November 10, 2021
Office of the Compliance Advisor Ombudsman (CAO)

COMPLIANCE APPRAISAL: SUMMARY OF RESULTS

Alcazar Energy (IFC Project # 35909)
Jordan

Complaint 01

Alcazar Energy Partners Limited (Alcazar Energy or "the client") is a renewable energy platform company currently operating solar and wind energy projects through special purpose vehicles in Jordan and Egypt. Alcazar Energy was established in 2014 and was previously known as Gaia Energy Partners Limited.

Between 2015 and 2017, IFC and IFC Asset Management Company each committed $38.8 million to Alcazar Energy, alongside several other investors. The purpose of IFC's investment in Alcazar Energy was to support the client's development, acquisition, and operation of small to medium scale renewable energy projects. IFC also provided early support to Alcazar Energy through technical expertise on environmental and social standards and corporate governance.

Alcazar Energy acquired the Al Rajef Wind Farm (Al Rajef or "the Project") in February 2016 from Green Watts Renewable Energy LLC. Al Rajef is an 86.1 MW wind power project consisting of 41 wind turbines located in the Ma'an Governorate in southwestern Jordan. The Project was fully operational by November 2018.

In February 2020, an individual filed a complaint to CAO alleging noise impacts from the Al Rajef Wind Farm. The complaint was deemed eligible in March 2020, and the complainant requested confidentiality. CAO had difficulty contacting the complainant during assessment and dispute resolution processes. Though contact was reestablished, the parties were not able to reach agreement during dispute resolution. As a result, in April 2021 the complaint was transferred to CAO's compliance function. CAO was not able to establish contact with the complainant during the compliance appraisal process.

Following transitional arrangements agreed as part of the CAO Policy process, CAO's 2013 Operational Guidelines govern this complaint. Applying the Operational Guidelines, the purpose of a CAO compliance appraisal is to ensure that compliance investigations are initiated for those projects that raise substantial concerns about environmental and/or social (E&S) outcomes, and/or issues of systemic importance to IFC/MIGA.

During IFC's pre-investment review, IFC determined that Alcazar Energy was a Category A investment on the basis that its prospective investments had potential significant adverse E&S risks and/or impacts. Prior to investing, IFC worked with the client to develop its corporate-level E&S Management System (ESMS), which IFC required to be aligned with the Performance Standards (PSs).

Alcazar Energy was a new company with no history of project implementation at the time of IFC's pre-investment review. However, IFC had previously worked with members of Alcazar Energy's management team on other projects financed by IFC. IFC relied on the track record of the individual members of the client's management team and their experience managing E&S issues in other companies, as well as their willingness to engage on E&S issues at the corporate level, to assure itself of the client's capacity to effectively manage the E&S performance of its future projects consistent with IFC requirements. IFC also required the client to develop monitoring and reporting requirements as part of its corporate ESMS. However, IFC did not reserve the right review the client's E&S due diligence prior to acquiring new assets.

Considering the E&S risk categorization IFC applied to the investment (Category A) it is not clear that IFC's pre-investment E&S review was sufficient to provide assurance that the client could implement IFC's E&S requirements at the project level within a reasonable period of time. This is the threshold requirement for an IFC investment.

Concerns regarding the strength of IFC's pre-investment E&S review notwithstanding, CAO's review indicates that IFC undertook E&S supervision activities at both corporate-level and in relation to Al Rajef Project. This included review of Project E&S documentation and a site supervision visit. Following receipt of the CAO complaint in 2019, IFC followed up with the client in relation to its management of noise impacts from Al Rajef, concluding that these were in line with good international industry practice. IFC also followed up with the client in relation to its handling of community grievances with a focus on noise impacts.

Considering the limited information from the complainant about the noise impacts claimed as well as the client's E&S documentation, and documentation of its community grievance mechanism (including its response to similar noise complaints that were reported as resolved), CAO has not identified evidence of significant adverse E&S outcomes of the project and/or issues of systemic importance to IFC that would warrant a compliance investigation. On this basis, CAO has decided to close the complaint. CAO notes that this decision does not preclude a future complaint that provides new information in relation to the issues raised by the complainant or other potential E&S impacts of the Project.

About CAO

The Office of the Compliance Advisor Ombudsman (CAO) is an independent recourse and accountability mechanism that receives complaints from communities and persons who may be affected by the projects that the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) support. The CAO reports directly to the Boards of IFC and MIGA ("the Board") and is fully independent of IFC/MIGA management.

CAO was established in 1999. As of July 2021. CAO carries out its work in accordance with the IFC/MIGA Accountability Mechanism Policy ("the CAO Policy").

Through the exercise of dispute resolution, compliance, and advisory functions, CAO's mandate is to:

- Facilitate the resolution of complaints from people who may be affected by IFC/MIGA projects or sub-projects in a manner that is fair, objective, and constructive;
- Enhance the environmental and social outcomes of projects in which those institutions play a role; and
- Foster public accountability and learning to enhance the environmental and social performance of IFC and MIGA and reduce the risk of harm to people and the environment.

CAO's Compliance Function

The purpose of the CAO compliance function is to carry out reviews of IFC/MIGA's compliance with E&S Policies, assess related Harm, and recommend remedial actions where appropriate.[1] The CAO compliance function follows a three-step approach: (1) compliance appraisal, which determines whether further investigation is warranted. If warranted, the appraisal is followed by (2) compliance investigation and (3) compliance monitoring.[2]

Following transitional arrangements agreed as part of the CAO Policy process, this compliance appraisal report was prepared following CAO's 2013 Operational Guidelines.[3]

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

[1] IFC/MIGA Independent Accountability Mechanism (CAO) Policy, para. 76.
[2] Ibid, para. 79.
[3] CAO Transitional Arrangements were published in July 2021 and are available at https://bit.ly/3wSnue3.

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Acronyms

Acronym	Definition
AEPR	Annual Environmental Performance Report
AMR	Annual Monitoring Report
CAO	Office of the Compliance Advisor Ombudsman (IFC and MIGA)
E&S	Environmental and Social
EHS	Environmental, Health and Safety
ESIA	Environmental and Social Impact Assessment
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
ESMS	Environmental and Social Management System
ESRS	Environmental and Social Review Summary
ESRP	Environmental and Social Review Procedures
FI	Financial Intermediary
FPIC	Free, Prior and Informed Consultation
IFC	International Finance Corporation
MIGA	Multilateral Investment Guarantee Agency
PS	Performance Standards (IFC)
SII	Summary of Investment Information

I. Overview of the Compliance Appraisal Process

As noted above, following transitional arrangements agreed as part of the CAO Policy process in 2021,[4] this compliance appraisal report was prepared following CAO's 2013 Operational Guidelines.

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 the CAO compliance function for appraisal and potential investigation.

The focus of the CAO compliance function is on 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's/MIGA's implementation of measures to meet the relevant policy requirements, it will be 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 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 regarding environmental and/or social outcomes, and/or issues of systemic importance to IFC/MIGA.

To guide the compliance appraisal process, CAO applies several basic criteria. These criteria test the value of undertaking a compliance investigation, as CAO seeks to determine whether:

- There is evidence of potentially significant adverse environmental and/or social outcome(s) now, or in the future.
- There are indications that a policy or other appraisal criteria may not have been adhered to or properly applied by IFC/MIGA.
- 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 with the specific project and other stakeholders to understand which criteria IFC/MIGA used to assure itself/themselves of the performance of the project, how IFC/MIGA assured itself/themselves of compliance with these criteria, how IFC/MIGA assured itself/themselves 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 or MIGA.

II. Background

<u>Investment</u>

Alcazar Energy Partners Limited (Alcazar Energy or "the client") is a renewable energy platform company currently operating solar and wind energy projects through special purpose vehicles in

[4] "IFC/MIGA Independent Accountability Mechanism (CAO) Policy Transitional Arrangements," available at: http://www.cao-ombudsman.org/documents/CAOPolicy-TransitionalArrangements.pdf

Jordan and Egypt. The client was established in 2014 and was previously known as Gaia Energy Partners Limited.

In May 2015, the IFC Board approved a $25 million commitment in exchange for a minority stake in Alcazar Energy (project number 35909). IFC Asset Management Company (AMC) also committed $25 million to Alcazar Energy, alongside several other investors, including Alcazar Renewables Energy II. IFC and AMC's commitments increased to $38.8 million each in 2017.

The purpose of IFC's investment in Alcazar Energy was to support the client's development, acquisition, and operation of small to medium scale renewable energy projects. IFC also provided early support to Alcazar Energy through technical expertise on environmental and social standards and corporate governance.

Alcazar Energy acquired the Al Rajef Wind Farm (Al Rajef or "the Project") in February 2016 from Green Watts Renewable Energy LLC. Al Rajef is an 86.1 MW wind power project consisting of 41 wind turbines located in the Ma'an Governorate in southwestern Jordan. Construction of the wind farm began in 2017 and it was fully operational by November 2018.

While IFC and AMC have an equity stake in Alcazar Energy and project loans to the client's projects in Egypt, they do not have a direct investment in Al Rajef. The European Bank for Reconstruction and Development (EBRD), Proparco (subsidiary of the French Development Agency), and DEG (subsidiary of German development bank KfW) provided direct financing for Al Rajef Wind Farm and E&S technical support.[5]

Complaint and CAO Assessment

CAO received a complaint regarding Alcazar Energy's Al Rajef Wind Farm in February 2020. The complainant, a resident of Al Rajef, asserts that three wind turbines near his home, at a distance of about 650 meters, 1000 meters, and 1200 meters respectively, cause a daily nuisance due to noise and exposure to flashing lights. While the complaint was filed by a single complainant, it is alleged that several neighbors are also affected and that there was no previous assessment of the Al Rajef wind farm's impacts on local communities. The complainant requested confidentiality.

The complaint was deemed eligible in March 2020 and proceeded to CAO's assessment process. During assessment, the complainant clarified that his complaint was limited to noise, not flashing lights. Both the complainant and the client agreed to engage in a dialogue process to resolve the dispute. There was a delay in the assessment process due to difficulty establishing contact with the complainant. The complaint was transferred to the CAO dispute resolution function in October 2020.

The dispute resolution process began in November 2020 with dialogue between the parties; however, it was not possible to proceed with the dispute resolution process due to difficulties in maintaining contact with the complainant. After numerous failed attempts to contact the complainant, CAO terminated the dispute resolution process and transferred the complaint to CAO Compliance function in April 2021.

[5] "Al Rajef Wind Farm," Alcazar Energy project fact sheet, available at: https://alcazarenergy.com/wp-content/uploads/2021/01/Project-Fact-Sheets_Al-Rajef-86MW.pdf

III. Analysis

This section outlines the IFC E&S policies and procedures as applicable to the client and the project. It then considers IFC's performance against these standards during preparation and implementation of the project and in the context of the issues raised by the complainant.

IFC Policies and Procedures

IFC's investment in Alcazar Energy was made in the context of its 2012 Policy on Environmental and Social Sustainability ("the Sustainability Policy") and Performance Standards (PS), together referred to as the Sustainability Framework. Through the Sustainability Policy, "IFC seeks to ensure, through its due diligence, monitoring, and supervision efforts, that the business activities it finances are implemented in accordance with the requirements of the Performance Standards" (para. 7). The Sustainability Policy also notes that "central to IFC's development mission are its efforts to carry out investment and advisory activities with the intent to 'do no harm' to people and the environment" (para. 9). IFC will invest in a project only when the activities it finances "are expected to meet the requirements of the Performance Standards within a reasonable period of time" (para 22).

The Sustainability Policy provides that IFC will undertake a process of E&S due diligence in a manner that is "commensurate with the nature, scale, and stage of the business activity and with [its] level of environmental and social risks and impacts" for all new investments (para. 26). In this process, IFC "weighs the costs and benefits of the proposed business activity" (para. 21) and presents these to its Board for approval.

IFC's E&S pre-investment review should include the following key components: "(i) reviewing all available information, records and documentation related to the environmental and social risks and impacts of the business activity; (ii) conducting site inspections and interviews of client personnel and relevant stakeholders, where appropriate; (iii) analyzing the business activity's environmental and social performance in relation to the requirements of the Performance Standards and provisions of the World Bank Group Environmental, Health and Safety Guidelines or other internationally recognized sources, as appropriate..." (SP para. 28).

In the case of corporate investments where the use of proceeds may be unknown at the time of investment, the 2013 Environmental and Social Review Procedure (ESRP) provides additional guidance on IFC's E&S due diligence: "IFC's review will take into account the full range of operations undertaken by the entity in which IFC plans to invest, including any significant operations undertaken by its subsidiaries and companies for which it has management control…[IFC's] review involves the investigation of the capacity, maturity, and reliability of the client's E&S corporate management system to effectively manage E&S performance, including its ability to enable current and future project compliance with IFC's PSs. When possible the review also considers the E&S performance of a representative set of past and prospective identified projects as a measure of management system effectiveness." (ESRP para. 2.1). It further outlines the type of documents in the client's corporate management system that the E&S officer should request and review, including E&S policies and procedures and "[o]rganizational structure with sufficient resources and capacity necessary to implement the E&S management programs" (ESRP para 2.2).

Relevant to the noise issues raised in the complaint, Performance Standard 4 recognizes that clients have a responsibility to avoid or minimize risks or impacts to community health, safety, and security that may arise from project-related activities (para. 1). The objective of PS4 includes anticipating and avoiding adverse impacts on the health and safety of the affected community during the project life from both routine and non-routine circumstances.

The client is required to evaluate the risks and impacts to the health and safety of affected communities over the life of the project and establish preventative and control measures consistent with Good International Industry Practice (GIIP), such as set out in internationally recognized sources (PS4, para. 5).[6] Upon identifying risks and impacts, the client proposes mitigation measures that are commensurate with their nature and magnitude (para. 5). These measures will favor the avoidance of risks and impacts over minimization.

The World Bank Group's 2007 Environment, Health, and Safety Guidelines (EHS Guidelines) and 2015 EHS Guidelines for Wind Energy (EHS-WE Guidelines) provide general and industry-specific examples of GIIP that inform the implementation of the PS. The EHS-WE Guidelines identify noise as one of five primary environmental impacts of wind energy projects (EHS-WE para. 1.1). The EHS Guidelines also set noise level guidelines for day and night, specifying that "[n]oise impacts should not exceed levels presented…or result in a maximum increase in background level of 3 dB at the nearest receptor location off-site." (EHS para. 1.7). The EHS-WE Guidelines set out principles for modeling potential noise impacts, mitigating excess noise, and monitoring noise through the project cycle.

Where IFC identifies gaps during the pre-investment review, to ensure the business activity of the client meets the PS, IFC and the client agree on an Environmental and Social Action Plan (ESAP) which includes any necessary conditions of IFC's investment (SP para. 28). Prior to approval, IFC is required to disclose an Environmental and Social Review Summary (ESRS) detailing the findings and recommendations from its pre-investment review. As part of this disclosure, IFC is required to disclose relevant E&S assessments prepared by or on behalf of the client.

Once the project is approved and IFC has invested in the client, the investment is monitored throughout the project cycle to ensure compliance with the conditions in the legal agreements and IFC's applicable policies and standards.

During supervision, IFC is required to conduct periodic review of the client's E&S performance by carrying out site supervision visits, reviewing the client's annual monitoring reports (AMRs), and advising the client on how to manage E&S project issues. According to IFC's ESRP, "[t]he purpose of supervision is to obtain information to assess the status of the project's compliance with the PS and other specific E&S requirements agreed at commitment; to assess the current level of E&S risk; to provide advice to clients on how to address critical E&S issues, and to identify opportunities for improvement and good practices that could be applied to similar projects." (ESRP para. 1).

IFC's Sustainability Policy provides that IFC's agreements pertaining to the financing of clients' activities include specific provisions which clients agree to comply with, including complying with applicable requirements of the PS and specific provisions in action plans, as well as relevant provisions for environmental and social reporting, and supervision visits by IFC staff or representatives, as appropriate (SP para. 24). If the client fails to comply with the E&S commitments as expressed in the legal agreements, IFC will work with the client to bring it back

[6] PS4 (2012), para. 5, note 1. As noted above, GIIP is defined as "the exercise of professional skill, diligence, prudence, and foresight that would reasonably be expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally or regionally."

into compliance, and if the client fails to reestablish compliance IFC will exercise remedies as appropriate (SP para.45).

IFC's E&S Appraisal

The key question for CAO at pre-commitment phase of the project cycle is whether IFC exercised due diligence in its review of the E&S risks of the investment as it relates to the noise concerns raised by the complainant. In assessing whether IFC's E&S review of its investment in Alcazar Energy was commensurate to risk, CAO has considered the following: (a) IFC's review of the E&S potential risk attached to the project (SP, para. 27), (b) IFC's approach to the assessment of the client's capacity to manage and mitigate these risks (PS1, para. 17); and (c) the measures that IFC required the client to implement to ensure appropriate management of E&S risk.

During the pre-investment review, IFC determined that the investment in Alcazar Energy would be assigned E&S category A indicating significant potential risks and impacts, given their plans to acquire multiple assets in wind, solar, and other forms of renewable energy. The specific assets and locations of specific sub-projects were not known at the time of investment, so IFC's main focus during the appraisal was on the development of the client's corporate-level Environmental and Social Management System (ESMS), and on labor and working conditions. Accordingly, IFC assessed Alcazar Energy against PS 1 and 2, noting that PS 3-8 would be assessed at a future time for each project the company acquired.

As part of its due diligence for the Alcazar Energy investment, IFC assessed the client's organizational capacity and noted that, at the corporate-level, the client had consultants available to conduct E&S assessments. IFC also supported the development of and reviewed an initial Environmental, Health, and Safety Policy specific to Alcazar's planned operations and an initial ESMS framework. The ESMS framework included reference to IFC's PSs, risk assessment and categorization system for each project, and E&S activities for each stage of the project cycle.[7] IFC reviewed E&S documentation for Alcazar Energy's first proposed acquisition, a small solar power project.[8]

IFC also worked with the client to develop an ESAP with an anticipated completion date approximately three months after Board approval. The ESAP included recommendations to update the corporate level ESMS to be fully in line with PS 1 and develop project requirements that each Alcazar Energy project would be screened against, in line with the IFC PSs. The ESMS would also be updated to include provisions that each Alcazar Energy project would include a project specific ESMS, EHS Policy, ESIA, E&S management plans, and grievance mechanism.

The ESAP also included a commitment to develop a Stakeholder Engagement Framework, including procedures on "(i) stakeholder identification and mapping; (ii) disclosure of project-related information and consultation; (iii) dissemination of project-related documents; (iv) mechanisms for external communication; (v) the development of a project-level Stakeholder Engagement Plan; and (vi) the development of a project-level grievance mechanism." According to the ESAP, Alcazar would also hire a senior E&S advisor to assist in the establishment of the ESMS and related procedures. Alcazar's ESMS would also include guidance on E&S resourcing required at project level, including, at a minimum, a Health, Safety and Environment on-site focal point.

[7] IFC Project Information & Data Portal, "Gaia Equity," Environmental and Social Review Summary (ESRS), November 24, 2014, available at: https://disclosures.ifc.org/project-detail/ESRS/35909/gaia-equity.
[8] Ibid.

IFC advised CAO that their primary focus during appraisal was the adequacy of corporate-level E&S systems and policies. Alcazar Energy was a new company at the time of investment without any past projects to assess for E&S "capacity, maturity, and reliability." Instead, IFC relied on two primary factors in assessing the company's E&S capacity: 1) the expertise, track record on other projects, and willingness of the client's leadership team and sponsor to manage E&S issues, and 2) IFC engagement in the development of the corporate level ESMS and ESAP. IFC notes that the client relied heavily on IFC to provide technical E&S expertise during the pre-investment phase. IFC was also able to nominate a member of Alcazar Energy's Board of Directors, though IFC was not represented on the Board's investment committee, which approved funding for specific projects.

In an equity investment of this type, IFC's responsibility is not only to assure itself of adequate systems and policies at the corporate level, but also assure itself of adequate implementation at the project level. The Annual Monitoring Report (AMR) format agreed with Alcazar Energy required the client to report on its E&S due diligence for each project under consideration, in the process of acquisition and for active company assets, including providing general information on E&S risk screening, country screening, ESAP development and E&S performance monitoring. Also, IFC reserved the right to audit the company's E&S performance as necessary to verify compliance. However, IFC did not reserve a right to request prior E&S review of Alcazar Energy's project acquisitions. This could have provided an extra level of assurance of the company's capacity to meet its E&S commitment, considering that it was a new venture.

Conclusion

In the course of its pre-investment due diligence, IFC determined that Alcazar Energy was a Category A investment having potential significant adverse E&S risks and/or impacts. Based on CAO's review, IFC had robust engagement with Alcazar Energy to develop a corporate level ESMS, including policies, project and country screening requirements, performance monitoring, and grievance redress, to be applied at the project level. However, it is unclear from available documentation whether IFC had adequate information about Alcazar Energy's operations to adequately assess "the capacity, maturity, and reliability of the client's E&S corporate management system to effectively manage E&S performance, including its ability to enable current and future project compliance with IFC's PSs" (ESRP para. 2.1). Alcazar Energy did not have any past projects at the time of IFC's investment, and, while Alcazar leadership's experience in other companies and willingness to engage on E&S issues were seen as essential to success, these may not be sufficient to provide assurance that a new company's ESMS and E&S policies will be appropriately implemented to effectively manage potential significant adverse E&S risks. Based on the risk profile of the client's prospective projects, IFC could have taken further steps and included additional requirements to monitor the implementation of the ESMS, such as reserving the right to review the client's E&S due diligence for its initial projects and/or its higher risk projects.

IFC's Supervision of the Project

In relation to the supervision phase of the project cycle, CAO considers whether IFC monitored the client's management of E&S risks in accordance with the requirements of the Sustainability Framework. In this case, CAO considered IFC's supervision of client implementation of the ESMS at the corporate and project levels; and IFC's response to specific concerns regarding noise from the Al Rajef Wind Farm that arose in the course of the investment.

IFC's Supervision of the Corporate ESMS

IFC assessed Alcazar Energy's corporate-level ESMS and supported the client in its development. In April 2015, before the project's financial close, IFC conducted a technical workshop with the client and its recently hired E&S advisor to provide guidance in the development of the company's ESMS framework.

IFC's documentation of its supervision activities for the project between 2015 and 2021 include AMR reviews and Site Supervision Visit (SSV) reports. These show that IFC reviewed the client's ESMS and provided recommendations to the client to ensure ESMS alignment with PSs. IFC's 2015 AMR review notes that the ESMS was developed by the client with assistance of an external consultant identified by IFC and that it incorporated IFC's input. It also notes that the client completed all agreed ESAP items by August 2015, ahead of the September 2015 deadline.

Subsequent AMR reviews (2016, 2017, 2019, 2020) conclude, based on IFC's review of the client's ESMS documentation, that the company's ESMS was comprehensive, reflected IFC recommendations regarding areas for improvement, and that it was being rigorously applied. Following a 2018 SSV to two of the client's projects, IFC confirmed that the client's ESMS implementation was adequate. IFC also noted that Alcazar Energy's corporate ESMS recorded in detail labor grievances, community grievances and OHS incidents, outlining both their status and responses.

IFC's Supervision of the Project-level ESMS and Review of Noise Concerns

IFC was aware that Alcazar Energy was considering an investment in the Al Rajef Wind Farm (known at the time as GreenWatts Wind) as early as 2014, during its pre-investment review of Alcazar, however, IFC did not consider any Project specific E&S issues at this time. In April 2016, the client notified IFC that it was acquiring the Project as part of its annual E&S report. At this point, the client provided IFC with a draft ESIA for Al Rajef. The ESIA assessed noise issues under two categories: Air Quality and Noise, and Community Health, Safety and Security. The ESIA provided a baseline noise assessment before project construction, a simulation based on project operation, and recommended mitigation measures. IFC's review of the client's reporting notes the E&S team's familiarity with the project and its previous sponsor from previous wind energy initiatives in Jordan and that EBRD was likely to invest in the project. IFC's review documentation notes land acquisition and biodiversity risks as salient E&S issues, but does not address the issue of noise.

The Al Rajef Wind Farm reached financial close in November 2016 and began construction in 2017. The client shared an updated ESIA for the Project as part of its annual E&S report to IFC in 2017. It also shared E&S documents produced for Project-specific lenders, such as an ESAP that addressed gaps in the noise assessment and a biannual E&S report produced for other lenders. IFC's only observation in relation to the project at that point related to the need to incorporate the mitigation and monitoring measures proposed in the IFC sponsored Tafila Region Wind Power Projects Cumulative Effects Assessment (TRWPP CEA) in the Al Rajef ESMS.

Alcazar Energy undertook a noise assessment for construction and operation phases of the Project, which was delivered in June 2017. There is no indication from the documentation that IFC received or reviewed the 2017 noise assessment until after the CAO complaint was filed.

Alcazar Energy implemented a Project level grievance mechanism once construction began at Al Rajef. IFC reviewed information about the community grievance mechanisms across Alcazar

Energy’s projects in 2018, noting that Al Rajef received 13 complaints, 4 of which were unresolved. The AMR format only requested examples of the most frequent types of grievances submitted by communities, and did not contain detailed information about the complaints. In February 2018, the lead E&S specialist visited the Al Rajef Project site for the first and only time. The site supervision visit included a review of various E&S issues, including community engagement. The SSV report notes an increase in the number of complaints to 24 in total, with 5 yet to be resolved. The SSV report notes the grievance mechanism maintains good records and provides follow-up. The E&S specialist made recommendations regarding the dissemination of information about the grievance mechanism process. Based on IFC’s documentation, the issue of noise does not appear to have been discussed during the site visit.

The Al Rajef Project became operational in November 2018. Alcazar Energy undertook an additional noise assessment for the operation phase, completed in October 2018. There is no indication that IFC reviewed or provided feedback on this noise assessment at the time. Building on the ESIA and earlier noise assessments, the 2018 report found that the noise levels at the settlement nearest the Project were in line with EHS, EHS-WE, and Jordanian limits during the daytime operation of the wind turbines. The assessment found that noise levels during operation at night were above Jordanian limits. However, the assessment also found that the noise level during operation was lower than baseline levels recorded before construction. As a result, it concluded that the Project was in compliance with the EHS guidelines requirement for a “maximum increase in background level [noise] of 3 dB.” The assessment does not include analysis of the observed drop in some ambient noise measurements compared to the pre-construction baseline, noting only that these are likely due to localized noise events or variations in climatic conditions.

The 2018 noise assessment concluded that the Project should not have a noise impact on nearby local settlements. In accordance with Jordanian requirements, the site selection of sensitive receptors where noise measurements were taken included settlements with 7 occupied houses or more within a diameter of 500m, meaning that smaller settlements or individual dwellings may not have been systematically assessed for potential noise impact. The assessment recommends the noise management plan be accompanied by a grievance mechanism to address potential noise impacts that may arise. In any case, where there is an indication of noise impacts from the wind turbines, the assessment recommends carrying out further studies and development of mitigation measures, to be implemented with agreement from those raising grievances. The assessment also recommends that the client engage with nomadic users of the area around Al Rajef in order to mitigate noise impacts on seasonal settlements. Based on available data, the assessment recommends that no curtailment of wind turbine operations would be required. There is no record of any IFC review of the methodology or conclusions of this noise assessment at the time, and whether this was consistent with good international industry practice (PS4, para. 5), for example in relation to the exclusion of smaller settlements.

In June 2019, a resident raised a complaint to Project staff regarding noise impacts from two wind turbines near his home, a temporary dwelling used during spring/summer months for grazing livestock. The Project team assessed the complaint and intended to close it, until further discussions with Project-specific lenders prompted them to reopen the complaint. In February 2020, Project specialists and consultants carried out a noise survey evaluation of the site, resulting in a report and recommendations on sound insulation delivered in March 2020. Sound insulation upgrade works were completed in July 2020, and Alcazar Energy reported the complainant expressed satisfaction with the work. Alcazar Energy conveyed detailed information about the 2019 complaint to IFC in April 2020, after CAO received the current complaint in February 2020 and IFC engaged with the client on this issue.

Due to the confidential nature of the February 2020 complaint, IFC and Alcazar Energy were not aware of the identity of the complainant, and believed it was the same complainant who had approached them the previous year. As part of IFC's engagement with Alcazar Energy regarding the complaint and related grievances, IFC reviewed more detailed information provided by Alcazar Energy about community grievances related to noise, including a detailed description of the 2019 noise complaint and company actions to address the complaint. Mitigation measures for the 2019 complainant were implemented while the CAO process was underway.

In April 2020, IFC engaged with Alcazar Energy about the methodology used in the noise assessment. Both parties acknowledged that the EHS Guidelines on Wind Energy consider all residences, not only settlements of a certain size, as potential sensitive receptors. Recognizing that there may be other smaller settlements or individual dwellings facing potential noise impacts, Project E&S staff identified three additional dwellings not covered during the noise assessment and communicated with owners about any potential issues. In one case, Project staff found a dwelling was within the minimum setback distance from a wind turbine and compensated the owner for the property. Alcazar Energy provided periodic noise and grievance related updates to IFC after the CAO complaint was received. IFC did not independently verify the outcomes of grievance processes, citing the ongoing CAO process.

IFC informed CAO that they engaged a noise consultant in 2020 to review the 2018 noise assessment and the study on the dwelling for the 2019 complaint handled by the Project grievance mechanism. As reported to CAO, the consultant concluded that the methodologies used in both studies were in line with GIIP.

Despite several attempts, CAO compliance function staff were unable to communicate with the complainant in the course of this compliance appraisal.

Conclusion

IFC's E&S staff undertook both corporate-level and Project-specific supervision activities, including review of Project E&S documentation and a site supervision visit. IFC assessed and supported Alcazar Energy in the development of their corporate level ESMS. In assessing the Al Rajef Project, CAO did not find evidence that IFC flagged or closely supervised noise issues prior to receipt of the complaint to CAO. IFC advised CAO this was due to the moderate level of expected noise impact expected from the client's wind projects as assessed by the client. IFC's supervision considered the Project grievance mechanism, a key mitigation measure recommended in the ESIA and in the noise assessments conducted during both the construction and operational phases of the project. IFC reviewed the grievance mechanism both before and after the CAO complaint, and found it was functioning appropriately to respond to the types of issues raised by the complainant. Based on the information reviewed by CAO in the course of this compliance appraisal, IFC's supervision provided assurance that the client was managing potential noise impacts related to its Al Rajef Wind Project, including resolving community grievances, in a manner that was materially consistent with relevant IFC requirements and commensurate to risk.

IV. CAO Decision

Under the 2013 Operational Guidelines, the purpose of a CAO compliance appraisal is to ensure that compliance investigations are initiated in relation to projects that raise substantial concerns regarding E&S outcomes and/or issues of systemic importance to IFC. In deciding whether to initiate an investigation, CAO weighs factors including the magnitude of the E&S concerns raised in a complaint, results of a preliminary review of IFC's E&S performance in relation to these issues, the existence of questions as to the adequacy of IFC's requirements, and a more general assessment of whether a compliance investigation is the appropriate response in the circumstances.

In this case, the complaint raised concerns about the noise from the Project's wind turbines. In conducting the compliance appraisal, CAO was unable to make further contact with the complainant. As a result, this appraisal is based primarily on IFC and client documentation.

CAO notes that this is a category A project meaning that it has potential significant adverse E&S risks and/or impacts as recognized by IFC. However, considering the limited information from the complainant about the noise impacts, the client's ESIA documentation, and the client's documentation of its responses to similar noise complaints that were reported as resolved, CAO has not identified substantial concerns regarding E&S outcomes of the project and/or issues of systemic importance to IFC such that would warrant a compliance investigation. Absent further information from the complainant, CAO has decided to close this case. CAO notes that this decision does not preclude a future complaint that provides more details in relation to the issues raised by the complainant or other potential E&S impacts of the project.