



**CAO response to complaints in relation to IFC's investments
in the Wilmar Group of companies**

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Background

During 2007 and 2008 the CAO received two wide-ranging complaints from communities and civil society groups in relation to IFC's investments with Wilmar – a major palm oil supplier and trader based in Singapore. Both complaints relate to social and environmental concerns arising from Wilmar's plantations and supply chain in Indonesia: predominantly issues relating to the appropriation of land and environmental effects associated with land clearance.

The CAO field assessments identified ambiguity of land titling and approval processes for land allocation as being a source of significant social conflicts. As is the case in many forest areas of Indonesia, traditional, elected and appointed leaders differ in their interpretation of community boundaries and procedures for deciding alternative options for land use. The introduction of a major multinational palm oil company seeking land for plantation expansion resulted in a surfacing of these underlying conflicts.

Based on these assessments, the CAO identified a shared interest among the local stakeholders to assist with the resolution of these disputes. A primary motivation for the Wilmar Group is its commitment to meet its expansion targets and the demands for provision of palm oil in accordance with its obligations under the Roundtable for Sustainable Palm Oil (RSPO) which will require informed consent from affected communities. The parties agreed to a framework for assisted negotiation that involved capacity building among community members and included joint fact-finding and participatory mapping involving the company, community and members of the local government.

Outcomes

With respect to the first complaint, the CAO provided assistance to over 1000 community members and Wilmar's plantation companies in West Kalimantan to achieve negotiated settlements for land claims of 3171 hectares and compensation. The agreements include compensation for land at mutually acceptable rates, the return of 1699 hectares of community forest land, and the allocation of development funds for each community. These agreements are seen as an important signal within Indonesia and more widely in the sector demonstrating that social conflicts can be resolved through a non-adversarial process in a relatively short time frame. Both civil society groups as well as Wilmar have voiced their commitment to the benefits of alternative dispute resolution as an important tool for resolving complex concerns.



With respect to the second complaint, the CAO has sponsored an approach focused on mentoring and monitoring on two further company-community processes in the Jambi and Riau Provinces in Indonesia in disputes around land tenure similar to those in the Sambas process. This approach ensures that lessons and insights learned from the experience in Kalimantan are made available to the parties and that each is provided with support to promote a mutually acceptable settlement of complex issues.

Structural and systemic issues

The conflicts experienced by communities represented in these complaints and Wilmar in Indonesia have multiple causes. It is widely recognized that these types of conflicts are not unique to Wilmar, nor to these specific communities. Structural issues relating to land tenure; the ambiguity between traditional and formal use-rights; and administrative procedures for land allocation among multiple agencies and layers of government are some of the deeper roots that have given rise to the current situation. CAO continues to encourage IFC and IBRD to work closely to address these structural issues in a way that is respectful of vulnerable groups and promotes outcomes that offer greater security and predictability for land-users as well as investors.

With respect to IFC's due diligence and risk appraisal, the CAO has completed a detailed audit of policies and procedures. The audit identifies systemic concerns particularly in relation to assessment of risk in supply chains and the procedure for environmental risk categorization of trade finance facilities.