



## Ombudsman Conclusion Report

*This report summarizes the CAO's complaint handling process on the IFC-supported Rainforest Ecodge project in Sri Lanka*

### Summary of the Complaint and CAO Ombudsman Process

Located close to the Sinharaja Rainforest in southern Sri Lanka, the Rainforest Ecodge (REC) is a joint venture eco-tourism project set up by several private sector companies in the tourism industry. IFC, through its South Asia Enterprise Development Facility (SEDF), is providing technical advisory services to the project to obtain US Green Building Certification, and promote eco-tourism in the country.



In August 2009, a local NGO - Save the Sinharaja Campaign - filed a complaint with the CAO on behalf of residents of the Deniyaya Village in Sri Lanka. The complainants raise concerns about how the project benefits local communities living in and around the area. The complaint also raises environmental concerns, including felling of trees within the 1.6 kilometer

prohibition zone and damming of a river tributary which the complainants believe threatens the rich biodiversity of the Sinharaja Rainforest - a UNESCO World Heritage Site.

### Activities

CAO Ombudsman conducted a field assessment in October 2009 and discussed the claimant's issues with local stakeholders. During this field visit, the CAO was given the opportunity to meet with representatives from the following institutions:

- Deniyaya Kotapola Pradeshiya Sabha (Local Council)
- Community Members
- Central Environmental Authority (Government of Sri Lanka)
- IUCN
- UNESCO
- United States Agency for International Development (USAID)
- REC

These wide ranging conversations allowed for a balanced and thorough understanding of the project, as well as issues impacting local communities and the environment. The Assessment revealed a history of concerns about the implementation of the project, but also a trend of corrective actions and improving relationships. As one tangible example, REC had recognized its error in building 'treetop' chalets in forest fragments, and had dismantled these structures.

### Outcomes

In discussion with the company, IFC, and the claimant, the CAO has secured the agreement from all parties to address the

issues raised in the complaint. Specifically, REC has welcomed the involvement of the Claimant or other community representatives to visit the site and verify implementation of the project. REC has agreed to public disclosure of environmental permits and impact assessments; a dialogue with government, World Conservation Union (IUCN) and UNESCO to promote demarcation of the forest boundary; and preparation of a locally-owned community development plan. In addition, IFC Advisory Services has accepted the CAO's recommendation to revise its procedures for social and environmental requirements on IFC managed Advisory Services projects in order to improve identification, mitigation and supervision of E&S risks. These new procedures are currently being applied.

Periodic updates have confirmed that implementation has proceeded on the ground and IFC continues to monitor the situation with regard to the CAO's recommendations. REC's relationship with the local council has improved with better information sharing and relationship building. REC has also been engaged in conducting activities benefiting the local community such as monthly health clinics, entering into supply agreements, and public health awareness programs.

The CAO's understanding is that dialogue has continued with the Forest Department and authorities responsible for demarcation of the forest boundary, but that this issue cannot be fully resolved by REC alone. The Forest Department holds the responsibility for this activity and it is a wider concern for many national stakeholders across the whole of the forest boundary, not just the REC site. REC continues to urge the Forest Department to address this complex issue.

## Lessons and Insights

1. Casting a wide net for discussions with multiple stakeholders on all sides of the complaint issues was important to resolving this case. The CAO was able to access senior representatives of both IUCN and UNESCO, both of whom were able to provide an independent and critical perspective on the project and its context. In addition, the perspective of the Central Environmental Authority was helpful to understanding the impact assessment process and permitting.
2. The meetings with representatives of the Deniyaya Kotapola Pradeshiya Sabha (local Council) were essential to understand local capacity and existing processes for assurance relating to environmental and social commitments of the project. The representatives were clearly well informed, challenging and professionally skeptical of the project, while at the same time constructive in their approach.
3. This complaint is indicative of an opportunity for IFC to provide more effective, targeted support to its Sponsors in Advisory projects. For example, an appraisal by a relevant IFC Specialist combined with guidance on supportive actions and appropriate disclosures (for example of the Initial Impact Assessment) would have been helpful in supporting the Sponsor to address some of questions raised in this case. The CAO is encouraged that IFC Advisory Services has taken the initiative to revise its procedures for social and environmental requirements and looks forward to improved implementation.

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*Complete documentation on this case, including CAO's Assessment Report and IFC's Management Response, are available on the CAO website at [www.cao-ombudsman.org](http://www.cao-ombudsman.org)*