



## **CAO ASSESSMENT REPORT**

**Complaint regarding IFC Investment in Bank Alfalah  
(Project # 34773)**

**Karachi, Pakistan**

September 2015

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

## **About the Compliance Advisor Ombudsman**

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), the private sector arms 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.

For more information, see [www.cao-ombudsman.org](http://www.cao-ombudsman.org).

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**LIST OF ACRONYMS**

CAO	Compliance Advisor Ombudsman
IFC	International Finance Corporation
MIGA	Multilateral Investment Guarantee Agency

## **1. OVERVIEW**

In May 2015, CAO received a complaint from a former employee of Bank Alfalah, an IFC client, citing labor concerns. During the assessment, the complainant expressed a desire to pursue a CAO dispute resolution process, while Bank Alfalah did not believe a dispute resolution process would meet its interests at this time. Given the voluntary nature of CAO's dispute resolution process, the complaint will now be handled by CAO's Compliance function. This Assessment Report provides an overview of the assessment process, including a description of the project, the complaint, the assessment methodology, and next steps.

## **2. BACKGROUND**

### **2.1. The Project**

According to IFC, Bank Alfalah, is a commercial bank organized under the laws of Pakistan and is the 5th largest private bank in the country, its total assets representing a 5.9% market share. Bank Alfalah is a listed bank, trading on the Karachi, Lahore and Islamabad Stock Exchanges. The main sponsors of the bank are the Abu Dhabi Group.

IFC's 2014 project with Bank Alfalah is intended to help the Bank pursue its growth plans. Through the investment, IFC supports Bank Alfalah in growing the bank's conventional and Islamic banking operations and increase penetration into priority areas like SME banking, access to finance and agribusiness finance.

IFC's investment consists of \$65.4 million in equity. The project is categorized as FI-2.

### **2.2. The Complaint**

In May 2015, CAO received a complaint from a former employee of Bank Alfalah raising concerns about employment termination, lack of due process and labor discrimination. Section 3.1 contains a more detailed description of the issues raised in the complaint.

## **3. ASSESSMENT**

CAO determined that the complaint met its eligibility criteria in May 2015, and undertook an assessment of the complaint. The purpose of a CAO assessment is to clarify the issues and concerns raised by the complainants, to gather information on how other stakeholders see the situation where relevant, and to discuss the Dispute Resolution and Compliance with the parties. During assessment, CAO does not gather information to make a judgment on the merits of the complaint. (See Annex A for a complete description of the CAO complaint handling process.)

### **3.1. Methodology**

CAO's assessment of the complaint consisted of:

- a review of project documents;
- telephonic conversations with the complainant;
- telephonic conversations with representatives of Bank Alfalah; and
- discussions with the IFC project team.

### **3.1.1. Summary of Issues**

This section summarizes the Complainant's and Bank Alfalah's perspectives regarding the CAO complaint. This summary does not comprise a judgment by CAO about the merits of the complaint.

#### *Complainant's perspective*

The complainant claims his employment was wrongfully terminated by Bank Alfalah in March 2015, without cause or explanation, and without due process. The complainant identifies himself as a religious minority, and contends that as such he did not receive the same treatment in terms of salary increments and promotions as other employees of comparable education, years of experience and performance. He perceives that, in practice, his employment termination and lack of salary raises and promotion were due to discrimination on religious grounds in the work place. The complainant states he has made attempts to communicate with Bank Alfalah to raise these issues but he has not received a response. In June 2015, the complainant filed a grievance against Bank Alfalah in the National Industrial Relations Commission Karachi Bench the outcome of which is pending.

The complainant states that he has nothing against Bank Alfalah, and he would like to be reinstated to his former job or within a different department, in a position reflecting his experience, his performance and the salary increases that he believes are due to him for his service.

#### *Bank Alfalah's perspective*

Bank Alfalah stated that it is an equal opportunity employer and that it has processes in place for appropriate employment termination. After reviewing the particulars of the case, Bank Alfalah stated that it does not see any evidence that due process was not followed, nor does it see evidence of labor discrimination. Considering that a legal process has been initiated by the complainant, the Bank determined that engaging in a dispute resolution process with the complainant would not be prudent at this time.

### **3.1.2. Next Steps**

While the complainant expressed interest in pursuing a dispute resolution process convened by CAO, Bank Alfalah decided dispute resolution was not appropriate at this time. Given the voluntary nature of CAO's Dispute Resolution processes and in accordance with CAO's Operational Guidelines, the case will be referred to CAO Compliance for appraisal of IFC's due diligence in regards 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.

This document is a preliminary record of the views heard by the CAO team, and explanations of next steps depending on whether the parties choose to pursue a Dispute Resolution process or prefer a CAO Compliance process. *This report does not make any judgment on the merits of the complaint.*

As per CAO's Operational Guidelines,<sup>1</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:** CAO conducts an assessment of the issues and provides 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 a 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 goal. 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>2</sup>.

or

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<sup>1</sup> For more details on the role and work of CAO, please refer to the full Operational Guidelines: [http://www.cao-ombudsman.org/documents/CAOOperationalGuidelines2013\\_ENGLISH.pdf](http://www.cao-ombudsman.org/documents/CAOOperationalGuidelines2013_ENGLISH.pdf)

<sup>2</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 of IFC/MIGA project performance.

**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 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**