



The Independent Accountability Mechanism for IFC & MIGA

CAO ASSESSMENT REPORT

**Regarding Concerns in Relation to
IFC's Zarafshon Wind Project in Uzbekistan
(IFC Project #44364)**

February 2024

Office of the Compliance Advisor Ombudsman
for
the International Finance Corporation and the
Multilateral Investment Guarantee Agency
www.cao-ombudsman.org

About the 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 reports directly to the IFC and MIGA Boards of Executive Directors. For more information, see www.cao-ombudsman.org

About CAO Assessments

Any person who believes they may be harmed by an IFC or MIGA project can lodge a complaint to CAO. We apply three simple eligibility criteria to accept a complaint. For eligible complaints, we assess the concerns with the complainant(s), project sponsor, and other relevant stakeholders.

Once a complaint is determined to be eligible, we review the concerns raised in it. This assessment is conducted in consultation with the complainant, the IFC and MIGA client and project teams, and other relevant stakeholders.

Purpose

The objective of the CAO assessment process is to develop a thorough understanding of the issues the complaint raises, work to understand all perspectives, engage with all key stakeholders to the complaint, consult with them to determine the process they choose to address the complaint, and consider the status of other grievance resolution efforts made to resolve the issues raised.

CONTENTS

ACRONYMS IV

1. OVERVIEW 1

2. BACKGROUND 1

 2.1 The Project 1

 2.2 The Complaint 2

3. ASSESSMENT SUMMARY 2

 3.1 Methodology 2

 3.2 Summary of Views 2

4. ASSESSMENT CONCLUSION 4

APPENDIX A. CAO COMPLAINT-HANDLING PROCESS 5

ACRONYMS

CAO	Office of the Compliance Advisor Ombudsman
E&S	Environment and Social
EPC	Engineering, Procurement and Construction
IFC	International Finance Corporation
Masdar	Abu Dhabi Future Energy Company PJSC
MIGA	Multilateral Investment Guarantee Agency
NEGU	Joint-stock Company National Electric Grid of Uzbekistan
O&M	Operations and Maintenance
PJSC	Public Joint Stock Company
PPA	Power Purchase Agreement
SEPCOIII	SEPCOIII Electric Power Construction Co.

1. OVERVIEW

In July 2023, the Office of the Compliance Advisor Ombudsman (CAO) received a complaint from a herder who lives in the Navoi region, Uzbekistan. The complaint relates to International Finance Corporation (IFC)'s Zarafshon Wind Project, being implemented by Shamol Zarafshan Energy FE LLC, a special purpose company. The complainant alleged that heavy machinery used to transport cement for the project from the batching plant located in adjacent land is damaging his land, and that oil spillage and dust generated from the construction work are affecting his animals' grazing land.

In October 2023, CAO determined that the complaint met its three eligibility criteria and began an assessment of the complaint. During CAO's assessment, the complainant and Shamol Zarafshan Energy (SZE) expressed an interest in engaging in a dispute resolution process facilitated by CAO to resolve the issues raised in the complaint.

This assessment report provides an overview of the assessment process, including a description of the project, the complaint, the assessment methodology, views of the complainant and Shamol Zarafshan Energy through its owner Abu Dhabi Future Energy Company PJSC ("Masdar"), and next steps.

2. BACKGROUND

2.1 The Project

IFC Project Zarafshon Wind (#44364) is an active wind-power Category-A project. It consists of the development, design, financing, construction, operation, and maintenance of a 500MW Wind Power Plant, comprised of up to 111 wind turbine generators, each with a capacity of up to 4.5 MW. The project is located in the Navoi region, 15 km east of the town of Zarafshan, on an elevated plateau in the Kyzylkum desert of Uzbekistan.

The project was approved in July 2022 and reached financial close in November 2022. It is being implemented by Shamol Zarafshan Energy FE LLC, a special purpose company incorporated in Uzbekistan, wholly owned by Abu Dhabi Future Energy Company PJSC ("Masdar"). It is being developed under an Engineering, Procurement and Construction (EPC) contract, executed by SEPCOIII Electric Power Construction Co (SEPCOIII), which is also acting as an Operations and Maintenance (O&M) contractor for the first two years of operations. The project is anticipated to be operational for 25 years, and is under a Power Purchase Agreement (PPA) with the Joint-Stock Company National Electric Grid of Uzbekistan (NEGU), the state-owned single buyer and off-taker.

At the time of IFC's investment, IFC's estimation of the development impact of the project was that it would reduce CO₂ emissions by displacing carbon-intensive power generation and deliver electricity output at a competitive tariff. According to IFC, that would help improve the competitiveness of the sector and increase the resilience of electricity supply by diversifying Uzbekistan's energy mix.

Shamol Zarafshan Energy informed CAO that the power collector substation was energized, and the first wind turbine generators went online to generate around 25MW of renewable energy, in December 2023. According to Shamol Zarafshan Energy, once fully completed, the project will displace 1.1 million tonnes of carbon dioxide per year. Commercial operation is expected to be achieved in 2025, and the project will contribute to Uzbekistan's target of generating 25 percent of its electricity from renewable sources by 2030.¹

¹ Excerpt from the document "Project Initial Response to Grievance" by Shamol Zarafshan Energy FE LLC, November 29, 2023

2.2 The Complaint

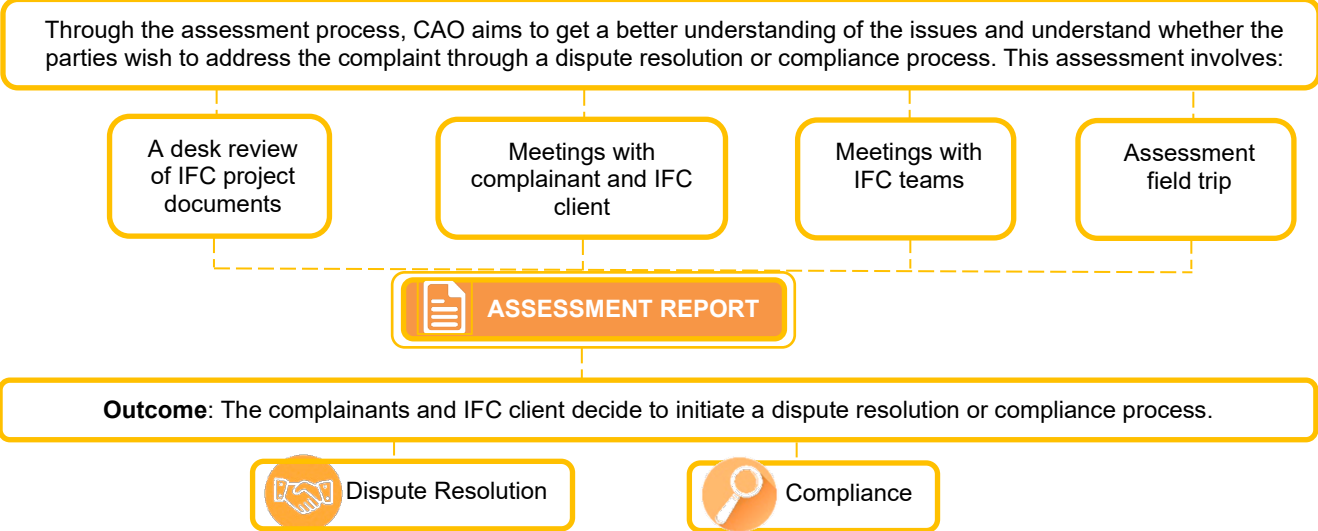
On July 24, 2023, a herder who resides in the Tamdy district, Navoi region, Uzbekistan, filed a complaint to CAO raising the following issues: (a) heavy machinery used by the project’s batching plant spilled oil and damaged his land; (b) government authorities fined the complainant for this oil spillage; (c) the environmental impact from construction, including dust from the batching plant operations, and trash in the farmland makes it impossible for his animals to feed and graze in the area; (d) the unfenced holes for installing turbines are dangerous for animals and are negatively impacting animal health; and (e) he has suffered economic impacts from the loss of 18 sheep and one horse due to the above situations and the adverse impacts on land that the complainant uses for animal breeding purposes, which is the main source of his economic subsistence.

3. ASSESSMENT SUMMARY

3.1 Methodology

Figure 1 below shows the approach and methodology to be applied in CAO’s assessment process. The process does not entail a judgement on the merits of the complaint; rather, it seeks to understand the facts and assist those involved to make informed decisions on how to address the issues raised.

Figure 1. CAO’s Assessment Process



3.2 Summary of Views

Complainant’s perspective

The complainant claimed that his farmland, “Camel,” which he leases from the government, has been affected by the construction of the wind power station and the use of a concrete batching plant since 2022. According to the complainant, the dust created by the concrete batching plant operation and transportation has affected the vegetation on his grazing land, making his livestock sick. He further explained that some livestock lost their teeth after eating dust-covered plants. He also noted that the project dug an unfenced hole for installing a turbine in his area, and that a pregnant horse fell into that hole and died after an attempt to save her life. In January 2024, the complainant informed the CAO assessment team that, as a result of the consumption of plants contaminated by dust and plastic bags from increased human activities in the area, including the batching plant and the project, a number of sheep died increased from 18 to 153 since the end of July 2023.

Furthermore, the complainant stated that the heavy machinery used by the batching plant for the project spilled oil on his land, which was never cleaned up. The complainant is concerned that the oil-polluted land will require a long time to restore. Although the complainant and his workers cleaned up the area by themselves, the government authority fined him twice for the land pollution. He filed an appeal to the local governor in April 2023, but has not heard back on the status of his appeal.

The complainant shared with CAO that he met with representatives of the EPC firm SEPCOIII before and was told that they would tackle the issues, but the issues have not been addressed. The complainant told CAO that he has no intention of disturbing the company's implementation of the project, but that he wishes the same from the project implementer company and its sub-contractors – to not disturb his farmland and to avoid generating pollution and/or environmental impacts.

The complainant expressed an interest in participating in a CAO dispute resolution process with the IFC client.

Company's perspective

IFC's client shared with CAO that the construction work under the project started in January 2023 and that the batching plant (identified as an "associated facility") began operating around February 2023. However, according to Shamol Zarafshan Energy, before the installation of the batching plant, the land identified by the complainant had been used by a road construction company, SARBON. Shamol Zarafshan Energy assigned a specialized third party to screen the land prior to the batching plant supplier's mobilization, to ensure that it would not result in biodiversity loss, involuntary resettlement, or other impacts.

Shamol Zarafshan Energy stated that all land surrounding the project site is under the management of the Cluster company Darxan-2019, which subleases it to farmers. According to information Shamol Zarafshan Energy received from the Cluster company, it believes that the closest land leased to the farmer is farther north, and that there is no overlap between the land where the batching plant is located and the farms. In addition, the land had not been allocated to farmers prior to the construction of the batching plant.

Regarding the oil spillage caused by the heavy machinery used for the project, Shamol Zarafshan Energy responded that the land was already degraded and that there was waste in the area prior to the installation of the batching plant. It added that the project has not received any notification of pollution events from its contractors or from farmers in the area.

On the issue of dust, Shamol Zarafshan Energy stated that the turbines cannot and do not produce or distribute dust. According to Shamol Zarafshan Energy, vehicle movement on unpaved roads and minor excavations during construction caused localized dust. The localized dust does not cause problems for the vegetation, and the area is dry and naturally dusty.

Regarding the issue of the impact on animals and the complainant's economic loss, Shamol Zarafshan Energy responded that no animal fatalities have been reported to the project so far from other farmers. Furthermore, Shamol Zarafshan Energy noted that livestock deaths in the area were common prior to the project and that, without evidence, it is hard to believe that livestock fatalities have increased to 153 due to the project. SZE also informed CAO that no turbines are located on Camel farmland, making it difficult to accept, in the absence of evidence, that the horse stepped into a hole created for installing a turbine and died. Furthermore, SZE expressed that it can't provide monetary compensation for animal death without evidence.

Shamol Zarafshan Energy expressed that it is fully committed to proactively avoiding and minimizing negative impacts by addressing any grievances, and highlighted the importance of robust fact finding to avoid compensation for opportunistic claims that would create an unfair compensation process. Shamol Zarafshan Energy is open to participating in a CAO dispute resolution process with the complainant.

4. ASSESSMENT CONCLUSION

During the assessment process, the complainant and the IFC client expressed an interest in engaging in a CAO-facilitated dispute resolution process to resolve the issues raised in the complaint using a collaborative approach. In accordance with the [CAO Policy](#), the case will now be transferred to CAO's Dispute Resolution function.

During the assessment phase, parties began discussing possible solutions to address the issues regarding trash and dust in Camel farmland and committed to continue the dialogue on the issues regarding animal fatalities in the dispute resolution phase.

APPENDIX A. CAO COMPLAINT-HANDLING PROCESS

Once CAO declares a complaint eligible, an initial assessment is carried out by CAO's Dispute Resolution function. The purpose of CAO's assessment is to: (1) clarify the issues and concerns raised by the complainant(s); (2) gather information on how other stakeholders see the situation; (3) help stakeholders understand the recourse options available to them and determine whether they would like to pursue a collaborative solution through CAO's Dispute Resolution function or whether the case should be reviewed by CAO's Compliance function.

As per the IFC/MIGA Independent Accountability Mechanism (CAO) Policy,² the following steps are typically followed in response to a complaint that is received:

- Step 1: **Acknowledgment** of receipt of the complaint.
- Step 2: **Eligibility**: Determination of the complaint's eligibility for assessment under the mandate of CAO (no more than 15 business days).
- Step 3: **Assessment**: Assessing the issues and providing support to stakeholders in understanding and determining whether they would like to pursue a consensual solution through a collaborative process convened by CAO's Dispute Resolution function or whether the case should be handled by CAO's Compliance function to review IFC's/MIGA's environmental and social due diligence. The assessment time can take up to a maximum of 90 business days, with the possibility of extension for a maximum of 30 additional business days if after the 90-business day period (1) the parties confirm that resolution of the complaint is likely; or (2) either party expresses interest in dispute resolution, and there is potential that the other party will agree.
- Step 4: **Facilitating settlement**: If the parties choose to pursue a collaborative process, CAO's Dispute Resolution function is initiated. The dispute resolution process is typically based on or initiated by a Memorandum of Understanding and/or mutually agreed-upon ground rules between the parties. It may involve facilitation/mediation, joint fact finding, or other agreed resolution approaches leading to a settlement agreement or other mutually agreed and appropriate goals. The major objective of these types of problem-solving approaches will be to address the issues raised in the complaint, and any other significant issues relevant to the complaint that were identified during the assessment or the dispute resolution process, in a way that is acceptable to the parties affected.³

OR

Compliance Appraisal/Investigation: If the parties opt for an investigative process, the complaint is transferred to CAO's Compliance function. The complaint is also transferred to the Compliance function when a dispute resolution process results in partial or no agreement. At least one must provide explicit consent for the transfer, unless CAO is aware of concerns about threats and reprisals. CAO's Compliance function reviews IFC/MIGA's compliance with environmental and social policies, assesses related harm, and recommends remedial actions where appropriate following a three-step process. First, a compliance appraisal determines whether further investigation is warranted. The appraisal can take up to 45 business days, with the possibility of extending by 20 business days in exceptional circumstances. Second, if an investigation is warranted, the appraisal is followed by an in-depth

² For more details on the role and work of CAO, please refer to the IFC/MIGA Independent Accountability Mechanism (CAO) Policy: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/889191625065397617/ifc-miga-independent-accountability-mechanism-cao-policy>

³ Where stakeholders are unable to resolve the issues through a collaborative process within an agreed time frame, CAO Dispute Resolution will first seek to assist the stakeholders in breaking through impasse(s). If this is not possible, the Dispute Resolution team will inform the stakeholders, including IFC/MIGA staff, the President and Board of the World Bank Group, and the public, that CAO Dispute Resolution has concluded the dispute resolution process and transferred it to CAO Compliance for appraisal.

compliance investigation of IFC/MIGA's performance. An investigation report will be made public, along with IFC/MIGA's response and an action plan to remediate findings of noncompliance and related harm. Third, in cases where noncompliance and related harm are found, CAO will monitor the effective implementation of the action plan.

Step 5: **Monitoring and Follow-up**

Step 6: **Conclusion/Case Closure**