



CAO Compliance Appraisal of Complaint Regarding IFC Investment in Codevi, Haiti

IFC Project: **#34687**

April 1, 2024

About CAO

The Office of the Compliance Advisor Ombudsman (CAO) is the independent accountability mechanism of the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA), members of the World Bank Group. We work to facilitate the resolution of complaints from people affected by IFC and MIGA projects in a fair, objective, and constructive manner, enhance environmental and social project outcomes, and foster public accountability and learning at IFC and MIGA.

CAO is an independent office that reports directly to the IFC and MIGA Boards of Executive Directors. For more information, see www.cao-ombudsman.org.

About the CAO Compliance Function

CAO's compliance function reviews IFC and MIGA compliance with environmental and social policies, assesses related harm, and recommends remedial actions where appropriate.

CAO's compliance function follows a three-step approach:

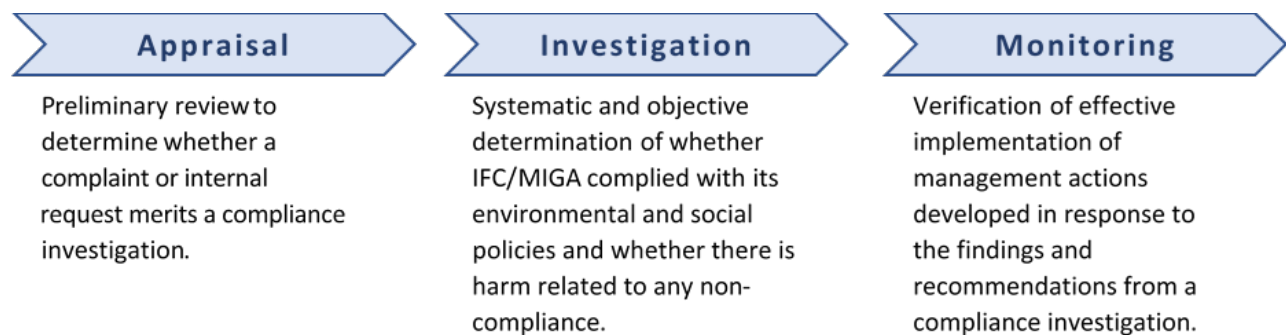


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Acronyms

Acronym	Definition
CAO	Office of the Compliance Advisor Ombudsman (IFC and MIGA)
Codevi	Compagnie De Developpment Industriel, S.A.; Industrial Development Corporation
DR	Dominican Republic
E&S	Environmental and Social
EIA	Environmental Impact Assessment
ERS	Environmental Review Summary
ESAP	Environmental & Social Action Plan
ESDD	Environmental and Social Due Diligence
ESRP	Environmental and Social Review Procedures
ESRS	Environmental and Social Review Summary
IFC	International Finance Corporation
MIGA	Multilateral Investment Guarantee Agency
OD	World Bank Operational Directive
PS	Performance Standards (IFC)
SCP	Social Compensation Plan
SII	Summary of Investment Information
SPI	Summary of Project Information

Executive Summary

This report documents CAO's compliance appraisal of a 2020 complaint from Haitian farming families who asserted they were not adequately compensated after the land they were cultivating was expropriated in 2002 for Grupo M's development of the Codevi industrial park. For the reasons summarized below, CAO concludes that the complaint merits a compliance investigation in relation to IFC's 2014 investment in Codevi. Although the client prepaid its loan in July 2021, CAO concludes that an investigation offers opportunities for accountability, learning and remedial action.

Complaint Regarding IFC's Investments in Codevi

Grupo M and its wholly owned subsidiary Compagnie De Developpment Industriel, S.A. (Codevi) have one of the largest garment manufacturing operations in the Caribbean/Central American region. In 2004, IFC made a \$20 million loan to Grupo M to develop the Codevi industrial park in Haiti and build a manufacturing plant. In 2014, IFC committed further financing to support Grupo M's expansion of Codevi, including a new facility and acquisition of machinery.

This second investment was active when CAO received a complaint in March 2020 from 174 farming families living in Ouanaminthe, Haiti. The complainants stated that their livelihoods were severely impacted following the 2002 expropriation of the land they cultivated for the Codevi industrial park. At the time the complaint was filed, the complainants had not received the replacement land that was committed under the terms of a Social Compensation Plan (SCP), which was required by IFC in order to access financing. The complainants stated that Codevi never implemented the planned SCP programs and that their rights and protections were violated in breach of the IFC Performance Standards. In July 2020, the complainants and Haitian government agreed a Memorandum of Understanding that led to the complainants being granted access to replacement land as State farmers in 2023. However, the complainants allege that Codevi has continued to fall short on its SCP commitments.

IFC Management Response

IFC asserts that it made consistent efforts from the project's appraisal in 2003 until after client prepayment in 2021 to support the client's efforts to implement the SCP, and advocate with the Government of Haiti on the replacement land issue. According to IFC, by the time replacement land was allocated to affected families, Grupo M/Codevi had spent over \$200,000 on activities similar to those in the SCP, for the benefit of the complainants and broader Ouanaminthe community.

IFC management recognizes that the project's SCP was not fully implemented in a timely manner because the replacement land issue, a government responsibility, remained unresolved for two decades. It argues, however, that the government eventually provided farmers with compensation for economic displacement that was further supplemented by Codevi in line with the SCP methodology and IFC E&S requirements applicable at the time.

According to the response, all loans were fully repaid as of July 2021, and IFC currently has no

exposure to Grupo M/Codevi.

CAO Analysis

Based on an initial review of available information, CAO's appraisal concludes that the complaint meets the criteria for a compliance investigation under the CAO Policy, as summarized below.

a) Preliminary indications of Harm, to farmer complainants, on the basis that:

- Complainant testimony and IFC documentation indicate that replacement land due to farmers economically displaced by Codevi under Haiti's 2003 Social Compensation Plan was only made available in 2023. This circumstance may have exacerbated these farmers' poverty and vulnerability for over 20 years.
- The complainants also testify that they lack the resources to establish farming communities on the replacement land and do not currently have security of tenure. Despite only having access since 2023, they have been required to pay rent since 2021.

b) Preliminary indications of potential IFC non-compliance with its E&S policies:

- IFC may not have complied with Sustainability Policy requirements to work with the client to address legacy E&S issues, in this case livelihood restoration of the dislocated farmers (para. 26), and to properly assess these legacy issues (para. 28). Proper assessment, such as through an Environmental and Social Audit consistent with the Guidance Note for PS1 (para. GN30), would have sought to establish that income restoration for the affected farmers was no longer necessary.
- In addressing E&S legacy risks, IFC may also not have assured that the client properly assessed third party risks (para. 23, Sustainability Policy), in this case the Government of Haiti's lack of delivery on its commitment to provide replacement land under the SCP.

c) The alleged harms to the complainants are plausibly linked to IFC's potential non-compliance, based on the following considerations:

- IFC's Sustainability Framework seeks to avoid and mitigate the kinds of harm alleged in this complaint by applying the relevant Sustainability Policy requirements to projects.
- Available documentation indicates that IFC may have decided not to take action or require the client to do so in relation to the 2002 economic displacement of farmers during appraisal for the 2014 Codevi II project. The project was approved 12 years after the farmers' lands were expropriated with no replacement land provided. Such a decision by IFC is plausibly linked to the harm alleged by the complainant farmer families.

IFC Exit and CAO Decision

Because the client prepaid all outstanding balances to IFC in July 2021, CAO must consider the following: "[f]or any Project...where an IFC/MIGA Exit has occurred at the time CAO completes its compliance appraisal, whether an investigation would provide particular value in terms of accountability, learning, or remedial action despite an IFC/MIGA Exit" (para. 92, CAO Policy).

CAO concludes that in this case an investigation would provide such particular value. Specifically, it could offer lessons to IFC on tools and means needed for assurance that outstanding E&S considerations with repeat investments and clients are addressed; support effective implementation of E&S considerations in the Fragile Conflict-affected Situations; help assure that decision-makers are well informed regarding E&S issues in challenging socio-political contexts; and provide accountability for IFC and opportunities, possibly working in collaboration with others, to redress any harm to complainants verified through the investigation process.

CAO will proceed to conduct a compliance investigation in relation to IFC's 2014 investment in Codevi, following the CAO Policy.

Terms of reference are described in the appendices along with the community complaint and IFC response. The draft compliance investigation report will be completed by July 2025.

This appraisal report will be published on the CAO website and shared with the Board, IFC management, the client, and the complainants.

1. Context

This section provides an overview of IFC investments relevant to the Codevi project complaint and information on the CAO compliance appraisal process.

IFC's Investments in Codevi Industrial Park

Grupo M is a vertically integrated apparel manufacturer in the Dominican Republic (DR) producing knits and woven products. Grupo M and its wholly owned subsidiary Compagnie De Developpment Industriel, S.A. (Codevi) in Haiti have one of the largest garment manufacturing operations in the Caribbean/Central American region, supplying major US brands. This operation is the Codevi industrial park, a duty-free zone in Ouanaminthe on the border with DR that began operating in August 2003¹ and is now the largest employer in Haiti.² The park comprises more than two dozen garment assembly plants, several office buildings, a food and lodging center, a training center, a child care center, a recycling plant, a primary care center, a shop with food for employees, and a backup power generation building.³

IFC provided a series of loans over 11 years to develop and expand the complex, which are summarized below along with the accompanying Social Compensation Plan (SCP) developed for the initial project.

2004: Investment in Grupo M to develop Codevi

In 2004, IFC provided Grupo M a loan of up to US\$20 million to develop Codevi industrial park and its first apparel manufacturing plant there.⁴ This consisted of a phased development of a 500,000m² site on the border of Haiti and DR. Phase 1 of the investment program included the development of an area of 150,000m² including site clearing and constructing access roads and utilities; a training center, staff facilities, and customs clearing offices; and three factory buildings owned by Grupo M.

During pre-investment due diligence, the investment was designated Category B under IFC's Procedure for Environmental and Social Review of Projects, based on an assessment that "a limited number of specific environmental and social impacts may result which can be avoided or mitigated by adhering to generally recognized performance standards, guidelines, or design criteria."⁵ However, land acquisition and related economic displacement was identified by IFC as a potential project impact. The Codevi complex was developed on land leased to Grupo M by the

¹ "Codevi: Unwavering Vision", TextileWorld.com, 21 September 2017, available at <https://bit.ly/4b9Snjo>.

² Codevi II, IFC project number 34687, Summary of Investment Information (SII), available at <https://bit.ly/4bfBh3t>.

³ IDB Invest Environmental and Social Review Summary (ESRS): CODEVI 13683-01– DOMINICAN REPUBLIC, HAITI, available at <https://bit.ly/3vNTxRw>.

⁴ Grupo M, IFC project number 20744, Summary of Project Information (SPI), available at <https://bit.ly/3HvnOHn>.

⁵ Grupo M, IFC project number 20744, Environmental Review Summary (ERS) available at <https://bit.ly/3HwU4dd>.

Government of Haiti under a 25-year lease agreement, of which 45 hectares had been expropriated from landowners and farming families in 2002.⁶ Given these circumstances, IFC proposed a “Social Compensation Plan” (SCP) as a mitigation measure, as described in the project Environmental Review Summary (ERS).⁷

A component of the project Environmental Impact Assessment (EIA)⁸, the SCP set out a framework for providing compensation for economic dislocation to the small and large land holders/farmers who were using the land expropriated in 2002. According to the ERS, the Government of Haiti committed to pay this compensation and to identify new land for affected farmers who wished to continue to farm.⁹ The ERS also stated that Codevi committed to seven years of associated social development activities, including a micro credit scheme, local farmers cooperative, and foundation to implement community development initiatives in Ouanaminthe.¹⁰ (See further details in *Box 1*, below.)

According to the ERS, prior to loan approval, the SCP was further refined¹¹ in accordance with World Bank Operational Directive (OD) 4.30 (Involuntary Resettlement).¹² New landowners and users were identified, and new components included a grievance mechanism and details of how the SCP’s Coordination Office would implement the plan’s provisions in consultation with affected farmers, the local community, and civil society. Plan summaries were posted locally for public

⁶ CAO Assessment Report, p. 1.

⁷ Grupo M, IFC project number 20744, Environmental Review Summary (ERS) available at <https://bit.ly/3HwU4dd>.

⁸ While a component of the EIA prepared by the client, the SCP was drafted and agreed between the GoH, CODEVI and the displaced farmers, listing responsibilities and activities that were to be carried out by the GoH and CODEVI (IFC Management Response, para. 15).

⁹ The SCP provided that: “The Government of Haiti has been responsible for payments for the properties belonging to the beneficiary-owners. It has also assumed the payments to beneficiary-occupants for the value of crops that were on the property at the moment of the expropriation for OIP, based on an appraisal of the value of these crops by the Haitian authorities.” (SCP p.21) :”As part of the execution of the [SCP], new plots of land are being distributed to the farmers (owners and farmers)” (SCP, p.17) “4.3 Selecting the Location: A number of properties were suggested as relocation options for the beneficiary-occupants (...) This SCP coordinating team analyzed the size of the property necessary to compensate the owners and negotiated with the Government of Haiti for a second property of 230,000.00 square meters.” (SCP, p. 24). IFC Management Response, p. 6-7: “IFC recognizes the SCP was not fully implemented in a timely manner because the replacement land issue, a responsibility of the GoH, remained unresolved for two decades”.

¹⁰ SCP pp. 22 and 33.

¹¹ The refinements to the SCP were identified as: obtaining documents from the GoH on the exact details of the farmers and other affected people, the amount of land and compensation and status of payments, completion a socio-economic baseline survey of the affected people, further definition of roles and responsibilities of the GoH, Grupo M, the NGO, Grupo M’s foundation currently being created, budget and schedule of implementation of the Plan as well the set up of the micro credit scheme and the cooperative, and monitoring and evaluation. Included would be extensive consultation program with the affected people who live in Ouanaminthe on the SCP and their involvement in the ongoing process of implementation.

¹² Prior to the introduction of the 2006 Sustainability Framework, IFC applied the World Bank’s safeguard policies, which included OD 4.30 on Involuntary Resettlement. See: <https://bit.ly/3SI1001>, and CAO, A review of IFC’s Safeguard Policies, 2003, p.13 available at: <https://bit.ly/42ht1vG>.

review in English, Spanish, and Creole and on the IFC/World Bank Info Shop web site in August 2003. In September, the completed SCP was posted for local review, in Spanish (Dajabon) and Creole (Ouanaminthe), as well as in Santiago, Dominican Republic, and all documents were posted on the Infoshop web site.¹³ IFC's pre-investment review documents identified actions related to the Social Compensation Plan as Conditions of Disbursement.

Box 1. Excerpt of the 2003 SCP's requirements and Grupo M's commitments

Table 2: Development Scheme for Ouanaminthe Social Compensation Plan

Category of Farmers	Area of Lost Lands (Ha)	Compensation for Loss of Income Grupo M	Other Type of Assistance Grupo M
I. Owners of private lots who hold property titles who have received full payment from the Government of Haiti for their respective properties. (30 individuals)	21.36	<ul style="list-style-type: none"> • Education/Work Program • Technical Assistance • Agricultural Training and Assistance • Acquisition of inputs and seeds • Basic Sanitation • Cooperative Program • Allotment of 230,000 m2 for the development of agricultural activities 	Construction of: <ul style="list-style-type: none"> • Farmers Cooperative • Coordinating Office • Technical School • Agriculture Infrastructure • Central Warehouse • Processing Unit • Supplies for the repair of current housing stock: corrugated roofs, bricks and cement
II. Owners of private lots who rejected the economic compensation agreement until August 12th 2003. A meeting with members of this category has been scheduled for September 25th at which they would receive their economic compensation. (26 individuals)	29.37	<ul style="list-style-type: none"> • Education/Work Program • Technical Assistance • Agricultural Training and Assistance • Acquisition of inputs and seeds • Education/Family Program • Support Program for Women and Children • Cooperative Program • Allotment of 16,036.40 m2 for the development of agricultural activities 	Construction of: <ul style="list-style-type: none"> • 39 dwelling units • Central Storage • 39 latrines • 10 kitchen units • Coordinating Office • Community Center • Church • School • Recreational Center • Farmers Cooperative • Agricultural Infrastructure • Workshop
III. Occupant of State land who has paid taxes to Haiti's Office of Internal Revenue. (1 individual)	0.25	<ul style="list-style-type: none"> • Education/Work Program • Technical Assistance • Agricultural Training and Assistance • Acquisition of inputs and seeds • Education/Family Program • Support Program for Women and Children • Cooperative Program • Allotment of 16,036.40 m2 for the development of agricultural activities 	Construction of: <ul style="list-style-type: none"> • 39 dwelling units • Central Storage • 39 latrines • 10 kitchen units • Coordinating Office • Community Center • Church • School • Recreational Center • Farmers Cooperative • Agricultural Infrastructure • Workshop
IV. Occupants who used to farm on lots and made annual payments to the owners. All are in possession of receipts attesting to duly made payments. (24 individuals)		<ul style="list-style-type: none"> • Education/Work Program • Technical Assistance • Agricultural Training and Assistance • Acquisition of inputs and seeds • Education/Family Program • Support Program for Women and Children • Cooperative Program • Allotment of 16,036.40 m2 for the development of agricultural activities 	Construction of: <ul style="list-style-type: none"> • 39 dwelling units • Central Storage • 39 latrines • 10 kitchen units • Coordinating Office • Community Center • Church • School • Recreational Center • Farmers Cooperative • Agricultural Infrastructure • Workshop
V. Occupants who used to farm on private lots, exchanging products with the Owners. (14 individuals)		<ul style="list-style-type: none"> • Education/Work Program • Technical Assistance • Agricultural Training and Assistance • Acquisition of inputs and seeds • Education/Family Program • Support Program for Women and Children • Cooperative Program • Allotment of 16,036.40 m2 for the development of agricultural activities 	Construction of: <ul style="list-style-type: none"> • 39 dwelling units • Central Storage • 39 latrines • 10 kitchen units • Coordinating Office • Community Center • Church • School • Recreational Center • Farmers Cooperative • Agricultural Infrastructure • Workshop

Source: Social Compensation Plan, Ouanaminthe, Haiti, Compagnie de Developpement Industriel, SA CODEVI, September 2003, p.23.

2006: Codevi debt restructuring

As a result of financial hardship experienced by Codevi in 2004-2005, IFC co-led a debt

¹³ Grupo M, IFC project number 20744, Environmental Review Summary (ERS), available at <https://bit.ly/3HwU4dd>.

restructuring in 2006.¹⁴ On the basis of the changed conditions affecting Grupo M/Codevi, IFC asked the client to revise the SCP as part of the restructuring process.

The paper presented to the IFC Board on the project restructuring stated that the SCP was a condition of the IFC loan to Grupo M but that implementation had been delayed due to political instability in Haiti, the distressed situation of Grupo M, and other challenges such as labor disputes at Codevi. IFC stated that, after signing the restructuring plan, Grupo M would redraft the SCP taking into consideration the larger number of affected farmers from the original estimates and the fact that some planned programs and activities might no longer be viable given its financial constraints.

IFC's Management Response to the CAO complaint notes that the revised SCP was discussed with the Government of Haiti in June 2007, but was never disclosed.

The 2004 loan was repaid in January 2016.

2010: Emergency loan

In the wake of the 2010 earthquake that devastated Haiti, IFC's Board approved a \$35 million emergency investment program to help private companies become operational again. IFC and the not-for-profit Soros Economic Development Fund jointly provided \$6 million in financing to Grupo M¹⁵ to expand the Codevi park and create additional employment opportunities.¹⁶

This project was approved under delegated authority. Project approval documentation acknowledged that SCP implementation to compensate farmers economically displaced in 2002 remained pending, but indicated that the government had no capacity to deliver land and that IFC was exploring alternative options.¹⁷

This loan was repaid by Grupo M/Codevi in August 2017.

2014: Investment for Codevi expansion

In 2014, the IFC Board approved an additional \$10 million loan to Grupo M/Codevi to construct a new facility for assembly of woven garments and purchase specialized machinery for dry garment assembly and processing operations. This Codevi II project included two new buildings to be constructed on land already owned by Grupo M at the industrial park.¹⁸

According to the project E&S Review Summary (ESRS), the most significant potentially adverse environmental and social (E&S) issues associated with the project related to labor and working

¹⁴ IFC The First Six Decades Leading the Way in Private Sector Development A History, 2016, available at <https://bit.ly/4bdaN2x>.

¹⁵ Project # 29864 and #29598.

¹⁶ "Creating Jobs Essential to Haiti's Long-term Recovery, Says IFC CEO Thunell", May 19, 2010, available at <https://bit.ly/3UaBW09>.

¹⁷ Alternative options included financial settlement, donation of building materials for new or improved housing, retraining of affected farmers to work at the plant, giving access to affected farmers to unused Codevi land, and purchasing of land by the company for farmers.

¹⁸ Codevi II, IFC project number 34687, Summary of Investment Information (SII), available at <https://bit.ly/4bfBh3t>.

conditions, including occupational health and safety, and satisfactory treatment and discharge of sanitary wastewater. The ESRS stated that these issues carried limited potential for adverse E&S impacts since they were site specific and could be readily addressed through mitigation measures, and added that issues with Performance Standard 5 (Land Acquisition and Involuntary Resettlement) “are not expected” since the project did not require additional land acquisition. Consequently, the project was categorized as ‘B’ under IFC’s Policy on Environmental and Social Sustainability.¹⁹

According to Codevi II’s pre-investment E&S due diligence (ESDD) documentation, IFC recognized that implementation of the SCP agreed 11 years earlier was incomplete, with the livelihood restoration programs for farmers still not implemented. However, IFC judged that the need for such programs had passed and no further action was required on the basis that:

- The immediate need for livelihood restoration for those displaced by the construction of Codevi in 2002 had passed.
- Codevi could document that compensation for loss of assets was paid between 2002 and 2005.
- Pursuing completion of the SCP was not appropriate given the amount of time that had passed since the displacement and in recognition of the income that Codevi brought to Ouanaminthe and the social development work that other organizations were doing in partnership with Codevi. This work benefited those intended to benefit from the SCP and their family members while not exclusively targeted to these groups.
- Grupo M/Codevi was not the cause of the failure to implement the SCP²⁰ but had no interest in pursuing it further and it was unreasonable, 12 years after the event, to follow upon income restoration issues.
- Despite five years of efforts including regular communication between the committee representing the SCP beneficiaries, Codevi, and the Haitian government, suitable land to implement the livelihood restoration component of the SCP had not been identified. In April 2009, the Haitian Ministry of Social Affairs and Labor (MAST) instructed that the beneficiary committee had split into two groups and that negotiations over compensation had failed.
- There was a lack of capacity at the Haitian government level to deliver on the commitment of providing replacement land.

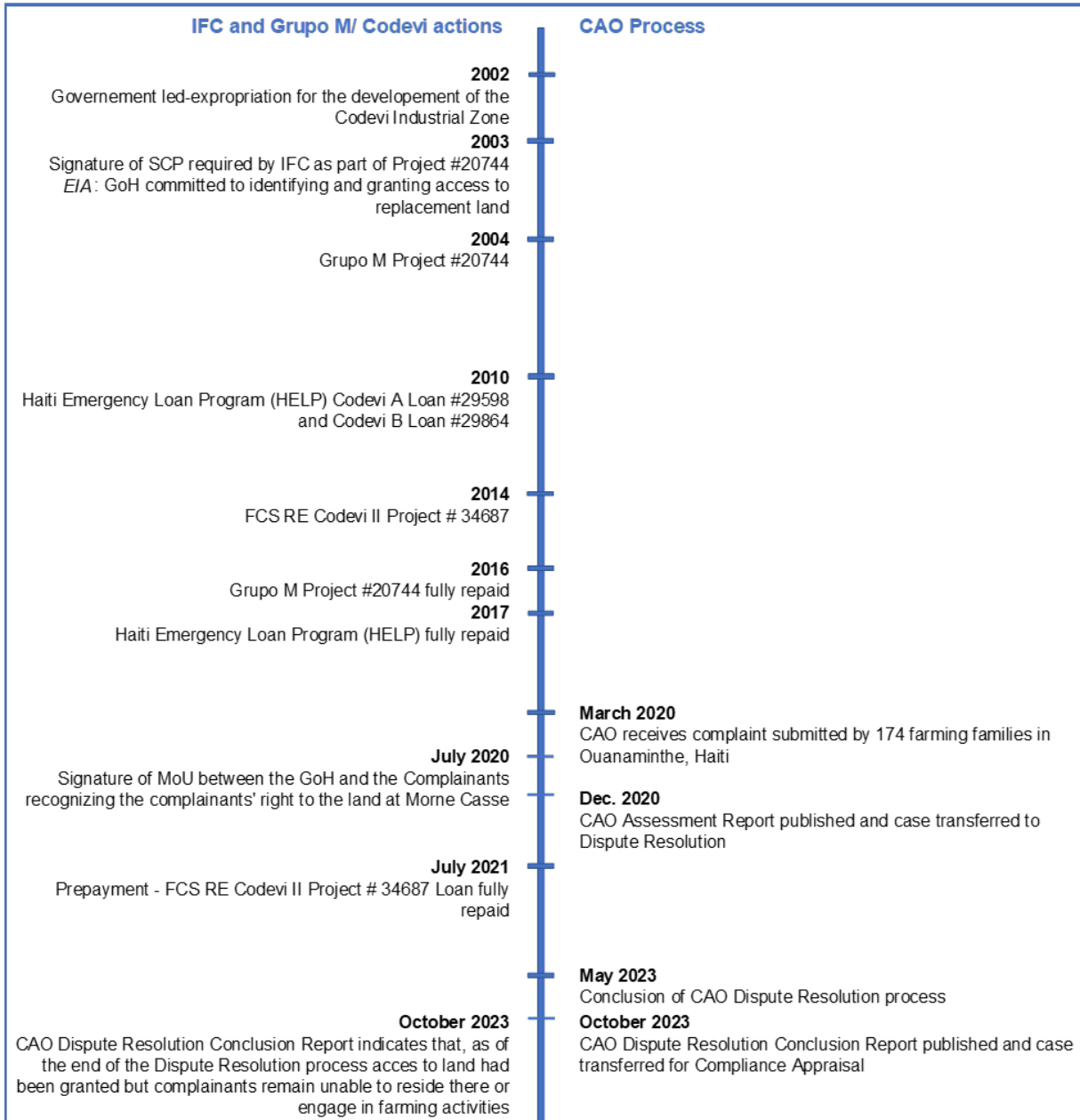
IFC’s discussion paper for the Board on the Codevi II project made no mention of the ongoing issues related to the 2002 economic displacement and the outstanding need for land allocation for farmers.

¹⁹ Codevi II, IFC project number 34687, Environmental and Social Review Summary (ESRS) available at <https://bit.ly/3vMKoZj>.

²⁰ IFC Management Response, p. 6: “IFC recognizes the SCP was not fully implemented in a timely manner because the replacement land issue, a responsibility of the GoH remained unresolved for two decades.”

This loan was repaid in July 2021.

Figure 1. Project and complaint timeline



Compliance Appraisal Scope and Methodology

The scope of this compliance appraisal²¹ is limited to issues raised in the complaint and CAO's Assessment Report in relation to the complaint.

CAO made the appraisal decision based on the appraisal criteria and other relevant considerations in accordance with the CAO Policy. The appraisal involved a preliminary review of the following information:

- The complaint and supplementary information provided by the complainants;
- Relevant documentation including CAO's Assessment and Dispute Resolution Conclusion Reports, IFC's Management Response, and the client statement;
- IFC and client documentation; and
- Relevant publicly available documentation.

CAO also considered information gathered through communications with the complainants.

CAO extends its appreciation to all parties mentioned in this Compliance Appraisal Report who have shared their perspective, knowledge, and time with the CAO compliance team.

2. The Complaint

In March 2020, CAO received a complaint (attached as Appendix 1) from 174 farming families in Ouanaminthe, Haiti, that was determined eligible for CAO's process. The complaint was submitted with the support of the group's legal advisor. Based on the review conducted during this appraisal, the complainants are either farmers affected by the 2002 expropriation of the land leased to Codevi or their family members, and each belongs to one of the three categories of beneficiaries identified in the SCP – owners, occupant-leaseholders, and occupant-sharecroppers.

The complainants state that they grew bananas, green beans, peanuts, and sugar cane on fertile land in Pittober prior to 2002, and that this land was their main source of livelihood and income. According to the complainants, the government's expropriation of this land and failure to replace it severely impacted their living standards with many unable to feed themselves and meet family needs, including, in some cases, sending their children to school.

Under the Social Compensation Plan (SCP) designed with the support of the IFC and endorsed by the Government of Haiti and Codevi in 2003, the government committed to identifying and granting access to replacement land for the displaced farmers. The complainants state that, in 2014, a decade after the SCP was signed, the government surveyed 520 hectares in their favor in Ferrier commune, an area known as Morne Casse. However, between then and March 2020, when they filed the complaint with CAO, the complainants allege that they did not have any rights

²¹ CAO Policy, para. 88.

or ability to access this land. Instead, when they tried, on many occasions, to enter their designated land, they were deterred by law enforcement using tear gas. According to the complaint, the Haitian government argued that the farming families could not take possession of the land until infrastructure to house them was completed.²² The complainants believe that many of the plots allocated to them were sold to the highest bidders and that part of the land was looted and used by individuals with no lawful claims to it.

During CAO's assessment process, in August 2020, the Government of Haiti and the complainants' legal adviser informed CAO that they had held direct negotiations concerning replacement land in Morne Casse. This resulted in a Memorandum of Understanding, dated July 28, 2020, which recognized the complainants' right to this land as state farmers and beneficiaries of the SCP. The land allocated totaled 174 hectares, or one hectare per family, as well as 38 hectares for a community agricultural project and 20 hectares for the complainants' legal adviser.

The complainants and Codevi subsequently embarked on a CAO's dispute resolution process, in January 2021, to address the outstanding issues in the complaint. Both IFC and the Government of Haiti participated as observers. The complainants wanted Codevi to meet outstanding commitments in the Social Compensation Plan, including adequate compensation for the loss of harvests and technical and financial support for building a village and for the complainants' farming activities on the new plots (including a new agricultural cooperative).

CAO concluded the dispute resolution process in May 2023 following receipt of a letter from the complainants rejecting the terms proposed by Codevi, which they viewed as limiting discussion to past events and excluding discussion of possible ongoing support for them. From the complainants' perspective, Codevi had indicated previously that it was unable to put in place the social and technical programs outlined in the SCP because the government had not provided SCP beneficiaries with replacement land. Now that they finally had access to replacement land in Morne Casse, the complainants expected Codevi to put in place those programs in place. While they understood that the company had implemented programs to benefit the entire Ouanaminthe community, they argued that, having been resettled, they were in a very different position than the rest of the community and were entitled to specific and additional support. They also expressed their frustration with the lack of agreement on the role and participation of their legal adviser in the dispute resolution process.

The complaint was transferred to CAO's compliance function for appraisal, which began on October 19, 2023. During the appraisal, the complainants informed CAO that they only gained the ability to access their allocated land in 2023 and are awaiting conversion of the titles granted in 2020 into full ownership rights once Haiti's Parliament is reinstated.

Under the 2020 MoU, because the displaced farmers became state farmers, they are required to make rental payments to the government to use the state-owned replacement land in Morne

²² IFC Management Response, p. 5: "IFC (...) was informed by the GoH that another survey would have to be done to give displaced farmers access to the land, instead of ownership titles, and to provide basic services and infrastructure."

Casse. The complainants informed CAO that, despite only gaining access to the land in 2023, the farmers were required to make one payment of 1,504,503 gourdes (approximately US\$17,000 at that time) in 2021, covering the rent from 2021 to 2025. These funds were collected from the 174 SCP beneficiaries. In addition, the complainants made a payment to the government for land surveying expenses.

To date, the affected farmers assert that they are still unable to utilize the replacement land due to the absence of fencing and other infrastructure, including schools and a functioning water and irrigation system, coupled with their lack of resources to facilitate relocation and build new houses.

3. IFC Management Response

IFC's response to the complaint, attached as Appendix 2, covers the period from appraisal of its first investment in the Codevi industrial park in 2003 until after client prepayment in 2021. Throughout this time, IFC says it supported the project's social performance and sought positive outcomes for the economically displaced farmers and their families, including through client site supervision visits to support SCP implementation and meetings with the government to resolve the land replacement issue. IFC also notes that it supported the CAO-led dispute resolution process.

IFC notes the land replacement issue persisted throughout its investments in Codevi amid a challenging institutional and political context. This included a coup in 2004, the 2010 and 2021 earthquakes, the Covid pandemic, the assassination of the Haitian president in 2021, and a deterioration of the security situation. As a result, IFC concluded by May 2023 that it had exhausted all viable options to further pursue implementation of the SCP by the parties.

IFC explained that the SCP's implementation depended on the government providing suitable replacement land for the affected farmers to subsist on, as well as for commercial farming, livestock rearing, and other economic activities. Delays in providing replacement land, due to political instability and a lack of capacity within government institutions, created conditions under which its client, Codevi, was unable to carry out the agreed SCP mitigation measures to benefit displaced farmers.

IFC states that the government provided financial compensation for economic loss to affected farmers between 2002 and 2005 and was further supplemented by Codevi, aligned with the SCP methodology and IFC E&S standards applicable at the time. Because tenants and sharecroppers were not recognized as eligible in Haiti's compensation regulations, Codevi stepped in to provide compensation payments to these affected individuals for their crops, beginning in 2004 and amounting to US\$77,699. These client payments were aligned with the SCP methodology and IFC E&S standards applicable at the time, and IFC monitored the process as part of project supervision.

Due to the delays in identifying replacement land, IFC states that Codevi chose instead to invest resources into the broader community development of Ouanaminthe (see Section 4, Client Response for details). During its pre-investment due diligence of the 2014 investment, IFC

determined that this community development was the best available alternative to support affected farmers and the broader community given the lack of progress in land allocation.

Once the land situation was finally resolved in 2023, IFC argues in its response that Codevi was no longer in a position to implement the original terms of the SCP and that its client's community development activities in Ouanaminthe had fulfilled their contribution to the complainants. IFC notes that these community development initiatives were accessible to displaced farmers that remained in the project area.

Finally, IFC states that all loans were fully repaid as of July 2021 and that, as a result, IFC has no current exposure to Grupo M/Codevi.

4. Client Response

The IFC client provided a statement for consideration during this compliance appraisal, attached as Appendix 3.

Codevi explains that, although land acquisition was the Government of Haiti's exclusive responsibility, it developed and carried out a Social Compensation Plan (SCP) under IFC's guidance and direction, with the aim of supporting the affected farmers. In response to the government delays, Codevi states that it expanded the SCP's objectives and implemented programs impacting all of the plan's families/beneficiaries. The programs were aimed at helping farmers improve agricultural practices and join a cooperative while broader initiatives sought to provide support for local women, healthcare, literacy, and vulnerable groups including youth, children and the elderly.

Codevi notes that, through the Fundacion Grupo M, US\$211,000.00 was allocated from 2002 through 2006 for these programs and other expenses related to land allocation. Additionally, during 2004-2005, the IFC client directly disbursed US\$77,699 as compensation for land expropriation to the beneficiaries of the SCP, which included both legal landowners and occupants.

The client argues that these payments and activities exceeded the SCP requirements and contributed to economic development and quality of life in Ouanaminthe and the north of Haiti.

5. CAO Analysis

This section summarizes CAO's analysis of the complaint based on research, document review, and engagement with IFC and the complainants. It presents analyses of the three appraisal criteria that must be satisfied for CAO to determine that a compliance investigation is necessary. The criteria are:

- whether there are preliminary indications of Harm or potential Harm;
- whether there are preliminary indications that IFC/MIGA may not have complied with its E&S policies; and

- whether the alleged harm is plausibly linked to the potential IFC non-compliance.²³

Based on the analysis below, CAO concludes that the farmers' complaint regarding IFC's 2014 investment in Codevi meets the criteria for a compliance investigation.

a) Analysis of Preliminary Indications of Harm

A CAO compliance appraisal is required to consider whether a complaint raises "preliminary indications of Harm or potential Harm."²⁴ As detailed above, the complainants raise concerns regarding inadequate compensation for the 2002 expropriation of the land they cultivated to develop the Codevi industrial park, an IFC-financed project. CAO concludes that there are preliminary indications of Harm to the complainants resulting from the Codevi II project on the basis that:

- Testimony from the complainants and corroborating IFC documentation indicate that replacement land was not made available to the affected farmers until 2023. Consequently, according to complainants, for over 20 years the displaced families were not able to reestablish their prior land cultivation activities, and some rented alternative land for farming. Given the high poverty rate among the affected farmers²⁵ the costs of renting new land may have imposed an additional financial burden and adversely impacted their living standards, perpetuating their families' economic and social vulnerability. Testimony from complainants indicated that other affected farmers sought alternative means to support themselves and their families and some were unable to restore their livelihoods at all.
- As IFC acknowledges, the absence of replacement land also meant that the 2003 Social Compensation Plan – agreed by the government and Codevi and consulted on with affected parties – could not be fully implemented. The SCP's main objective had been to compensate for the project's impacts on the affected farmers' economic activity, and to develop mitigation measures to restore or improve their livelihoods.²⁶ IFC's requirement of the SCP for the 2004 investment and its support in the SCP design²⁷ highlight the plan's significance in preventing and mitigating social impacts on the displaced farmers. The plan's provisions included infrastructure²⁸ and livelihood restoration activities that would be triggered by the delivery of replacement land to affected farmers.²⁹ However, due to the unavailability of replacement land, the social and technical programs in the SCP designed to directly benefit the displaced

²³ CAO Policy, para. 91.

²⁴ Ibid.

²⁵ The SCP stated: "This demographic group has a high poverty rate, compared with the population of the City of Ouanaminthe, due to its rural roots and the gaps in health and education indicators", SCP p. 20.

²⁶ IFC Management Response, p.3.

²⁷ Ibid.

²⁸ The 2003 SCP included: "Construction of: technical school, agriculture infrastructure, central warehouse, supplies for the repair of current housing stock: corrugated roofs, bricks and cement"; "Construction of: 39 dwelling units, central storage, 39 latrines, 10 kitchen units, (...) community center, church, school, recreational center (...)", SCP p. 21.

²⁹ IFC Management Response, p. 6.

farmers were not carried out. Instead, according to IFC and the client, they were replaced by broader community activities. A preliminary review of available information does not confirm that the complainants benefitted from this broader community programming. On the contrary, complainants assert that they were not given technical training to meet their specific needs and circumstances. In summary, based on complainant accounts and corroborating acknowledgment and documentation from IFC and the client related to incomplete implementation of the SCP, compensation for the 2002 expropriation may not have been adequate. This, in turn, may have negatively impacted the livelihood of the affected farmers.

- The SCP also included provisions for economic compensation. Grupo M-Codevi was responsible for compensating affected farmers over seven years.³⁰ However, in response to this complaint, the client maintained that their financial assistance did not extend beyond 2006, falling short of the seven-year commitment.
- During the 20-year delay in providing replacement land, in addition to expending time and energy to achieve what was promised to them,³¹ affected farmers also incurred the cost of legal representation, which was deducted from the value of their land once received.³² The complainants would not have had to secure legal representation had the original commitments been followed through upon in a timely manner.
- Despite gaining access to replacement land in 2023, the complainants remain unable to use it due to a lack of infrastructure – such as homes, schools, and agricultural systems – the development of which was provided for in the SCP.³³ Further, available information suggests that the expropriated land is situated in one of the country's most fertile regions³⁴ and the complainants claim the new land is not as fertile or as valuable to them.
- While the original intention of the SCP was to transfer ownership titles to the affected farmers,³⁵ the 2020 Memorandum of Understanding between the government and complainants recognizes the complainants as 'state farmers' who lease the land. The

³⁰ SCP p. 22.

³¹ Documentation of these efforts is included in the following two local news media articles: "Des paysans de Ouanaminthe dénoncent la prise illégale de possession des terres haïtiennes par la CODEVI", RHI News, 21 August 2022, available at <https://www.rhinews.com/actualites/des-paysans-de-ouanaminthe-denoncent-la-prise-de-possession-des-terres-haitiennes-par-la-codevi/>;

"Des paysans au Nord-Est affrontent la Banque Mondiale et l'Etat haïtien", Widlore Mérancourt, Ayibopost, 23 January 2022, available at: <https://ayibopost.com/des-paysans-au-nord-est-affrontent-la-banque-mondiale-et-letat-haitien/>.

³² MoU, Article 4 and per agreement between the complainants and their legal representative, Convention between the beneficiaries of the SCP and Me Evens Fils, 28 February 2010.

³³ See footnote 29.

³⁴ "Farmers forced out as global brands build Haiti free-trade area", The Sunday Times, 6 July 2003, available at <https://www.thetimes.co.uk/article/farmers-forced-out-as-global-brands-build-haiti-free-trade-area-kq0fp6t07mj>.

³⁵ SCP, p.17: "As part of the execution of the PCS, new plots of land are being distributed to the farmers (owners and farmers)", IFC Management Response, p. 5: IFC was informed in 2020 by the GoH "that another survey would have to be done to give the displaced farmers access to the land, instead of ownership titles."

complainants continue to assert that their agreement to the MoU provisions on land tenure was necessitated by the absence of Parliament, and that the land lease rights should be converted to private property rights, in line with the SCP agreement, once the Parliament of Haiti resumes. Complainant testimony states that uncertainty regarding the granting of individual land titles is a source of ongoing harm since their current status results in limited rights over the land they are leasing.

- Further, available information suggests that the complainants were required to make leaseholder payments for the replacement land, since 2021, (approx. US\$17,000 at the time), although they did not have effective access until 2023 to the land and remain unable to generate income from it.

b) Relevant IFC E&S Policy Requirements and Compliance Analysis

Relevant IFC Sustainability Policy and Procedural Requirements

IFC's Codevi II investment was made under the 2012 Policy on Environmental and Social Sustainability (the Sustainability Policy) and Performance Standards (PS) – together referred to as the Sustainability Framework. The Sustainability Policy states that “efforts to carry out investment and advisory activities with the intent to ‘do no harm’ to people and the environment” are “central to IFC’s development mission.”³⁶ To achieve its mission and these goals, IFC is required to conduct pre-investment environmental and social (E&S) due diligence of all its investment activities. This process must be commensurate with the nature, scale, and stage of the business activity, and with the level of environmental and social risks and impacts. Where there are significant environmental or social impacts associated with the business activity, including past or present adverse impacts caused by others, IFC must work with its client to determine possible remediation measures.³⁷ E&S due diligence is integrated into IFC’s overall due diligence of the business activity under consideration and provided to IFC’s Board of Directors when the investment is presented for approval.³⁸

Typically, E&S due diligence includes a review of information pertaining to E&S risks and impacts; site inspections and interviews of client’s stakeholders, where appropriate; analysis of E&S performance in relation to the PS and other relevant sources; and identifying PS gaps and mitigation measures.³⁹ Once the investment is made, IFC implements a program of supervision and reviews the client’s E&S performance against the E&S conditions for investment and client commitments. Where relevant, IFC identifies and reviews opportunities for further improving client E&S performance. Finally, if the client fails to comply with its E&S commitments, as expressed in the E&S conditions for investment, IFC will work with the client to bring it back into compliance to

³⁶ IFC Sustainability Policy, para. 9.

³⁷ IFC Sustainability Policy, para. 26.

³⁸ IFC Sustainability Policy, para. 21.

³⁹ IFC Sustainability Policy, para. 28.

the extent feasible. If the client fails to reestablish compliance, IFC will exercise remedies as appropriate.⁴⁰

Moreover, IFC endeavors to collaborate with clients who identify and manage E&S risks and who pursue E&S opportunities and outcomes in their business activities with a view to continually improving their sustainability performance. In cases where the client's ability to achieve environmental or social outcomes consistent with the Performance Standards may be dependent on third party actions, such as a government actor, IFC, as part of its own due diligence process, will review clients' identification of third-party risks, and will determine whether such risks are manageable, and if so under what conditions, so as to create PS-consistent outcomes.⁴¹

Applicable Performance Standards Requirements

- *PS1: Assessment and Management of Environmental and Social Risks and Impacts*

IFC clients are required to identify and evaluate project-related E&S risks and impacts, to avoid/minimize such risks and impacts and, where residual impacts to communities remain, to compensate for them. The scope of the risks and impacts identification process should be consistent with good international industry practice and determine the appropriate and relevant methods and assessment tools.⁴² Where the identified risks and impacts cannot be avoided, the client must identify mitigation and performance measures and establish corresponding actions to ensure the project will operate in compliance with applicable laws and regulations, and meet PS1 requirements. In cases where third parties not under the direct control or influence of the client may be involved in a project, the client should identify the different entities involved and the roles they play, the corresponding risks they present to the client, and the opportunities to collaborate with these third parties in order to help achieve E&S outcomes consistent with PS1.

- *PS5: Land Acquisition and Involuntary Resettlement*

PS5 aims to address adverse impacts from land acquisition by providing compensation for loss of assets at replacement cost and ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation, and the informed participation of those affected. It also seeks to improve, or restore, the livelihoods and standards of living of displaced persons. Where land acquisition and resettlement are the responsibility of the government, the client is required to collaborate with the responsible government agency to achieve outcomes that are consistent with this Performance Standard. In addition, where government capacity is limited, the client should play an active role during resettlement planning, implementation, and monitoring. For projects involving economic displacement only, where the measures that the responsible government agency plans to use to compensate affected communities do not meet relevant PS5 requirements, the client must develop an Environmental and Social Action Plan to complement

⁴⁰ IFC Sustainability Policy, para. 45.

⁴¹ IFC Sustainability Policy, para. 23.

⁴² PS1 includes further description of potentially relevant methods and assessment tools. More details are outlined in the Guidance Note for PS1 beginning at para. GN22. Of particular interest is the guidance provided on Environmental and Social Audits (GN30).

government action, which may include additional compensation for lost assets and additional efforts to restore lost livelihoods.

Analysis of Preliminary Indications of IFC E&S Policy Compliance

A CAO compliance appraisal must consider whether there are “preliminary indications that IFC/MIGA may not have complied with its E&S Policies.”⁴³ In relation to the issues raised in the complaint subject to this appraisal, CAO concludes that there are preliminary indications that IFC may not have discharged its E&S responsibilities as set out in the 2012 Sustainability Policy in relation to the Codevi II project.

The objective of the project’s Social Compensation Plan (SCP) was to compensate the affected farmers for the adverse impacts to their economic activity, and develop mitigation measures to restore or improve their livelihoods.⁴⁴ Commitments in the agreed SCP included allocation of replacement land to affected farmers by the Government of Haiti, and provision of support and farming infrastructure by Codevi to enable displaced land users to re-engage in farming activities on the new land.⁴⁵ Other provisions included establishing dwelling and community infrastructure so that affected families could establish a farming community.⁴⁶ However, long delays in allocation of land meant that, by the time of IFC’s post-earthquake emergency loan to Codevi in 2010, documentation indicates that IFC was considering alternatives to assure livelihood restoration.⁴⁷

Four years later, during the early stages of IFC’s pre-investment E&S due diligence (ESDD) for the Codevi II project, documentation again indicates that alternatives for restoring the farmers’ livelihoods were under consideration. In addition, early ESDD documentation indicates that IFC assessed Codevi’s E&S performance to date as partly unsatisfactory as a result of the 2002 land acquisition process and associated risks.

However, later in the ESDD process for the Codevi II project, IFC documentation indicates a shift, with IFC recognizing that the SCP had not been properly implemented but judging that the need for an income restoration program had passed and no further action was required. IFC noted that the client was not interested in pursuing SCP implementation any further, and that it was not reasonable 12 years after farmers experienced dislocation to follow up on income restoration issues. As noted in IFC’s Management Response, IFC’s appraisal determined that Codevi’s community development activities were the best available alternative to support the affected farmers and the broader community given the delays and lack of progress in land allocation by Haiti’s government. However, appraisal documentation does not describe any IFC analysis of whether the livelihood restoration objectives outlined in the SCP had been met, in order to reach

⁴³ CAO Policy, para. 91.

⁴⁴ IFC Management Response, p. iii.

⁴⁵ SCP p. 31: "The implementation will be spread over a period of seven years, beginning in October 2003 and ending in October 2010, replacing tree and fruit crops over an area of 246,036.40 square meters. At the end of this time frame, the beneficiaries will be capable of managing and sustaining the momentum of the development components."

⁴⁶ See footnote 29.

⁴⁷ See footnote 17.

these conclusions.

Based on the above, CAO finds that:

- IFC may not have complied with the requirements of the Sustainability Policy (para. 26) to work with the client to address legacy E&S issues (in this case, livelihood restoration of the dislocated farmers).
- IFC may not have complied with requirements in the Sustainability Policy (para. 28) to properly assess these legacy issues, such as through an Environmental and Social Audit consistent with the guidance outlined in the Guidance Note for PS1 (para. GN30), in establishing that income restoration for the affected farmers was no longer necessary.
- IFC may not have assured, as part of addressing E&S legacy risks, that the client properly assessed third party risks as required by the Sustainability Policy (para. 23). In this case, the Government of Haiti's lack of delivery on its commitment to provide replacement land as part of the SCP package of measures to compensate and provide livelihood restoration to dislocated farmers represented such third party risk.
- IFC's potential failure to take into account the E&S risks and impacts associated with the 2002 economic displacement resulted in Board approval of the Codevi II project in 2014 without any relevant ESAP items that could have been informed by the results of the ESDD, as required by the Sustainability Policy (para. 21).
- IFC may also have failed to require its client to assess and mitigate/compensate for any residual impacts prior to prepayment of its loan, in accordance with PS1 requirements.

c) Analysis of Plausible Link between Harm Allegations and Potential IFC Non-compliance

Lastly, a CAO compliance appraisal must consider whether “the alleged Harm is plausibly linked to the potential non-compliance.”⁴⁸ In determining whether there is a plausible link, CAO considers the relationship between the potential non-compliance and alleged harm without requiring evidence of causation or contribution.

In this case, CAO considers that there is a plausible link between the complainants' allegations of harm and potential IFC non-compliance in relation to the 2014 Codevi II project, noting that the preliminary indications of harm identified in this compliance appraisal are the types of issues that IFC's Sustainability Framework seeks to avoid, mitigate, and compensate by applying Sustainability Policy requirements to projects. The farmers allege that the commitments made in the SCP were not fulfilled, and that they were never properly compensated after being dislocated from the land they worked to make way for an IFC-financed project. As a result, they claim that their poverty and vulnerability has been exacerbated.

Available documentation and information indicate that IFC's ESDD for the Codevi II investment

⁴⁸ CAO Policy, para. 91.

acknowledged the lack of implementation of the SCP commitments, in particular that replacement land was not provided and consequently livelihood restoration measures for the farmers could not be implemented as envisaged. Yet, IFC decided not to pursue the matter further – either by requiring relevant studies to confirm that livelihood restoration measures were no longer needed, or by requiring the client to take other actions such as continued follow up with the Government of Haiti. The decision not to take or require any further actions is plausibly linked to the harm alleged by the complainant farming families.

d) Additional Appraisal Considerations

According to the CAO Policy, a CAO compliance appraisal must take into account a series of additional considerations.⁴⁹ In this case, because the client prepaid all outstanding balances to IFC in July 2021, CAO must consider the following:

For any Project or Sub-Project where an IFC/MIGA Exit⁵⁰ has occurred at the time CAO completes its compliance appraisal, whether an investigation would provide particular value in terms of accountability, learning, or remedial action despite an IFC/MIGA Exit.⁵¹

CAO has concluded that although Codevi has prepaid the final loan and IFC therefore has no current exposure to Grupo M/Codevi, an investigation is warranted. CAO considers that key lessons could be distilled from a comprehensive fact-finding and assessment of non-compliance and harm relating to the issues raised in this complaint, with a view to enhancing IFC's effectiveness in similar project contexts. Areas to consider include:

- **Evidence-based justification of resolution of ongoing non-compliances:** At the time of E&S due diligence for the 2014 Codevi II project, IFC concluded that the need for income restoration had passed and excused the client from meeting its obligations under the SCP. An investigation could provide IFC with clarification on the tools and means needed to assure that, in the context of repeat investments and clients, outstanding E&S considerations are effectively resolved, both in this and similar situations.
- **Addressing third party risks in FCS countries:** The IFC Management Response speaks to its ongoing support for private sector growth and investments involving Grupo M/Codevi in Haiti, despite the significant economic and social challenges faced over the almost two decades of the financial relationship (2003-2021). IFC has pledged that, by 2030, 40 percent of annual commitments will be in International Development Association (IDA)-eligible and Fragile and Conflict-affected Situation (FCS) countries⁵², with Haiti qualifying on both counts. An investigation into this case could capture learnings for IFC in operationalizing the World Bank Group Strategy for Fragility, Conflict, and Violence (FCV) 2020-2025, aimed at

⁴⁹ CAO Policy, para. 92.

⁵⁰ IFC Exit is defined in the CAO Policy, Glossary, as follows: “With respect to any Project, the earlier of (i) the termination of the financing, investment, or advisory relationship with the Client for such Project pursuant to the applicable Project agreements; or (ii) when the Project ceases to exist, or the Project has been dropped by IFC after Board approval.

⁵¹ CAO Policy, para. 92a.

⁵² See <https://www.ifc.org/en/what-we-do/sector-expertise/fragile-and-conflict-affected-situations>.

enhancing the WBG’s effectiveness to support countries in addressing the drivers and impacts of FCV and strengthening their resilience, especially for their most vulnerable and marginalized populations. In particular, both the Strategy and IFC’s approach envisage the need to comply with E&S safeguards while at the same time recognizing higher E&S risks and the need for flexibility in operationalization of these safeguards.^{53,54} This case could help inform IFC’s approach in addressing E&S issues where there is a low-capacity client, government instability, general insecurity, and risk of exploitation of vulnerable peoples.

In the same vein, a CAO investigation into this case could offer IFC guidance on striking a balance between the need for flexibility in addressing critical needs in a timely manner and transparency in the information provided to the Board or delegated authority for project decision-making.

Further, in CAO’s view, an investigation is justified as it supports accountability of the institution. Some 20 years after IFC’s initial loan to Grupo M, affected communities continue to assert they have been harmed and experience ongoing harm, and claim the need for livelihood restoration connected with the 2002 expropriation. Given IFC’s instrumental role in the development of Codevi – including involvement in the design of the 2003 Social Compensation Plan – a CAO investigation could help IFC understand the adverse effect of any non-compliance identified, and possibly consider ways it could support a resolution of farmers’ outstanding concerns, working in concert with others, as relevant and appropriate.

For the sake of completeness, analysis of each of the considerations under CAO Policy, para. 92, is presented in Appendix 4.

6. CAO Decision and Next Steps

As the appraisal criteria are met and the considerations under paragraph 92a have been duly considered, CAO will proceed to conduct a compliance investigation in relation to its investment in Codevi following the CAO Policy.

Terms of reference for the investigation are described in Appendix 5 of this report. The draft compliance investigation report will be completed by January 2025.

This appraisal report will be published on the CAO website and shared with the Board, IFC management, the IFC client, and the complainants.⁵⁵

⁵³ World Bank Group Strategy for Fragility, Conflict, and Violence 2020–2025 (Executive Summary) - <https://documents1.worldbank.org/curated/en/832821582824032543/pdf/Executive-Summary.pdf>.

⁵⁴ IFC, Generating Private Investment in Fragile and Conflict-Affected Areas - <https://www.ifc.org/content/dam/ifc/doc/mgrt/201902-ifc-fcs-study.pdf>.

⁵⁵ CAO Policy, para. 106.

Appendices

Appendix 1: Complaint

From: evens fils

Sent: Thursday, March 12, 2020 5:49:48 AM (UTC+00:00) Monrovia, Reykjavik

To: CAO Compliance

Subject: Plainte contre iFC/Banque Mondiale

[External]

Salut,

Nous, 174 familles paysannes à Ouanaminthe, Haïti, déposons une plainte contre la Banque Mondiale concernant le projet industriel dénommée CODEVI/Zone Franche Ouanaminthe, Haïti.

Cette plainte est rédigée au nom des 174 familles d'agriculteurs victimes de l'expropriation et de l'escroquerie de la Banque Mondiale, la Compagnie Codevi et l'Etat Haïtien.

Nous avons vécu dans cette localité (Ouanaminthe/Haïti) depuis plus de 40 ans et nous pouvons être contactés [REDACTED]

Notre identité peut-être révélée.

Au fait, en 2002, en Haïti, la Banque Mondiale a financé un projet industriel, la CODEVI. La CODEVI n'avait pas de terre et a désiré une terre qui était occupée et cultivée par des familles paysannes Haïtiennes. Les paysans ne voulaient pas céder leur terre. Il y eu plusieurs émeutes et des morts. Pour pouvoir s'installer à Ouanaminthe/Haïti, la Banque Mondiale avait posé comme condition: il faut que les paysans déplacés retrouvent leur terre; l'Etat Haïtien avait promis les terres; la CODEVI avait promis de construire les logements pour les paysans déplacés. Mais tout cela ne fut qu'un stratagème pour déposséder les paysans. Car pour ces millionnaires capitalistes, les paysans ne sont pas des hommes.

En revanche, 18 ans plus tard, les paysans se retrouvent sans terre, sans être relocalisés. Leur agriculture a été cruellement détruite. Ils ont reçu 50\$ US pour leur récolte et n'ont jamais été relocalisés.

Aujourd'hui, 18 ans, plus tard, la Banque Mondiale, la CODEVI, l'Etat Haïtien se sont révélés trois criminels capables de détruire les seules ressources des familles paysannes. Dans leur inhumanité, ils ont menti aux paysans et ont laissés ces derniers dans une misère abjecte. Les paysans réclament leur terre, les maisons qui ont été promises, ainsi que les aides techniques.

La Banque Mondiale/IFC a reçu plusieurs plaintes et tout s'est passé comme une lettre à la poste. Des rencontres, encore des rencontres, toujours des rencontres après 18 ans de criminalité, tel est leur bilan.

La Banque Mondiale/IFC avait financée ce projet criminel sans respecter ses conditions. La Banque Mondiale était au courant de la méchanceté infligée aux agriculteurs et garde silence.

Espérant que cette plainte permettra aux paysans de retrouver leur terre et leur ressources, je vous en remercie par avance.

Pour les paysans:
Me Evens Fils
Avocat-Mandataire

Appendix 2: IFC Management Response

INTERNATIONAL FINANCE CORPORATION

**MANAGEMENT RESPONSE
TO THE CAO COMPLAINT
ON**

**CODEVI
HAITI – LATIN AMERICA & THE CARIBBEAN
(PROJECT No. 34687)**

December 4, 2023

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ABBREVIATIONS AND ACRONYMS

CAO	Compliance Advisor Ombudsman
DR	Dominican Republic
ESAP	Environmental and Social Action Plan
ESRS	Environmental and Social Review Summary
FCS	Fragile and Conflict-Affected State
GoH	Government of Haiti
HELP	Haiti Emergency Loan Program
IFC	International Finance Corporation
INARA	Haitian Agrarian Reform Institute
MoU	Memorandum of Understanding
OD	World Bank Group Operational Directive
SCP	Social Compensation Plan
SSV	Site Supervision Visit
US\$	United States Dollar

EXECUTIVE SUMMARY

i. This Management Response has been prepared by the International Finance Corporation (IFC) to address the issues raised in the complaint received by the Compliance Advisor Ombudsman (CAO) in March 2020 concerning IFC's investment in Grupo M S.A. (Grupo M), a vertically integrated apparel manufacturer headquartered in the Dominican Republic (DR). The complaint was related to Grupo M's fully owned subsidiary, Compagnie de Développement Industriel S.A. (CODEVI or the Company; together with Grupo M, the Group), an industrial complex in Haiti located within a duty-free zone in Ouanaminthe on the border with the DR.

ii. Haiti faces significant economic and social challenges including political instability and multiple natural disasters. Haiti is classified as an International Development Association (IDA) country and a Fragile and Conflict-Affected State (FCS). Throughout a difficult socio-political context, IFC has continued to support Haiti's private sector growth¹ and investments with the Group. IFC committed A and B loans to the Group in 2004, 2010 and 2014. IFC has no exposure to the Group at present as all loans have been repaid.²

iii. In March 2020, a complaint was filed with CAO by a legal advisor representing 174 families of farmers (the Complainants) who were economically displaced by the Government of Haiti (GoH) in 2002, due to the expropriation of 45 hectares of land for the construction of the Industrial Zone, where CODEVI is located.³ The complaint alleged that the Complainants had not received replacement land and/or adequate monetary compensation for land and lost crops from the GoH, and that planned programs were not carried out by CODEVI as committed under the Social Compensation Plan (SCP).

iv. CAO found the complaint eligible in April 2020 and completed an assessment of the issues in December 2020.⁴ A dispute resolution process was attempted from December 2020 to May 2023, but was discontinued without agreement and the case was transferred to CAO's Compliance function.⁵ The CAO Dispute Conclusion Report was issued in October 2023.⁶

v. The main objective of the SCP had been to compensate for the impacts on the affected farmers' (SCP beneficiaries) economic activity, and to develop mitigation measures to restore or improve their livelihoods. Delays in providing replacement land, due to political instability and a lack of institutional capacity with the GoH, created conditions under which CODEVI was unable to carry out the mitigation measures provided in the SCP that would have directly benefited the economically displaced farmers. CODEVI instead invested resources into the broader community

¹ <https://www.ifc.org/en/stories/2023/creating-opportunities-for-haiti>

² See Annex B for further details.

³ Filed March 12, 2020. <https://www.cao-ombudsman.org/sites/default/files/downloads/HaitiCODEVIII-01complaint-public.pdf>

⁴ https://www.cao-ombudsman.org/sites/default/files/downloads/CAOAssessmentreport_CODEVI-01_Haiti_December2020ENG.pdf

⁵ https://www.cao-ombudsman.org/sites/default/files/downloads/CAO%20DR%20Conclusion%20Report_Haiti%20CODEVI-October%202023_ENG_1.pdf

⁶ https://www.cao-ombudsman.org/sites/default/files/downloads/CAO%20DR%20Conclusion%20Report_Haiti%20CODEVI-October%202023_ENG_1.pdf

development of Ouanaminthe through a number of activities, including building technical capacity of the farmers on agricultural productivity.⁷ Once the land situation was finally resolved in 2023, the Company was no longer in a position to implement the SCP as originally foreseen, given the resources for community support CODEVI had already provided over the years.

vi. IFC concurs that at the time the complaint was filed in March 2020, the Complainants still had not received replacement land, an integral part of the SCP from the GoH. A Memorandum of Understanding (MoU) between the GoH and the Complainants was not signed until July 2020, when one-hectare plots were designated for each of the 174 families of farmers, in an area called Morne Casse. As indicated to CAO during its assessment, implementation of the MoU faced several challenges and access to land remain unresolved at that time. As part of CAO's conclusion of the dispute resolution process in May 2023, the Complainants confirmed to CAO that they had access to the replacement land in Morne Casse.

vii. IFC followed applicable procedures, extensively engaging with the Company and GoH to pursue positive outcomes since 2002. This included meetings with GoH officials and letters from IFC Senior Management to ask the GoH to resolve the replacement land issue, as well as multiple site supervision visits (SSVs), and supporting the dispute resolution process. By May 2023, IFC had exhausted all viable options to further pursue implementation of the SCP by the parties.

⁷ For further detail see section IV. C.

I. INTRODUCTION

1. The International Finance Corporation (IFC) invested in Grupo M S.A. (Grupo M) and its fully owned subsidiary Compagnie de Développement Industriel S.A. (CODEVI or the Company; together with Grupo M, the Group) from 2004 to 2021 under A and B loans. Grupo M is a vertically integrated apparel manufacturer headquartered in the Dominican Republic (DR), and CODEVI is its industrial complex in Haiti, located within a duty-free zone in Ouanaminthe on the border with the DR.

2. In March 2020, a complaint was filed with the Compliance Advisor Ombudsman (CAO) by a legal advisor representing 174 families of farmers (the Complainants) that claim their livelihoods were severely affected by the loss of land. The complaint concerns the Government of Haiti (GoH) expropriation of land in 2002 for the construction of the Industrial Zone, where CODEVI is located.

3. This IFC Management Response aims to provide IFC's perspectives on the issues raised in the CAO complaint.

II. PROJECT OVERVIEW

4. Haitian development has been hindered by political instability and multiple natural disasters, including a coup in 2004, the 2010 and 2021 earthquakes, the Covid pandemic, the assassination of the Haitian president in 2021 and a deterioration of the security situation.⁸ Haiti is classified as a recipient of International Development Association (IDA) support and as a Fragile and Conflict-Affected State (FCS).

5. IFC committed a series of investments with Grupo M for its operations in Haiti. In January 2004, IFC committed an A Loan of US\$20 million to Group M to finance the Group's US\$41.4 million investment program, which included the development of an Industrial Zone in Ouanaminthe, Haiti (Grupo M #20744).⁹ In 2010, IFC committed a US\$6 million A and B Loan (US\$3 million each; HELP CODEVI A Loan #29598 and CODEVI B Loan #29864) to support the Group's strategy to expand its sewing operations in Haiti. The 2010 investment was part of the Haiti Emergency Loan Program (HELP) initiated by IFC to provide emergency loans to existing portfolio clients in the wake of the earthquake that struck the country in January 2010. In 2014, IFC committed an additional US\$10 million A Loan (FCS RE CODEVI II #34687)¹⁰ to help the Group increase its manufacturing efficiency and volumes in Haiti. All loans were fully repaid as of July 2021, and IFC currently has no exposure to the Group.

6. The complaint was filed in connection with the last IFC investment in 2014 (#34687). The Environmental and Social Review Summary (ESRS) and the Environmental and Social Action Plan (ESAP) of the project¹¹ were disclosed in May 2014 as a category B project, with limited

⁸ <https://www.worldbank.org/en/country/haiti/overview>

⁹ <https://disclosures.ifc.org/project-detail/SPI/20744/grupo-m>

¹⁰ <https://disclosures.ifc.org/project-detail/SII/34687/codevi-ii>

¹¹ <https://disclosures.ifc.org/project-detail/ESRS/34687/codevi-ii>

adverse environmental and social risks or impacts, largely reversible and addressed through mitigation measures.

7. The CODEVI industrial complex is built on 45 hectares of land that were expropriated by the GoH and provided to Grupo M under a lease agreement with the GoH. During the construction of the Industrial Zone in 2002, the GoH economically displaced 174 families of farmers, including both landowners and tenants/sharecroppers.¹²

III. CAO COMPLAINT

8. In March 2020, CAO notified IFC of a complaint filed regarding CODEVI. According to the complaint filed with CAO, (i) the compensation the Complainants received from the GoH and CODEVI was inadequate; (ii) they did not receive the replacement land committed by the GoH under the Social Compensation Plan (SCP); (iii) other activities planned under the SCP were not implemented.¹³

8. CAO found the complaint eligible in April 2020 and completed an assessment of the issues in December 2020.¹⁴ During the assessment of the complaint, the Complainants and the Company agreed to engage in a voluntary dialogue process to try to resolve the dispute. To this end, CAO conducted initial capacity building sessions in-person. In early 2022, CAO began working virtually with the parties due to travel restrictions resulting from the COVID-19 pandemic and a deteriorating security situation in Haiti. In May 2022, following the lifting of pandemic travel restrictions, CAO met with the parties in-person, facilitating the first joint meeting of the parties. However, the parties were unable to agree on the ground rules. CAO continued to work virtually conducting bilateral sessions between June 2022 and April 2023. IFC participated as an observer in the dispute resolution process and continued engaging with the client to support the progress of the process, including meetings with CODEVI in October 2022. Given the voluntary nature of the process, and the lack of agreement between the parties regarding the scope of the dialogue and the ground rules, CAO concluded the dispute resolution process in May 2023¹⁵ and the case was transferred to CAO's Compliance function.¹⁶

9. As part of CAO's conclusion of the dispute resolution process in May 2023, the Complainants confirmed to CAO that they had access to the replacement land located in Morne Casse.¹⁷ The Complainants also recognize that CODEVI met its obligations with regards to

¹² Over the years the number of affected families has varied from the originally disclosed SCP in 2003 to the present-day CAO complaint, which states that there were 174 families of farmers. This is the number used throughout this document. See Section IV for further details.

¹³ <https://www.cao-ombudsman.org/sites/default/files/downloads/HaitiCODEVIII-01complaint-public.pdf>

¹⁴ https://www.cao-ombudsman.org/sites/default/files/downloads/CAOAssessmentreport_CODEVI-01_Haiti_December2020ENG.pdf

¹⁵ https://www.cao-ombudsman.org/sites/default/files/downloads/CAO%20DR%20Conclusion%20Report_Haiti%20CODEVI-October%202023_ENG_1.pdf

¹⁶ https://www.cao-ombudsman.org/sites/default/files/downloads/CAO%20DR%20Conclusion%20Report_Haiti%20CODEVI-October%202023_ENG_1.pdf

¹⁷ For further detail see section IV.

payment of compensation as provided in the SCP.¹⁸ However, they contend the compensation was inadequate. Further, the complainants are asking for the SCP activities to be implemented by CODEVI.

IV. MANAGEMENT RESPONSE

10. The response below is structured in three sections: a) development of the SCP, b) SCP implementation and the replacement land issue, c) SCP implementation and community development activities.

11. IFC followed applicable environmental and social policy and procedures, extensively engaging with the Company and GoH to pursue positive development outcomes. However, the issue of land replacement continued to persist amid a challenging institutional and political context including a coup in 2004, the 2010 and 2021 earthquakes, the Covid pandemic, the assassination of the Haitian president in 2021 and a deterioration of the security situation.

12. Amid these challenges, IFC continued to support CODEVI in its efforts to implement the SCP from appraisal in 2003 until after prepayment in 2021. Given the delays in land replacement, which impacted the ability to fulfill SCP commitments that would directly benefit the families of the affected farmers, IFC agreed to an expansion of the scope of development activities engaged to include the broader community of Ouanaminthe.

13. Following prepayment in July 2021, engagement with CODEVI continued. Investment staff communicated and met with the Company throughout 2022 regarding the CAO dispute resolution process, encouraging resolution. However, the Company considered the community development activities they had already undertaken as fulfilling their contribution to the Complainants.

A. Development of the SCP

14. As part of the Environmental Impact Assessment for the 2004 investment (#20744), IFC required the Group to develop an SCP and supported them in its design. The main objective of the SCP was to compensate for the impacts on the affected farmers' economic activity, and to develop mitigation measures to restore or improve their livelihoods. The SCP followed the requirements of the World Bank Group Operational Directive (OD) 4.30 on Involuntary Resettlement (1990) which was the applicable safeguard prior to the establishment of the IFC Sustainability Framework and Performance Standards in 2006. In addition, some of the SCP activities were broader than the requirements of OD 4.30 and included many other community development activities.

15. The SCP was drafted and agreed between the GoH, CODEVI and the displaced farmers, listing responsibilities and activities that were to be carried out by the GoH and CODEVI. The GoH committed to pay compensation for the land and lost crops and find replacement land for those farmers who wanted access to new land — some farmers of larger holdings were not

¹⁸ See p.4 of the CAO Complaint Assessment Report, https://www.cao-ombudsman.org/sites/default/files/downloads/CAOAssessmentreport_CODEVI-01_Haiti_December2020ENG.pdf

interested in new land and took cash compensation instead. However, smaller farmers and some tenants and sharecroppers, who used the land for subsistence farming and selling extra produce in local markets, wanted replacement land. Grupo M, in order to expedite this process, asked external consultants and a local civil society organization, the Don Bosco/Technical School, to search for new land with the affected people.

16. The SCP also included several initiatives that would be triggered by the delivery of replacement land to affected farmers, including improvements to agricultural productivity through training.

17. Meetings with the affected farmers were held in 2003 at Ouanaminthe to socialize the SCP. Initially, 71 individual farmers were identified as title holders with an average plot size of 0.625 hectares which they farmed for subsistence and trade. As a result of the SCP engagements, over one hundred more occupants who were tenant farmers or sharecroppers were identified.

18. The GoH, between 2002 and 2005, provided compensation to the farmers identified as title holders for the value of the expropriated land and lost crops. However, the GoH was not able to compensate the additional tenant farmers and sharecroppers identified in the SCP socialization process because tenants and sharecroppers were not recognized as eligible in GoH compensation regulations. Therefore, CODEVI stepped in to provide additional compensation payments beginning in 2004, paying a total of \$77,699.¹⁹ Compensation followed the SCP process/methodology (aligned with OD 4.30) and revisions to SCP 2003-2006 time frame and IFC monitored the process through supervision of the project.

19. IFC actively supported CODEVI in the refinement of the SCP including the implementation of a grievance mechanism.

20. In 2006, as SCP socialization continued, IFC advised the Company to update the SCP to accurately reflect the increased number of affected farmers with additional socio-economic baseline data. IFC recommended the Company hire a full-time coordinator for SCP implementation, considering the commitment of the newly formed GoH to address the land issue. As a result, an updated SCP was developed in 2007 with IFC's technical support and feedback. IFC's review of the client's performance in 2007 noted that the revised SCP was discussed with the GoH in June 2007.

21. Aligned with its requirements on supervision, since 2002, IFC has actively monitored and contributed to enhancing the development and implementation of the SCP, regularly reviewing the client's environmental and social reporting throughout the duration of the investment. Multiple site supervision visits (SSVs) were conducted,²⁰ temporarily ceasing after the 2010 earthquake, but resuming in March 2011 and continuing until the loan was prepaid in 2021.

¹⁹ CODEVI states that US\$35,699 was paid directly to SCP beneficiaries as compensation, and that US\$42,000 was paid to GoH, which it then paid to SCP beneficiaries. This US\$42,000 should have been paid back to CODEVI through offset, but according to CODEVI, such an offset never took place.

²⁰ SSVs were conducted in 2003, 2006, 2011, 2014, 2015, 2017 and 2019.

B. SCP Implementation and the Replacement Land Issue

22. Throughout significant political and natural disasters, financial difficulties, and labor conflicts,²¹ IFC supported CODEVI on the replacement land issue and through technical guidance, numerous SSVs and active engagement with the GoH.

- In August 2004 IFC asked the GoH for an update on adequate replacement land, as per the SCP. IFC was informed that the land that had been identified was no longer available.
- In June 2007, the Haitian Agrarian Reform Institute (INARA) prepared to conduct technical and social assessments for two potential land options it had identified and presented the process and timeline for eventual land transfer to the beneficiaries.
- In October 2007, IFC followed up again with GoH to not lose momentum and expedite the allocation of land to the affected farmers.
- In 2009, discussions between the farmers, INARA, and CODEVI stopped as affected farmers had split into factions and no longer agreed on the SCP measures. The affected farmers rejected replacement land sites for various reasons including: (i) distance from the town of Ouanaminthe, (ii) poor access roads, and (iii) limited agricultural potential.
- In 2010 a catastrophic earthquake struck Haiti and GoH documentation on the affected farmers was destroyed, resulting in further delays in the replacement land allocation process.
- In March 2011 and February 2014 IFC carried out SSVs to CODEVI to follow up on the implementation of the SCP which remained stalled.
- In 2014 INARA, surveyed 520 hectares in an area called Morne Casse to begin a land allocation process. However, several issues including disputes over plot plans, presence of looters/squatters, threats/retaliation and deterrence by law enforcement once again delayed access to the land for affected farmers.
- In 2014, as part of the appraisal for IFC loan #34687 with CODEVI, SCP implementation was reviewed. Although the compensation for land/crops had been paid to landowners, farmers and sharecroppers, the livelihood restoration activities in the form of replacement land and improved farming practices had not materialized.
- IFC undertook additional SSVs in June 2015 (in 2016 the original loan was paid back), September 2017 and March 2019.
- In January 2020, the Complainants raised their continuing concerns directly to IFC. IFC carried out a SSV and met with the Complainants' legal advisor in Haiti in February 2020. Following this meeting, IFC made efforts once again to engage with the GoH regarding the replacement land and was informed by GoH that another survey would have to be done to give the displaced farmers access to the land, instead of ownership titles, and to provide basic services and infrastructure. In the meantime, the complaint was submitted to CAO.

23. In August 2020, the GoH and the Complainants' legal adviser informed CAO that through direct negotiations they had signed a Memorandum of Understanding (MoU) on July 28, 2020, recognizing the Complainants' right to the land at Morne Casse as state farmers. The Complainants confirmed to CAO that they had received one hectare per family, and other parts of the 520 hectares

²¹ Although unrelated to the complaint but noteworthy, IFC worked with international labor unions, local labor organizers in Haiti and CODEVI to establish the first unionized plant in Haiti in 2005 (See disclosed Environmental Review Summary for 20744). The learning from this process lead IFC to consider a standard on labor and working conditions as part of the creation of the IFC Sustainability Framework and Performance Standards in 2006.

were being developed for various project components. The CAO complaint noted that there were still issues around retaliation, looters, and access to the land, even in December 2020. In May 2023, the Complainants confirmed to CAO that they had access to the land in Morne Casse.

C. SCP Implementation and Community Development Activities

24. From 2002 to 2006, CODEVI spent approximately US\$153,000 on the implementation of SCP community development related activities including projects to:
- Build the technical agricultural capacities of SCP beneficiaries, through workshops and financial support.
 - Assist women by supporting training workshops in handicrafts, gastronomy, and business creation, as well as in efforts to obtain personal identification cards.
 - Enable access to health care through free medical clinics, reproductive health assistance for women, and access to fully paid surgical consultations and procedures in the DR.
 - Improve literacy including reading and writing classes for adults.
 - Facilitate youth entry into the professional world, including vocational training and provision of educational grants and job opportunities within CODEVI.
 - Support to children, including provision of school materials and uniforms, as well as music and sports classes.
 - Support to seniors, including training workshops and provision of economic assistance.
 - Outreach for people with disabilities, including training and job opportunities within CODEVI.
25. Further, approximately US\$58,000 was invested through the Grupo M Foundation in the search for replacement land, bringing the total client expenditure to US\$211,000.
26. During the appraisal of the 2014 investment (#34687), IFC determined that the community development activities were the best available alternative to support affected farmers and the broader community given the delays and lack of progress in land allocation by the GoH.

V. CONCLUSION

27. While dealing with multiple challenges over the last 20 years, IFC made consistent efforts from the appraisal of the project in 2003 onward, to support the social performance of the project in Haiti. These included numerous SSVs, in order to support the client in their efforts to implement the SCP, visits to meet GoH officials and letters from IFC Senior Management asking the GoH to resolve the replacement land issue. The MoU between the GoH and the Complainants was signed in July 2020 and one hectare land plots for each of the 174 families of farmers were assigned. By the time this took place, the Company had put resources into similar SCP-related activities over the years for the benefit of the Complainants and the broader community of Ouanaminthe.

28. The SCP depended on GoH providing suitable replacement land, to provide the affected farmers with land for subsistence farming and to introduce commercial farming and livestock rearing and other economic activities. While the SCP was broader than the requirements of OD 4.30 and included other community development activities, IFC recognizes the SCP was not fully implemented in a timely manner because the replacement land issue, a responsibility of the GoH,

remained unresolved for two decades. However, compensation was ultimately provided by the GoH and was further supplemented by CODEVI, aligned with the SCP methodology and OD 4.30. In addition, CODEVI provided technical capacity building workshops on agricultural production methods.

29. IFC exhausted all viable options to further pursue the implementation of the SCP. IFC notes the larger community development initiatives CODEVI was carrying out improved the situation of the broader area of Ouanaminthe and were accessible to displaced farmers that remained in the project area.

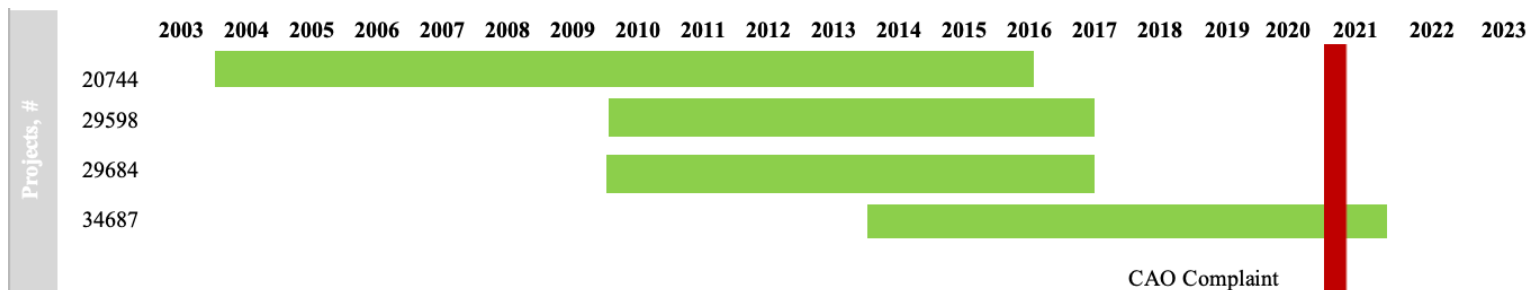
30. All loans were fully repaid as of July 2021, and IFC currently has no exposure to the Group.

ANNEX A: EVENT TIMELINE

Timeline	Event Description
2003 - 2004	<p>IFC committed an A loan of US\$20 million to Grupo M to finance the Group's US\$41.4 million investment program, which included the development of the CODEVI Industrial Zone in Ouanaminthe, Haiti (Grupo M #20744). The Environmental Review Summary for the 2004 loan was disclosed in May 2003 and the project was determined to be a category B.</p> <p>As part of our appraisal due diligence IFC required the client to develop a SCP to address the economic displacement as per the OD 4.30 in place at the time.</p> <p>In 2003, a SSV was conducted, during which, IFC actively monitored and contributed to enhance the development and implementation of the SCP. In 2003 meetings with beneficiaries were held in Ouanaminthe to socialize the SCP.</p> <p>In February 2004 there was a coup, and an interim government was installed.</p>
2006 - 2007	<p>In 2006, a SSV was conducted. IFC suggested to the Company to update the SCP and establish a full-time position to coordinate SCP implementation, considering the new GoH and the need to address the land issue. As a result, an updated SCP was developed in 2007 with IFC's technical support and feedback. This SCP was shared with the Government but was never disclosed.</p> <p>CODEVI spent US\$211,000 on the implementation of SCP community development related activities between 2002 and 2006.</p>
2010	<p>IFC committed a follow-on investment in 2010 (HELP CODEVI #29598 and CODEVI B Loan #299864) under HELP, a program initiated by IFC to provide emergency loans to existing portfolio clients in the wake of the devastating earthquake that struck the country in January 2010.</p>
2014	<p>IFC committed an additional US\$10 million A Loan to help the Group increase its manufacturing efficiency and volumes in Haiti (FCS RE CODEVI II #34687). The ESRS and ESAP were disclosed in May 2014 for the category B project.</p>
2020	<p>In January 2020, the Complainants reached out to raise the replacement land issue directly with IFC. In February 2020, IFC met with the Complainants' legal advisor in Haiti and following this meeting, IFC made efforts once again to engage with the GoH regarding the replacement land.</p> <p>In March 2020, a complaint was filed with CAO. CAO found the complaint eligible in April 2020.</p>

ANNEX B: PROJECT TIMELINE AND GRUPO M EXPOSURE HISTORY

I. CODEVI Timeline



II. Group M Exposure Summary

Project #	Project Name	Commitment Year	Committed Amount	Disbursed Amount	Final Payment Date
20744	Grupo M	2004	20,000,000	12,950,887	6/1/2016
29864	Codevi B Loan	2010	3,000,000	3,000,000	8/9/2017
29598	HELP CODEVI	2010	3,000,000	3,000,000	8/9/2017
34687	FSC RE Codevi II	2014	10,000,000	10,000,000	7/13/2021
Total			36,000,000	28,950,887	

Appendix 3: Client Statement



Free Zone Industrial Park CODEVI
Ville d' Ouanaminthe, Department Northeast, Haiti

CLIENT RESPONSE TO THE CAO COMPLAINT ON SOCIAL COMPENSATION PLAN OF IF AND CODEVI

**PLAN DE COMPESACION SOCIAL
CODEVI / IFC**



November 9, 2023.

The response below has been prepared by Compagnie de Developpement Industrial S.A. (CODEVI) in response to the issues raised in the complaint filed with the CAO in March 2020 and related to the construction of a free zone park located in Ouanminthe, Haiti. This document presents the key issues of concern raised by the Complainant and the CODEVI's response which aims to demonstrate that such complaints are not factual.

1. Beginnings

The land where the Free Trade Zone Industrial Park of the Compagnie de Developpement Industrial S.A. (CODEVI) is built, were leased in 2003 by the latter to the Haitian Government, for which the former occupants were displaced, for which said people had to be compensated, process that was the exclusive responsibility of the Government.

Notwithstanding the above, CODEVI, under the guidance and direction of the IFC policies and procedures, developed a program called Social Compensation Plan, whose main objective was to provide support to the occupants of said lands in the compensation process by the Haitian Government for the expropriation of the land and the granting of new land to continue his agricultural work.

However, because of the delay on the part of the Government agencies for the promised land, the Social Compensation Plan project expanded its objective to compensate and replace said contribution, so Codevi carried out a series of programs to benefit the occupants and all their relatives of the aforementioned lands.

The financing of these programs came from funds donated by the Fundacion Grupo M, which were allocated directly to the development of the Social Compensation Plan. (See annexes).

In total were invested **US\$211,000.00** from 2002 to the end of 2006, which were allocated to the execution of concrete actions to improve the quality of life of these people and each of their family members. (See annexes).

The sum of US\$77,699.00 was also disbursed as direct compensation for the expropriation of the land, to the beneficiaries of the plan, which included not only the legal owners, but also the occupants and workers of these lands and whose payment receipts have been shared in other emails with the Compensation Plan administrators.

As part of this execution of the Social Compensation Plan, several activity programs were carried out with the following general purpose:

- Improve agricultural practices
- Strengthen the organization of farmers through the formation of a cooperative
- Promote the social composition of women
- Improve quality of life of young people
- Guarantee the economic insertion of these actors in society.

Below we will briefly detail the activities, programs and payments made to the beneficiaries of the Compensation Plan and carried out by CODEVI. We want to highlight that the funds for the executed programs were disbursed by the Grupo M Foundation.

2. Payments:

To compensate for the eviction process suffered by the owners of the land where CODEVI is located, a series of payments were made, which not only benefited them, but also, as we explained at the beginning, the supposed occupants of the land and families that were indirectly favored with what they produced on those lands.

Chronologically this was what was done:

- On June 18, 2004, a payment of a total of US\$35,699.00 was made, where the claimants who received it directly discharged GRUPO M / CODEVI for the compensation amounts. (See file "Check and payment request Codevi 2004").
- On November 21, 2005, the Ministry of Commerce sent a letter to Codevi requesting a loan of US\$42,000.00, equivalent to HTG\$1,827,000.00, to pay compensation for the expropriated land to owners and occupants of the land on which Codevi is located, which was disbursed by Codevi. (See file "Haitian Government loan request to Codevi").
- On November 22, 2005, the Director of the Free Trade Zone of Haiti, representing the Government, arrived at Codevi where the payment of the previous amount was made and where the occupants of the lands also gave the corresponding release.
- The loan was not paid to Codevi, the idea was to compensate it with the rent of the land, however we have evidence that Codevi has timely paid said lease to the Haitian State, as provided in the contract signed for these purposes.

For the above, Codevi has directly paid a total of US\$77,699.00, for the benefit of the owners and occupants of the land, which there is full evidence.

3. Activities and Programs carried out:

As we previously explained, in view of the delay in the delivery of the land, the Social Compensation Plan project carried out, at the sole cost of CODEVI through the Grupo M. Foundation Inc, a wide series of programs that directly impacted all beneficiaries of the Compensation Plan and their families. Please note that there were a total of 174 families, instead of the 50 families originally counted.

This sought to expand the technical knowledge that they had, not only in agriculture but in other branches of microbusiness, empower women, improve their quality of life with access to a better health system, and in general impact life of these persons, inserting them into a more avant-garde and modern world.

These programs were the following:

FARMERS PROGRAMS	
Objective	Improve the technical capabilities of SCP farmers and expand their knowledge of agricultural techniques
Activities	<ul style="list-style-type: none"> • Technical training with agronomists to improve agricultural system • New planting technique workshops • Workshops on Greater productivity in agriculture • Empowerment, entrepreneurship and microbusiness workshops. • Inclusion of your interested children as Codevi employees. • Delivery of monthly financial assistance.
Approximate cost	US\$25,000.00

WOMEN'S PROGRAM	
Objective	Provide women with the necessary knowledge to maintain their homes
Activities	<ul style="list-style-type: none"> • Female Empowerment Program carried out by the sociologist • Training in gastronomy. • • Training in crafts. • Entrepreneurship Training • Support in the acquisition of identity documentation • Support in acquiring passports. • Extensive gynecological assistance program (detailed in the Health Program). • Delivery of monthly financial assistance. • Hiring all interested parties as Codevi employees • Training at Codevi's Training Center
Approximate cost	US\$35,000.00

HEALTH PROGRAM	
Objective	Support all family members of the beneficiaries of the Compensation Plan with health issues.
Activities	<ul style="list-style-type: none"> • Free medical consultations with various specialists. • Gynecological assistance to all women related to the Compensation Plan. • Basket for pregnant women. • Payment for medical check-ups in the Dominican Republic, with payment of travel and accommodation expenses. • Payment for surgeries in the Dominican Republic, covering travel and accommodation expenses.
Approximate cost	US\$30,000.00

LITERACY PROGRAM	
Objective	Teach adults to read and write, all adults who require it.
Activities	<ul style="list-style-type: none"> • Weekly training in order to teach reading and writing.
Approximate cost	US\$5,000.00

PROGRAMA DE JOVENES	
Objective	Provide the identified population aged between 18 – 25 years with the necessary skills to enter the workplace in their country.
Activities	<ul style="list-style-type: none"> • Educational scholarships • Cultural training • Musical formation • Sports training • Legal support for the acquisition of identity documentation • Support in acquiring passports • Hiring all interested parties as Codevi employees • Training at Codevi Training Center
Approximate cost	US\$20,000.00

CHILDREN'S PROGRAM	
Objective	Support to the children of the members of the Compensation Plan in their academic development and healthy entertainment
Activities	<ul style="list-style-type: none"> • Scholarships for schools • Uniforms delivery • Delivery of school supplies • Support in the acquisition of identity documentation • Cultural training • Musical formation • Sports training • Delivery of gifts at Christmas
Approximate cost	US\$20,000.00

ELDERLY ADULTS PROGRAM	
Objective	Improve the quality of life of adults over 50 years of age and their economic support.
Activities	<ul style="list-style-type: none"> • Training in economic updating model • Help for the location of new entrepreneurship models • Deliveries of “candy vending cart” and other means for new micro-businesses. • Delivery of monthly financial assistance.
Approximate cost	US\$15,000.00

INCLUSION PROGRAM	
Objective	Improve the quality of life of compensation plan members with different abilities.
Activities	<ul style="list-style-type: none"> • Training for disabled people to enter the labor market (blind, deaf, among others) • Priority to be hired in the company. • Delivery of monthly financial assistance.
Approximate cost	US\$3,000.00

TOTAL INVESTED: US\$153,000.00

The cost of these programs include:

- Hiring international technicians to provide training.
- Hiring Creole translators.
- Expendable materials.
- Snacks
- Professional fees.
- Travel expenses.

Other expenses related to value of **US\$58,000.00**:

- Identification of possible lands
- Hiring technicians to help with the location of the land.
- Transfers and representation expenses.
- Legal and professional fees.
- Court Construction.

4. Total invested in the Social Compensation Plan / Conclusion

It can be observe that Codevi made a total investment in the development and application of the Social Compensation Plan of:

Concept	Amount US\$
Payments made directly:	77,699.00
Programs and Activities	211,000
Total Invested	<u>US\$288,699</u>

In conclusion, as can be seen in the data provided, CODEVI from 2002 to 2006 carried out payments and various activities in favor of the beneficiaries of the Social Compensation Plan, which went far beyond what was requested in the technical part and that without a doubt some would be more than expected as help in construction materials, which were made to replace them for the reasons previously expressed.

We provide jobs to the entire society of Ouanaminthe and the North of Haiti, impacting the quality of life of our collaborators and their families, who are part of our large business family and the main objective of the dozens of social projects and programs carried out in our company.

5. CAO Mediation Process

CODEVI welcomed the invitation of CAO to engage in the Mediation process and participated in all sessions and meetings with all seriousness and desire to end the dispute. Previously the formal opening of the process, we received a visit from the CAO team to our facilities in order to agree on the rules of mediation.

However, the claimants could not agree on the basic rules of mediation, in addition claimants use other methods of pressure against the company such as filing parallel lawsuits.

Our company appreciated the support provided by CAO in this process, reiterating that we are standard bearers of transparency, throughout our twenty years of operations our purpose is and will continue to be betting on the individual and collective development of people, creating dignified jobs and be guarantors of social development.

CODEVI is fully in compliance with the law respect to the obligations of the Social Compensation Plan and, as is demonstrable, went beyond them. We attempt for years to carry out the proposed dialogue with the claimants, which was not possible to culminate in this mediation process. This is why the closure of this claim is totally valid.

Appendix 4: Additional Appraisal Considerations

The CAO Policy⁵⁶ provides for the compliance appraisal to take into account additional considerations, as outlined in the table below.

CAO Policy provision	Analysis for this case
<p>For any project or sub-project where an IFC/MIGA exit has occurred at the time CAO completes its compliance appraisal, whether an investigation would provide particular value in terms of accountability, learning, or remedial action despite an IFC/MIGA exit (para. 92a).</p>	<p>An investigation could offer lessons to IFC on tools and means needed for assurance that outstanding E&S considerations with repeat investments and clients are addressed, support effective implementation of E&S considerations in Fragile Conflict-affected Situations, help assure that decision-makers are well informed regarding E&S issues in challenging socio-political contexts, and provide accountability for IFC and opportunities, possibly working in collaboration with others, to redress any harm to complainants verified through the investigation process.</p>
<p>The relevance of any concluded, pending or ongoing judicial or non-judicial proceeding regarding the subject matter of the complaint (para. 92b).</p>	<p>Not applicable.</p>
<p>Whether Management has clearly demonstrated that it dealt appropriately with the issues raised by the Complainant or in the internal request and followed E&S Policies or whether Management acknowledged that it did not comply with relevant E&S Policies (para. 92c).</p>	<p>Not applicable.</p>
<p>Whether Management has provided a statement of specific remedial actions, and whether, in CAO's judgment after considering the Complainant's views, these proposed remedial actions substantively address the matters raised by the Complainant (para. 92d).</p>	<p>Not applicable.</p>

⁵⁶ CAO Policy, paras. 92-93.

<p>In relation to a project or sub-project that has already been the subject of a compliance investigation, CAO may: (a) close the complaint; (b) merge the complaint with the earlier compliance process, if still open, and the complaint is substantially related to the same issues as the earlier compliance process; or (c) initiate a new compliance investigation only where the complaint raises new issues or new evidence is available (para. 93).</p>	<p>Not applicable.</p>
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Appendix 5 Terms of Reference for Compliance Investigation of IFC’s Environmental and Social Performance in relation to its Investment in Codevi (#34687) in Haiti

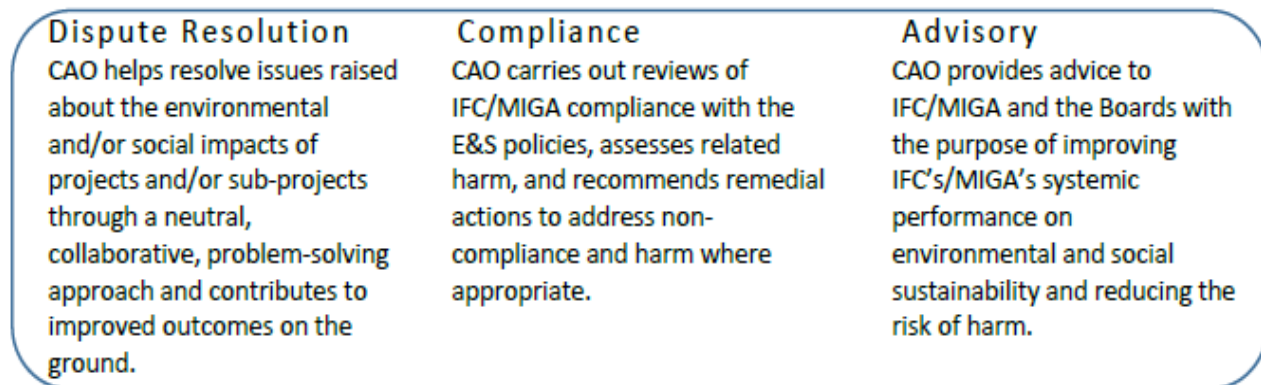
About CAO and the Compliance Function

The Office of the Compliance Advisor Ombudsman (CAO) is an independent recourse and accountability mechanism for people and communities affected by projects financed by the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). CAO works to address complaints fairly, objectively, and constructively while enhancing the social and environmental outcomes of IFC and MIGA projects and fostering public accountability and learning at these institutions.

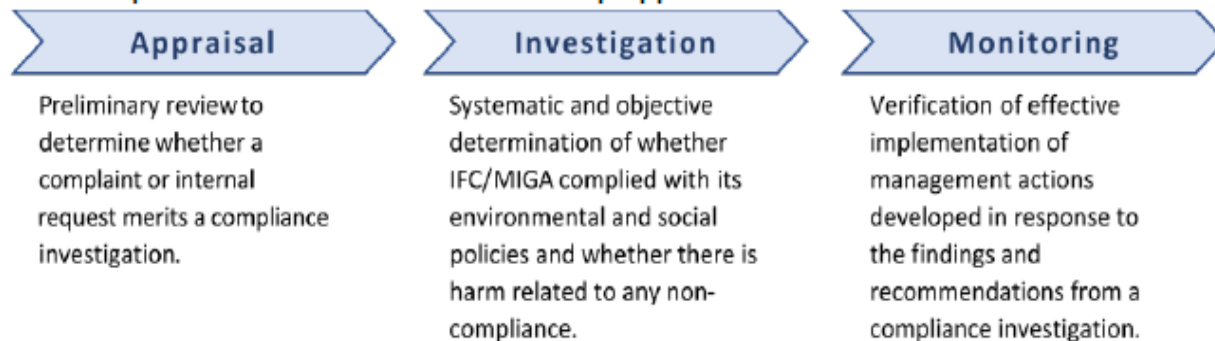
CAO’s independence and impartiality are essential to fostering the trust and confidence of stakeholders involved in complaint processes. CAO is independent of IFC and MIGA management and reports directly to the IFC and MIGA Boards.

CAO carries out its work in accordance with the IFC/MIGA Independent Accountability Mechanism (CAO) Policy (“the CAO Policy”). Its three functions are shown below. For more information, visit: www.cao-ombudsman.org.

CAO’s compliance function follows a three-step approach:



CAO’s compliance function follows a three-step approach:



Context and Investments

In 2014, IFC approved a US\$10 million investment with Compagnie De Developpment Industriel, S.A. (Codevi), a wholly-owned subsidiary of Grupo M. The investment was to support the expansion program of Codevi, which included the construction of a new facility and acquisition of machinery within the Codevi industrial park. The 2014 loan was prepaid in July 2021.

Grupo M became an IFC client in 2004 when IFC provided a US\$20 million loan for the initial development of the Codevi industrial park and to establish its first apparel manufacturing plant in the complex. In 2010, IFC committed further financing for Codevi operations to support the acceleration of Grupo M's expansion in Haiti.

The Complaint

In March 2020, CAO received a complaint from 174 farming families from Ouanaminthe, Haiti, which stated that their livelihoods were severely impacted following the 2002 expropriation of the land they cultivated for the development of the Codevi industrial park by Grupo M. They asserted that the compensation they received from the Government of Haiti (GoH) and Codevi/Grupo M was inadequate. At the time the complaint was filed with CAO, the complainants had not received the replacement land that was committed under the terms of a Social Compensation Plan (SCP) agreed by both Codevi and the GoH and as required by IFC in order to access financing. The complainants stated that the planned programs under the SCP were never implemented by Codevi as new land was never provided to them, and that their rights and protections were violated in breach of the IFC Performance Standards. Subsequent to a Memorandum of Understanding being agreed by complainants and the GoH in July 2020, complainants were granted access to replacement land as State farmers in 2023; however, they asserted that Codevi continued to fall short of meeting its commitments under the SCP.

Investigation Terms of Reference

Where, as in the present case, the CAO appraisal process results in a decision to investigate, CAO's appraisal report includes terms of reference for the compliance investigation, outlining:

- a. The objectives and scope of the investigation;*
- b. Any limitations on the scope of the investigation that may be appropriate, considering, among others, issues closed at the appraisal stage, the presence of concurrent judicial proceedings, or an IFC/MIGA Exit;*
- c. The approach and method of investigation, and specific consultant qualifications; and*
- d. A schedule for the investigation tasks, timeframe, and reporting requirements. This schedule will include deadlines for the submission of information by IFC/MIGA to inform the compliance investigation process.*

Objective and Scope of the Compliance Investigation

A CAO investigation determines whether IFC complied with its E&S Policies relevant to an investment and whether there is harm related to any IFC non-compliance. In determining whether IFC has complied with its E&S Policies, CAO includes, where appropriate, an assessment of whether IFC deviated in a material way from relevant directives and procedures.

As established in CAO's Compliance Appraisal Report, CAO will conduct a compliance investigation related to IFC's investment in Codevi (#34687) in Haiti per the issues raised in the complaint and described in the report as proceeding to an investigation.

Relevant to such matters, the objective of the investigation is to determine:

1. Whether IFC has complied with its E&S Policies, including:
 - a. Pre-investment E&S due diligence relating to the Project as required by the Sustainability Policy, including addressing past and present adverse impacts and third party risks, and the adequacy of such E&S due diligence;
 - b. Review of the Project's compliance with IFC's E & S requirements; and
2. Whether there is harm or potential harm to the complainants related to any IFC non-compliance.

Specifically, the investigation will consider, in relation to the issues raised in the complaint and deemed to merit investigation, whether IFC should have required the application of, and assured project outcomes consistent with the following Performance Standards:

- PS1 - Assessment and Management of Environmental and Social Risks and Impacts, as relates to the requirements to identify and evaluate E&S risks and impacts of the project; follow a process consistent with good international industry practice and utilizing appropriate and relevant methods and assessment tools; mitigate E&S risks and impacts and, where residual impacts to communities remain, compensate; and address third party risks.
- PS5 - Land Acquisition and Involuntary Resettlement, as relates to compensation for loss of assets, livelihood restoration, and private sector responsibilities in relation to economic displacement under government-managed resettlement.

With regard to any IFC non-compliance with these E&S requirements, the investigation will consider whether there is related harm or potential harm to the complainants.

Methodological Approach

CAO will base the compliance investigation on information available to CAO from interviews, statements, reports, correspondence, CAO observations of activities and conditions, and other sources that CAO deems relevant.

The compliance investigation process and compliance investigation report will include:

- a. *The investigation findings with respect to compliance, non-compliance, and any related harm.*
- b. *Context, evidence, and reasoning to support CAO's findings and conclusions regarding the underlying causes of any non-compliance identified.*
- c. *Recommendations for IFC to consider in the development of a Management Action Plan (MAP) relating to the remediation of Project-level noncompliance and related harm, and/or steps needed to prevent future non-compliance, as relevant in the circumstances. In case of a project where an IFC Exit has occurred, recommendations will consider the implications of such exit.*

Sufficient, relevant evidence is required to afford a reasonable basis for CAO's compliance findings and conclusions. CAO will assess whether there is evidence that IFC/MIGA applied relevant E&S requirements considering the sources of information available at the time the decisions were made and will not make findings and conclusions with the benefit of hindsight.

External Expert(s)

As per its established practice, CAO will engage one or more external experts for this investigation. For this compliance investigation, CAO considers the following qualifications as necessary:

- Significant expertise in management of environmental and social risks and impacts in the development finance context.
- Expertise on land acquisition and involuntary resettlement, in particular economic displacement, livelihood restoration, and land tenure and rights.
- Track record of work on environmental and social issues in Fragile and Conflict-Affected Situations (FCS), in particular Haiti.
- Significant knowledge of IFC's E&S Policies, standards, and procedures, particularly the 2012 Sustainability Policy and the 2012 Performance Standards.
- Experience and knowledge relevant to conducting compliance investigations.
- Demonstrated ability to analyze policies and practices and develop proposals for reform in complex institutional contexts; and
- Fluency in English, familiarity with French / Spanish / Haitian Creole desirable.

Field Visit and Potential Limitations of the Investigation

Should the country's security context allow for it, a field visit to the complainants' communities will take place during the compliance investigation. Given that IFC asserts that it no longer has any exposure to Grupo M/Codevi, access to company representatives and any relevant facilities may be limited. For any visit that may occur, the CAO case team, external experts, and an interpreter/translator would be expected to participate.

Compliance Investigation Schedule, Timeframe, and Reporting Requirements

According to the CAO Policy¹, a draft compliance investigation report must be circulated within one year of the disclosure of an appraisal report.² A draft compliance investigation report for this case will be circulated to IFC management and all relevant departments for factual review and comment. Management may share the draft report with the client on the condition that appropriate measures are in place to safeguard the confidentiality of the draft report prior to public disclosure. IFC will have 20 business days to provide written comments.

At the same time, the draft investigation report will be circulated to the complainants for their factual review and comment, provided that appropriate measures are in place to safeguard the confidentiality of the draft report prior to public disclosure. If such confidentiality measures are not in place, complainants will, at a minimum, receive a draft table of the investigation's findings for factual review and comment and as a source of information to inform future consultations on any IFC Management Action Plan (MAP).

Upon receiving comments on the consultation draft from IFC and the complainants, CAO will finalize the investigation report. The final report will be submitted to IFC senior management and circulated to the Board for information. The Board has no editorial input on the content of a CAO compliance investigation report. Once the investigation report is officially submitted to IFC management and circulated to the Board, CAO will notify the public on its website of the investigation's completion.

Upon CAO's final submission of the compliance investigation report to IFC, IFC management has 50 business days to submit a management report to the Board for consideration. The management report must include a MAP for Board approval. A MAP contains time-bound

¹ CAO Policy, para. 121.

² As an interim measure toward implementation of the CAO Policy timelines, in FY24 CAO will complete draft compliance investigations within 18 months of the disclosure of an appraisal report.

remedial actions that IFC proposes for the purpose of addressing CAO findings of non-compliance and related harm. IFC must consult with complainants and the client during its MAP preparation process, and its management report must also include a reasoned response to CAO's finding or recommendations regarding non-compliance or related harm that IFC is unable to address in the MAP.

CAO will submit comments on the proposed MAP to the Board, and the complainants may submit a statement to CAO on the proposed MAP and the adequacy of consultations for circulation to the Board. Upon the Board's approval of the MAP, the compliance investigation report, management report, and MAP will be published on CAO's website.