had been undertaken in a manner consistent with Honduran law. The Company also expressed that they remain committed to dialogue, and disputed all allegations of violence. The Complainants expressed reservations about engaging in consultations and ultimately in participating in these efforts since, in their view, they were still being criminalized, harassed, and in some instances assassinated.<sup>9</sup> Nonetheless, on several occasions, the Complainants voiced their desire to sit with the government as soon as possible to demand that judicial persecution of peasant groups be stopped and to resume conversations about the 7,000 hectares of land promised to them by an agreement with the government during the Presidency of Porfirio Lobo Sosa.

It is CAO's understanding that CBI's proposal helped ground the discussions by proposing a track to address contentious issues related to the land conflict in the Aguán Valley. However, the Complainants did not believe the road map adequately represented their views or demands, and from their perspective the process focused in helping the Company comply with IFC's guidelines and not in supporting the already negatively impacted communities. They believed it favoured the Company and the Government of Honduras and misrepresented the

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<sup>9</sup> On October 18, 2016, MUCA's president, José Ángel Flores, was shot dead by a group of men outside MUCA's office in the community of La Confianza in the Bajo Aguán, deepening the Complainants' concerns over criminalization and persecution.

reality on the ground. From their perspective, dead bodies continued to be found on the Company's properties, Company's security guards were not armed but the military had a base within Company's properties. They state that the road map served to divide communities and as a tool for informing the Company and the government about the communities, and that community leaders have been harassed and persecuted.

After considering the Road Map process and whether CAO should continue the assessment, the Complainants determined that CAO should continue and, in that context, confirmation was obtained from the Company that they did not want to pursue dialogue under the auspices of the CAO. Therefore, at the request of the Complainants, CAO re-opened the assessment of the two complaints. As part of its assessment, CAO sought conversations with the Company and Complainants. The Company informed CAO that dialogue efforts with the Complainants had been explored as part of the CBI process under the support and auspices of the IFC, and reiterated that the Roadmap process which involved multiple stakeholders and most particularly the Government was their preferred way to proceed, and therefore the complaints should be referred to CAO Compliance. The Complainants indicated their openness to dialogue regarding a way forward in resolving the conflict. This would require a conversation about their points outlined on page 8 of this document.

#### **4. NEXT STEPS**

Given the voluntary principle guiding participation in a CAO dispute resolution process, and lack of agreement between the parties in pursuing a dispute resolution process, CAO's assessment concluded with the complaints being referred to CAO's Compliance function.

In accordance with CAO's Operational Guidelines, the complaints will be handled by CAO Compliance for appraisal of IFC's environmental and social due diligence of the project.

## ANNEX A. CAO COMPLAINT HANDLING PROCESS

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) of the World Bank Group. CAO reports directly to the President of the World Bank Group, and its mandate is to assist in addressing complaints from people affected by IFC/MIGA supported projects in a manner that is fair, objective and constructive and to enhance the social and environmental outcomes of those projects.

The initial assessment is conducted by CAO's Dispute Resolution function. The purpose of CAO's assessment is to: (1) clarify the issues and concerns raised by the complainant(s); (2) gather information on how other stakeholders see the situation; and (3) help stakeholders understand the recourse options available to them and determine whether they would like to pursue a collaborative solution through CAO's Dispute Resolution function, or whether the case should be reviewed by CAO's Compliance function.

As per CAO's Operational Guidelines,<sup>10</sup> the following steps are typically followed in response to a complaint that is received:

- Step 1: **Acknowledgement** of receipt of the complaint
- Step 2: **Eligibility:** Determination of the complaint's eligibility for assessment under the mandate of the CAO (no more than 15 working days)
- Step 3: **CAO assessment:** Assessing the issues and providing support to stakeholders in understanding and determining whether they would like to pursue a consensual solution through a collaborative process convened by CAO's Dispute Resolution function, or whether the case should be handled by CAO's Compliance function to review IFC's/MIGA's environmental and social due diligence. The assessment time can take up to a maximum of 120 working days.
- Step 4: **Facilitating settlement:** If the parties choose to pursue a collaborative process, CAO's dispute resolution function is initiated. The dispute resolution process is typically based or initiated by a Memorandum of Understanding and/or mutually agreed upon ground rules between the parties. It may involve facilitation/mediation, joint fact-finding, or other agreed resolution approaches leading to a settlement agreement or other mutually agreed and appropriate goals. The major objective of these types of problem-solving approaches will be to address the issues raised in the complaint, and any other significant issues relevant to the complaint that were identified during the assessment or the dispute resolution process, in a way that is acceptable to the parties affected<sup>11</sup>.

OR

**Compliance Appraisal/Investigation:** If the parties opt for a Compliance process, CAO's Compliance function will initiate an appraisal of IFC's/MIGA's environmental and social due diligence of the project in question to determine whether a compliance investigation of IFC's/MIGA's performance related to the project is merited. The appraisal time can take up to a maximum of 45 working days. If an investigation is

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<sup>10</sup> For more details on the role and work of CAO, please refer to the full Operational Guidelines: [http://www.cao-ombudsman.org/documents/CAOOperationalGuidelines\\_2013.pdf](http://www.cao-ombudsman.org/documents/CAOOperationalGuidelines_2013.pdf)

<sup>11</sup> Where stakeholders are unable to resolve the issues through a collaborative process within an agreed time frame, CAO Dispute Resolution will first seek to assist the stakeholders in breaking through impasse(s). If this is not possible, the Dispute Resolution team will inform the stakeholders, including IFC/MIGA staff, the President and Board of the World Bank Group, and the public, that CAO Dispute Resolution has closed the complaint and transferred it to CAO Compliance for appraisal.

found to be merited, CAO Compliance will conduct an in-depth investigation into IFC's/MIGA's performance. An investigation report with any identified non-compliances will be made public, along with IFC's/MIGA's response.

Step 5: **Monitoring** and follow-up

Step 6: **Conclusion**/Case closure