



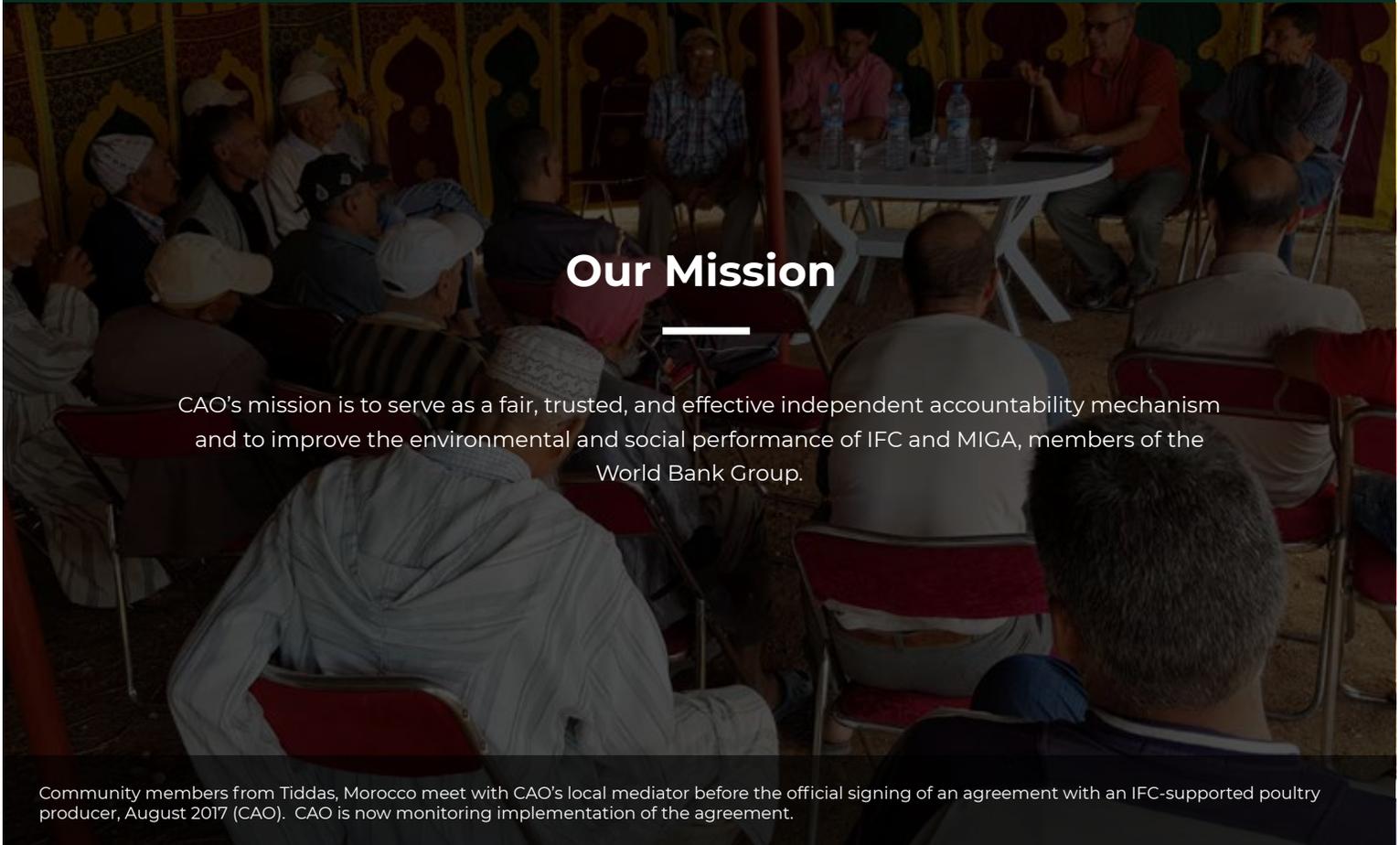
Annual Report 2019



A Year in Review

This year, we tackled challenges to complainant safety through the roll out of our Approach to Threats and Reprisals, and enhanced knowledge of our work through global outreach. We concluded our work in Mongolia following a dispute resolution settlement related to the Oyu Tolgoi mine, in addition to concluding settlements in Albania, Uganda, Chad, and Cameroon. We issued new compliance investigations of projects in Albania and Kenya, and closed three investigations of IFC after monitoring, including the Dinant case in Honduras. We also provided advice to IFC to inform their guidance on involuntary resettlement, and collated findings from our monitoring and evaluation work to assess our effectiveness.

As we approach our 20th year of operations, we are embarking on a Board-led independent review of IFC and MIGA's accountability framework, including CAO's role and effectiveness. This will be an opportunity to reflect on CAO's evolution, and to further strengthen accountability at the World Bank Group and ensure communities are at the heart of its development agenda.



Our Mission

CAO's mission is to serve as a fair, trusted, and effective independent accountability mechanism and to improve the environmental and social performance of IFC and MIGA, members of the World Bank Group.

Community members from Tiddas, Morocco meet with CAO's local mediator before the official signing of an agreement with an IFC-supported poultry producer, August 2017 (CAO). CAO is now monitoring implementation of the agreement.

Introduction from the Compliance Advisor Ombudsman (CAO)



CAO Vice President, Osvaldo L. Gratacós (second from left), and CAO staff visit with herders living near the Oyu Tolgoi mine site, Mongolia, June 2015 (CAO).

This year represents my fifth as the CAO Vice President. When I was appointed to the position in 2014, CAO's reputation as a respected and uniquely holistic independent accountability office preceded it. The vision, dedication, and hard work of Dame Meg Taylor, the first CAO, and the level of professionalism and expertise of the CAO team, made the office the standard in accountability amongst multilateral development institutions. I sincerely hope that in my time at CAO we have honored and upheld this reputation.

As I conclude my original appointment term as CAO, and reflect on these five years, I am now only more convinced that independent accountability offices are crucial to international development and to the mandate that development institutions have of doing no harm. Without them, vulnerable communities adversely impacted by development projects may not have an impartial, independent, and safe space to bring their concerns, and their voices may be silenced or ignored. The World Bank Group's twin goals of eliminating extreme poverty and boosting shared prosperity by 2030 need the unhindered voice of communities to achieve their intended results. In the end, development is about people and respecting their human dignity.

During my tenure at CAO, I have seen first-hand the change in the level of IFC and MIGA's engagement with our work. I have also witnessed the increasing interest from companies, banks, government and other stakeholders as they seek guidance on environmental and social accountability. I believe this speaks to growing recognition of accountability as a core component of sustainable and responsible development. I am also personally supportive of the recent structural changes announced by IFC's CEO, Philippe Le Houérou, which recognize the importance of institutional accountability, while promoting proactive and consistent actions by management.

For CAO, this past year has been a pivotal one — one that saw substantial case outcomes and continued efforts to advance solutions, accountability, and learning from CAO's work. Our diverse caseload spanned 35 countries and all major sectors. About half of our cases are in active assessment, dispute resolution, and compliance processes, and half are in monitoring. Monitoring extends the timeframe of our cases but enhances outcomes by ensuring that settlements are implemented and compliance findings addressed.

Further, given the importance of institutional accountability — a responsibility that rests primarily with the management of the institution, and not just with the independent accountability mechanisms — the foundation was laid for an external review of IFC and MIGA's environmental and social accountability framework, including CAO's role and effectiveness. This will be a focus for the Board, IFC, MIGA, and CAO in the coming year. The review presents an opportunity to strengthen accountability in a way that supports IFC and MIGA's development goals while ensuring that communities are at the heart of the process.

As we embark on this next phase, I want to thank all those we work with—community members, civil society organizations, IFC and MIGA clients and staff, government and other partners—for placing your trust in CAO and helping us support better project outcomes.

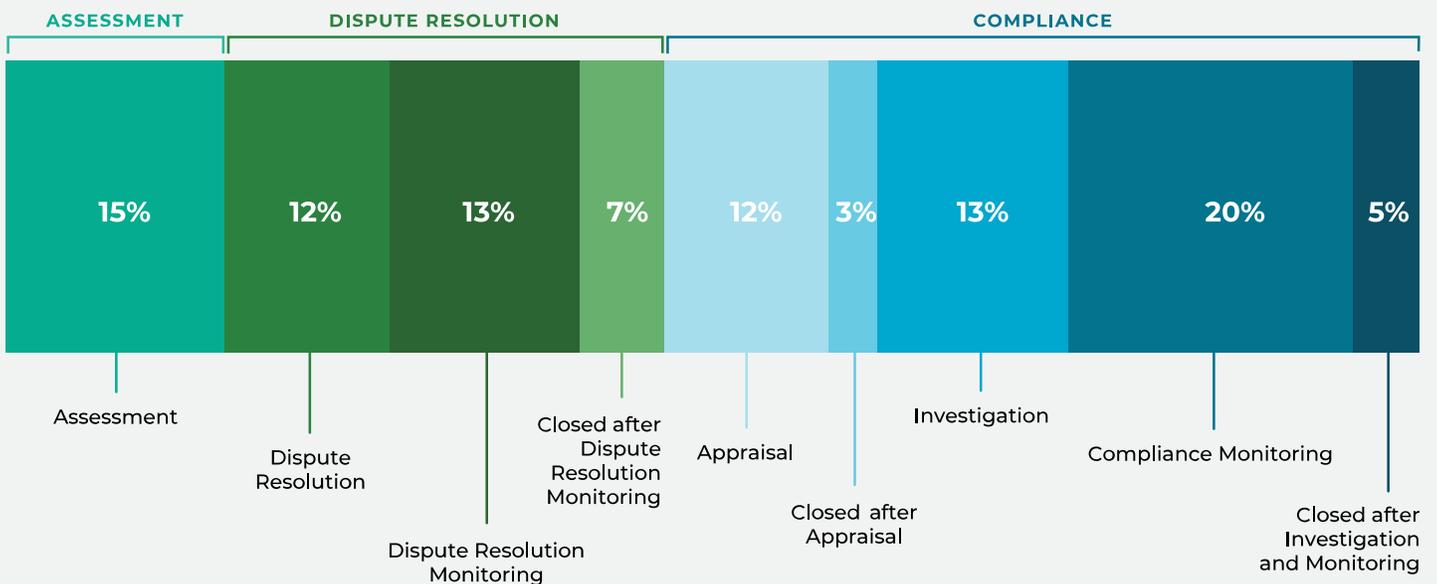
Osvaldo L. Gratacós
Vice President
October 2019

FY2019 Snapshot

We handled 60 cases in 35 countries this year, including 12 new eligible complaints and 48 cases where we continued to assess, mediate, investigate, and monitor issues and outcomes. Since our caseload includes many multi-year, complex engagements, CAO continues to work hard to develop local mediation capacity, enhance our responsiveness, deliver timely reports, and provide effective redress for communities within the constraints of our resources and team.

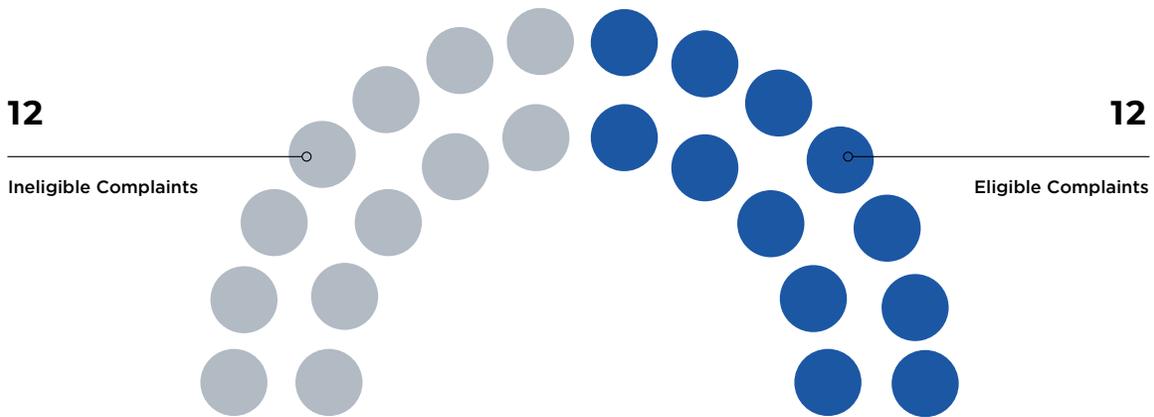
Case Status, End of FY2019

This year, we closed 9 cases, including the Dinant investigation in Honduras, landmark settlements in Uganda and Albania after monitoring, and a labor dispute in Egypt after online mediation. We also concluded long-term cases in Mongolia and Chad, which will close early in FY2020.



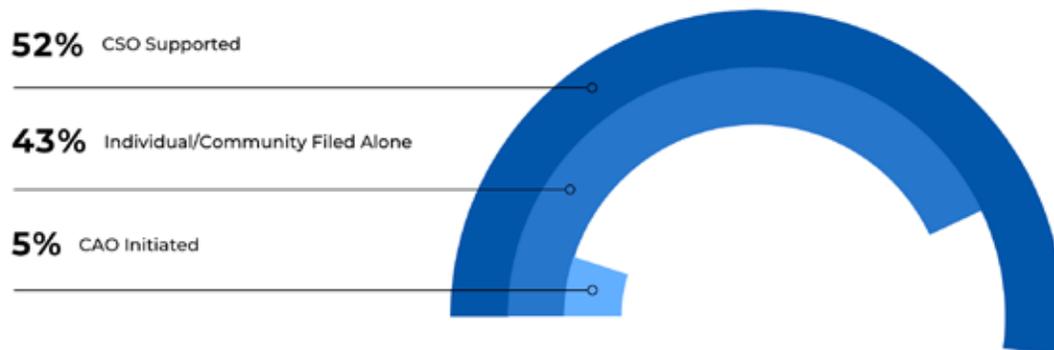
New Complaints

We accepted 12 new complaints this year including CAO's first from Azerbaijan related to the Trans-Anatolian Natural Gas Pipeline project, and from Liberia regarding a rubber plantation. Most of these new cases raise concerns about land and livelihoods, among other issues.



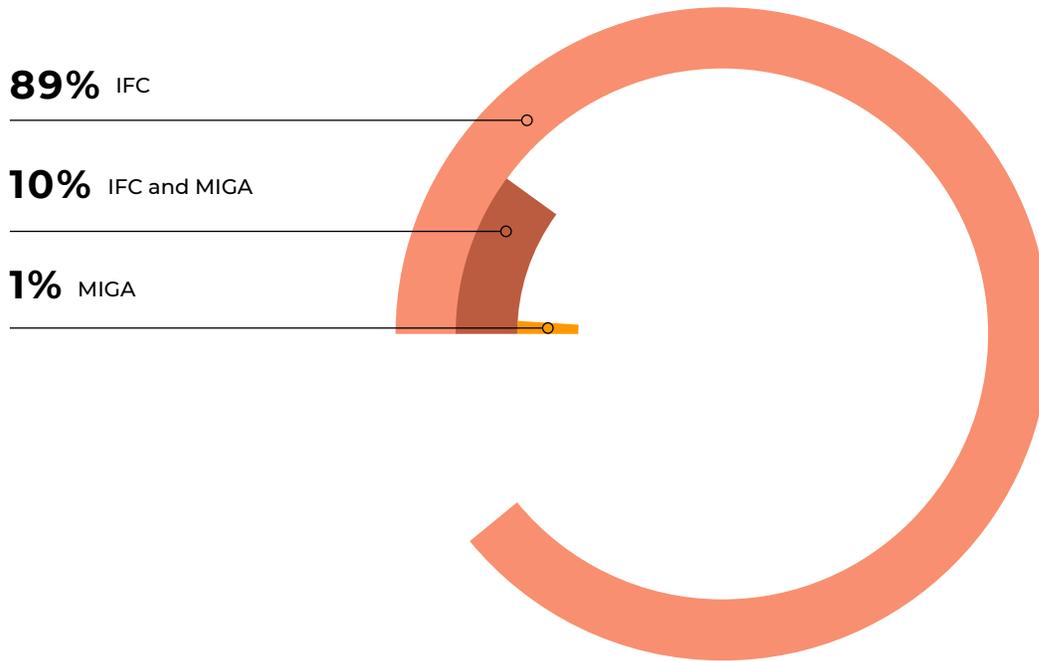
Complainant Profile

Just over half of complaints are filed by communities supported by civil society groups, but 43 percent are filed by communities on their own, without support. While it is encouraging that people are finding out about CAO, raising awareness and improving access remains a challenge.



Cases by Institution

Most CAO cases relate to IFC projects, with 10 percent regarding high-profile IFC/MIGA projects, including the Oyu Tolgoi mine in Mongolia, Bujagali hydropower plant in Uganda, and the Shuakhevi hydropower scheme in Georgia — all subject to complaints at other development finance institutions.



Concerns of Threats and Reprisals

More information on CAO's Approach to Reprisals is available on our website. The Approach is available in English, Spanish, French, Arabic, and Ukrainian, with more translations forthcoming.



Complainants in **36%** of cases shared concerns about reprisal risks



These concerns were most prevalent in cases in **East Asia and the Pacific**



Over half of reprisal cases cite **government authorities** as the source of threat

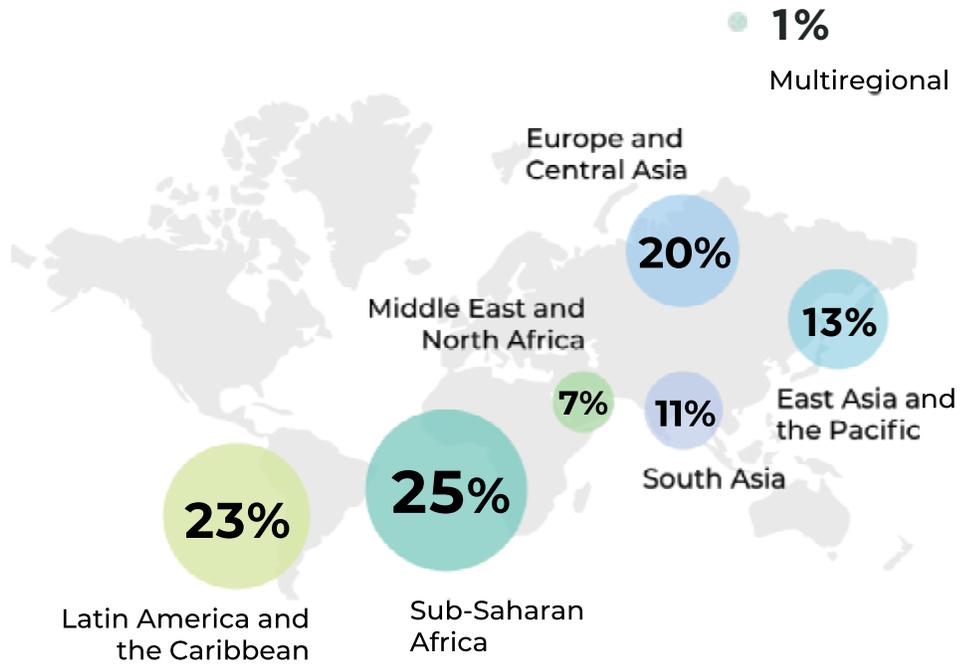
FY2019 Update

When a person is affected by an IFC or MIGA project it is essential that they be able to raise their concerns freely, and without fear. Since threats and reprisals impact our accessibility and ability to respond to concerns, addressing this issue in CAO's operations is at the forefront of our work. This year, we expanded implementation of CAO's Approach to Threats and Reprisals, which was released in April 2018. This included rolling out new risk assessment procedures, updated implementation guidelines, and internal support tools on outreach and secure communications. CAO's Approach is now available in English, Spanish, French, Arabic, and Ukrainian, with more translations forthcoming. We have also been engaging IFC as it operationalizes its Position Statement on Retaliation, which was released in October 2018. The statement commits IFC to take seriously allegations of reprisals and not tolerate any action by an IFC client that amounts to retaliation.

This is the second year we are reporting out data on threats and reprisals in CAO's operations. In FY2019, complainants in 36 percent of cases shared concerns with CAO about reprisal risks, up from 23 percent in FY2018. These reports were most prevalent in cases from East Asia and the Pacific, where complainants in 50 percent of cases from the region raised reprisals concerns, followed by Sub-Saharan Africa, and Europe and Central Asia (both 42 percent). Threats were also reported in cases in Latin America and North Africa. In over 55 percent of reprisal risk cases, complainants reported that threats emanated from government authorities. In 44 percent of cases, complainants reported threats from the company, while in a few cases the source was unknown. More information on how we are addressing these issues is available on our website.

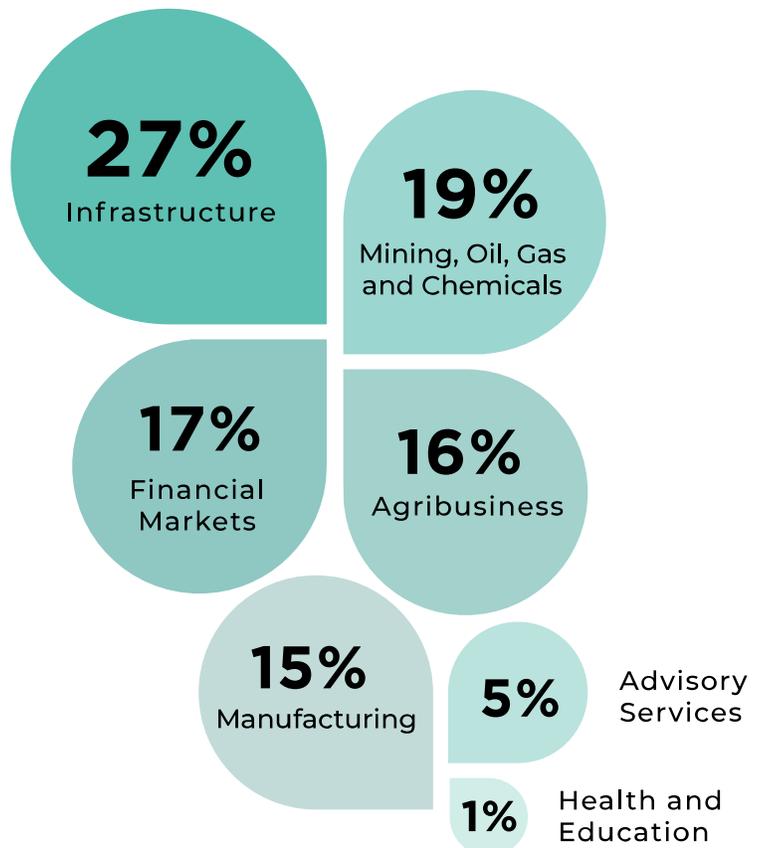
Cases by Region

We saw an increase in cases from Europe and East Asia this year, with two-thirds of new cases from these two regions. For the second year, cases from Sub-Saharan Africa comprised the largest share of our caseload, followed by Latin America.



Cases by Sector

The majority of our cases relate to large infrastructure projects, such as hydropower and port developments, and extractives projects, such as mines and pipelines. These high-risk sectors are also reflected in our cases related to IFC financial intermediary investments.



Understanding the Issues

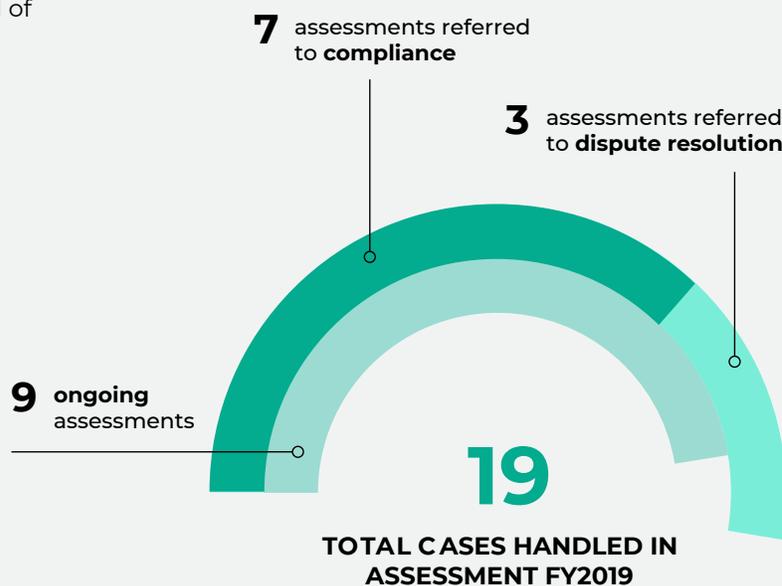
ASSESSMENT

CAO's mediation team meets with community members during the assessment of a new case in Ukraine, October 2018 (Roman Koval/CAO).

After finding a complaint eligible, we conduct an assessment. This is a crucial step which empowers the parties to decide how best to address their concerns through a CAO process. During the assessment we are in listening and capacity building mode. Our focus is to better understand the issues and different perspectives of the parties, and explain options offered by CAO. Ultimately, the parties can decide to engage in a voluntary dispute resolution process or initiate a compliance review to address the complaint.

Cases in Assessment, FY2019

We completed 10 assessments this year, referring 3 cases to dispute resolution and 7 to compliance. Nine cases were still in assessment at the end of the fiscal year.



Note: Chart status as of June 30, 2019

 **15 Countries**

FY2019 Snapshot

Georgia

We completed the assessment of a case regarding the IFC and MIGA-supported Shuakhevi hydropower plant in Georgia. The plant operator and impacted villagers agreed to address the issues through dispute resolution. The dialogue process is now underway.

Liberia

We are assessing a case filed by local community members in May 2019 regarding IFC's investment in Salala Rubber operations in Liberia. This is our first case from Liberia, and raises concerns about land and livelihood loss.

Nicaragua

In March 2019, we referred a case related to IFC's investment in the Condor Gold exploration project in Nicaragua to compliance for appraisal, as the parties did not reach consensus to engage in dialogue.

Philippines

In April 2019, we completed the assessment of a case regarding multiple coal-fired power plants in the Philippines, supported by an IFC banking client. The case, which raises concerns about climate change and project impacts on local communities, was referred to compliance.

Togo

Parties have agreed to engage in dispute resolution to address resettlement and labor concerns in our second case from Togo regarding the Lomé Container Terminal project, which is supported by IFC.

ASSESSMENT



The CAO team visits a Bridge school in Kenya during the assessment trip for the case, September 2018 (CAO).

Kenya: CAO Assesses Case Regarding IFC Support to Low-Cost Private Schools

Bridge International Academies is Africa's largest chain of low-cost private schools. Founded in 2007, the company aims to provide affordable, quality education to children from families earning less than US\$2 per person per day.

Since Bridge opened its first school in Nairobi, Kenya in 2009, operations have grown to hundreds of schools across the country, as well as a chain of schools in India, Liberia, Nigeria, and Uganda. In April 2018, CAO received a complaint from the East Africa Centre for Human Rights, a Kenyan NGO, on behalf of 10 current and former parents and teachers at Bridge. The complaint expresses concerns about Bridge's compliance with international and Kenyan laws, and IFC's policies, as well as concerns about economic discrimination, parental inclusion, and transparency regarding the operation of the schools.

A CAO team traveled to Kenya in September 2018 to meet with the complainants and Bridge management. CAO visited six Bridge schools located in Nairobi, Homa Bay, Kisumu and Mombasa. With the support of the local CAO mediator and translators, CAO gathered information about the main concerns, which ranged from teachers' employment conditions to regulatory issues such as lack of registration of schools, use of unqualified teachers, and use of a non-Kenyan curriculum.

While Bridge expressed openness to dialogue, there was no consensus to pursue this option among the complainants. As a result the complaint was transferred to compliance.

Finding Solutions Through Dialogue

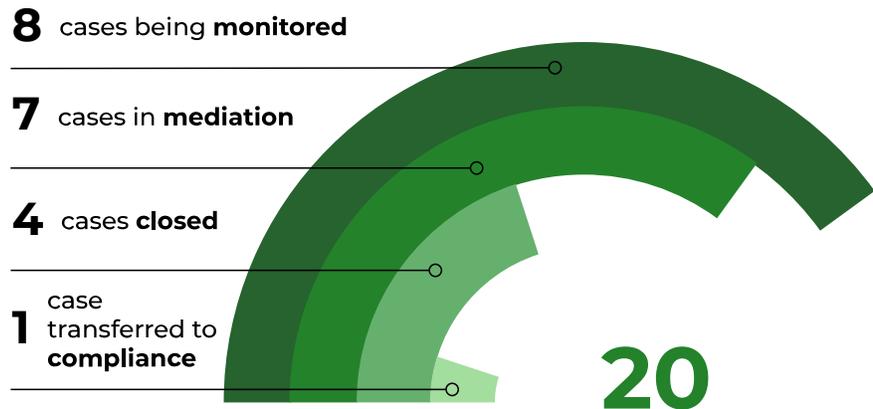
DISPUTE RESOLUTION

CAO observes a community-company roundtable as part of its exit from the case related to the Patos Marinza oilfield project, Albania, September 2018 (Felix Davey/CAO).

Through dispute resolution, we provide an independent forum for communities and companies to address concerns together and seek joint solutions. This voluntary process is facilitated by our dispute resolution specialists with the support of local mediators, who vest ownership in the process and outcomes with the parties. We document good practice and learning from our work resolving development disputes to benefit practitioners, IFC and MIGA, private sector, and broader development community.

Cases in Dispute Resolution, FY2019

In dispute resolution, 70 percent of our current cases are in full or partial settlement. This includes new settlements reached this year, and cases where we are monitoring implementation of agreements.



TOTAL CASES HANDLED IN DISPUTE RESOLUTION FY2019

 **16 Countries**

Note: Chart status as of June 30, 2019

FY2019 Snapshot

Albania

We settled a dispute related to the Patos Marinza oilfield project, operated by Bankers Petroleum. Dialogue led to the establishment of community-company working groups to address earthquake damage, environmental concerns, and social investment.

Chad & Cameroon

We are concluding our work on the Chad-Cameroon Pipeline Project after facilitating successful mediations between Exxon subsidiaries and communities living in the oil field development zone.

Myanmar

We are conducting our first dispute resolution process in Myanmar between IFC client, Myanma Awba Group and a local community to address the impacts of a new agro-chemical plant. The parties have agreed to ground rules for the dialogue.

Uzbekistan

We are facilitating a dialogue process in Uzbekistan to address concerns of forced labor in the cotton sector related to two IFC clients. As part of the process, CAO has also facilitated informational meetings involving IFC with their clients and the complainants.



Participants at the knowledge-sharing event in Ulaanbaatar, Mongolia, convened by CAO and the Tripartite Council as part of case closure activities, March 2019 (CAO).

Mongolia: Herders, Mining Company, and Local Government Implement Settlement

This year, we concluded our work in Mongolia’s Gobi Desert where nomadic herders, one of the world’s largest mining corporations, and local government have been participating in a CAO dispute resolution process since 2013.

The discovery of gold and copper deposits beneath the Gobi Desert have brought change to the region in recent years with the arrival of mining facilities and supporting infrastructure. Among these, is the Oyu Tolgoi project in the Southern Gobi, a US\$12 billion mining investment between Rio Tinto and the Mongolian government, supported by both IFC and MIGA.

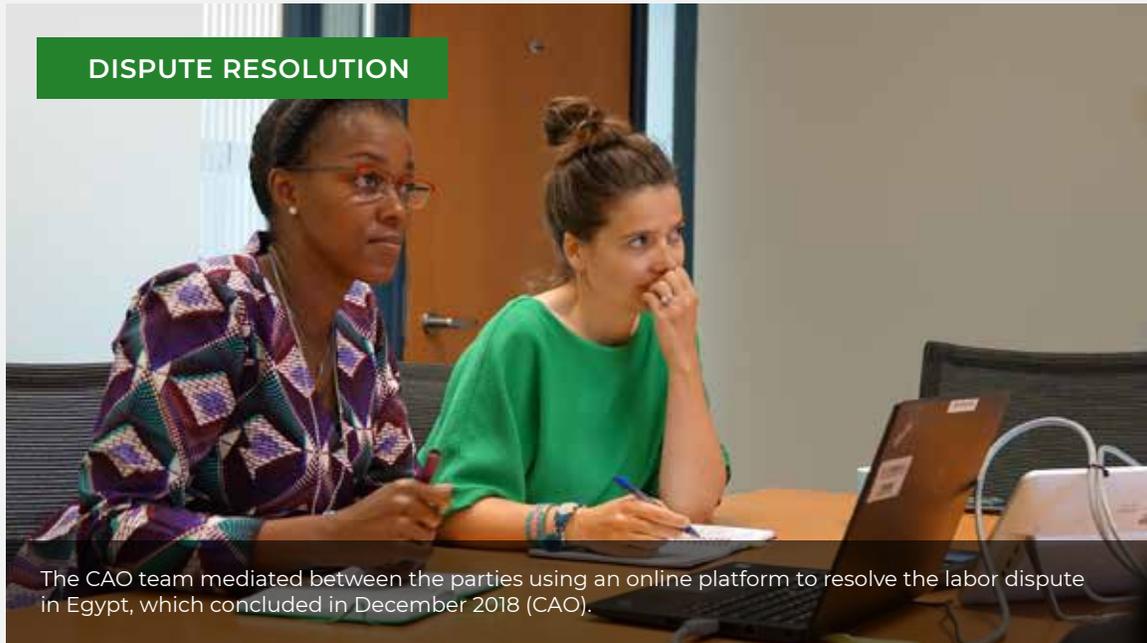
This shift has introduced challenges for the herders who have traditionally inhabited and raised their livestock in nomadic settlements across the region. The CAO process addressed grievances from two groups of herders concerning the Oyu Tolgoi mine’s resettlement process and compensation program, as well as its use of land and water, in particular the diversion of the local Undai River. The herders, who were supported by local and international NGOs, claim these impacts disrupt their nomadic way of life and put into jeopardy their indigenous culture and livelihood.

Agreements reached were implemented through a “Tripartite Council” formed as part of the process comprising a coalition of herder, Oyu Tolgoi, and local government representatives. The “TPC”, as it is known, has focused on providing opportunities and assistance to the herders to sustain themselves as Mongolia shifts away from an economy based on agriculture and herding to one based on mining. These agreements include scholarship support for university students from herder households, equipping wells with solar-powered pumps to resolve water security, and compensation for claimants displaced by the project. The agreements also include many social and sectorial programs to address the herders’ livelihood needs, and to support the herders in passing their traditional knowledge from generation to generation.

The dialogue process has also built lasting relationships where the parties have come together as partners working towards the same goals. Members of the Tripartite Council will continue to collaborate on implementation of the agreements after CAO’s exit, thus sustaining outcomes from the process.

In March 2019, together with the Tripartite Council, CAO convened a formal case closure meeting in Khanbogd and a knowledge-sharing event in Ulaanbaatar with participants from the private sector, civil society, government, and international organizations. The Tripartite Council has released a video about their experience in the CAO mediation process, which documents these outcomes, and can be viewed on CAO’s website.

DISPUTE RESOLUTION



The CAO team mediated between the parties using an online platform to resolve the labor dispute in Egypt, which concluded in December 2018 (CAO).

Egypt: Online Mediation Settles Labor Dispute

We resolved a labor case related to an IFC client in Egypt through online mediation for the first time this year.

The case involved a complaint from a former worker at the Egyptian India Polyester Company raising concerns about unpaid wages and the terms of his consultancy contract, particularly regarding due notice and termination. While the parties agreed to engage in dispute resolution, the complainant and company representatives were in two separate locations — India and Egypt. To enable the process to move forward, we designed an online dispute resolution approach.

We mediated between the parties by teleconference and other digital platforms, including Skype, Zoom, and Webex. During the first sessions, CAO mediators and the parties experienced connectivity issues which threatened to hinder the process. However, the parties' flexibility and openness to switching between platforms when the need arose was key to the success of the process. The experience also helped our team gain insight into how the design of a dialogue process needs to shift when conducted online, as additional time and effort may be required to create rapport and build trust with the parties, given the added technological barrier and lack of in-person dialogue.

The parties reached an agreement after just 5 months, which they chose to keep confidential. After monitoring implementation of the settlement, CAO closed the case in December 2018. CAO and the parties' positive experience of using technology to facilitate a long-distance mediation provides another tool for CAO to address complaints in a swift and resource-efficient manner.

The conclusion report and more information about this case are available on our website, www.cao-ombudsman.org.

DISPUTE RESOLUTION



Community members celebrate during the case closure ceremony for the Kiboga dispute resolution process, Uganda, August 2018 (Stephan Bachenheimer/CAO).

Uganda: Resettlement and Livelihood Programs Benefit Communities after Agreement with Forestry Company

We concluded our work in Uganda this year after bringing to finality a dispute resolution process which has benefitted hundreds of rural families to resettle on new land and rebuild livelihoods following their displacement from forestry reserves.

A complaint was filed to CAO in 2011 by rural communities from the Kiboga area in Uganda with support of a national land advocacy consortium and Oxfam International regarding New Forests Company (NFC) plantations. NFC was an investee of the Agri-Vie Agribusiness Fund, an IFC client.

Our dispute resolution team facilitated a comprehensive mediation process which involved building the capacity of community and company representatives to enter into dialogue and work toward finding solutions. The parties reached agreement in May 2014, including the establishment of a community cooperative which purchased land to resettle some 380 families, build homes, plant crops, build a school, and invest in income-generation activities.

A thriving village has emerged, and the land is being transformed into a productive area for small-scale farming. The parties also agreed to work closely together on a range of programs aimed at the long-term sustainable development of the community. While the communities still face challenges as they develop their infrastructure and livelihood projects, the agreement represents a partnership that can serve as a model for other companies and communities seeking to cooperate toward a common goal. The conclusion report is available in English and Luganda on our website.



Learn more and explore CAO's 'Reflections from Practice' series at www.cao-dr-practice.org.

REFLECTIONS FROM OUR YEAR

CAO Launches Dispute Resolution Reflections from Practice Series

To advance dispute resolution practice and contribute to consistency in approach, we've launched a series of good practice publications this year based on CAO's 20 years of experience in this field.

As the first mechanism of our kind among multilateral development banks to offer dispute resolution, our team is at the forefront of using professional mediation skills and innovative techniques to problem-solve and address conflicts between communities and IFC/MIGA project sponsors. The series, 'Reflections from Practice', is designed to benefit staff, mediators, and practitioners, as well as meet the growing external demand for CAO's dispute resolution knowledge.

The first two publications in this series are 'Getting Started with Dispute Resolution' and 'Representation'. 'Getting Started with Dispute Resolution', provides an overview of the principles that guide the early phase of a CAO Dispute Resolution process, challenges that may arise, and strategies and tools that we employ during this early convening phase. This phase is important as communities and companies may not have come together in this way before, on the same level, at the same table, and in a context that is collaborative rather than adversarial. Equally, in our experience, conveners like CAO may need to address issues such as power imbalances, lack of trust, need for negotiation training and determining who represents the parties at the dialogue table, among others.

The second publication, 'Representation', focuses specifically on representation and provides guidance on how to achieve clarity and consensus about who will participate and who will have decision-making power in a dispute resolution process. CAO cases often involve dozens, and in some cases even thousands, of stakeholders. It is not feasible to regularly convene such large numbers for meetings. Establishing representation is critical to ensure the legitimacy of the process and that any agreements reached are meaningful and honored.

A third publication in the series, 'Joint Fact-Finding' will be released in September 2019. Learn more and explore the series at www.cao-dr-practice.org.

Providing Accountability for Environmental and Social Performance

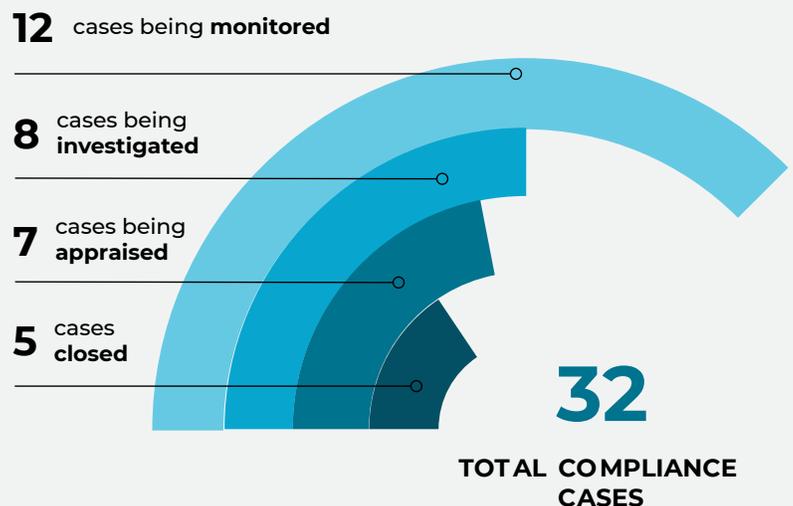
COMPLIANCE

Villages east of the port, Lomé, Togo, April 2016 (CAO). CAO released a second monitoring report related to this case in April 2019.

Through compliance, CAO investigates cases that raise substantial concerns about a project's environmental and social outcomes. Compliance investigations help IFC and MIGA address gaps in the implementation of their environmental and social standards, respond to negative project impacts on local communities, and make systemic improvements to improve performance.

Cases in Compliance, FY2019

In FY2019, our compliance caseload comprised 32 cases in 22 countries. We issued 3 appraisals, 2 new investigation reports, and 7 monitoring reports regarding IFC projects in the agribusiness, mining, financial intermediary, infrastructure, and manufacturing sectors.



Note: Chart status as of June 30, 2019

 **22 Countries**

FY2019 Snapshot

Egypt

We appraised two labor complaints from Egypt regarding Titan Group cement operations. CAO initiated an investigation of IFC's performance related to its review and supervision of issues related to retrenchment, occupational health and safety, and forced early retirement.

Kenya

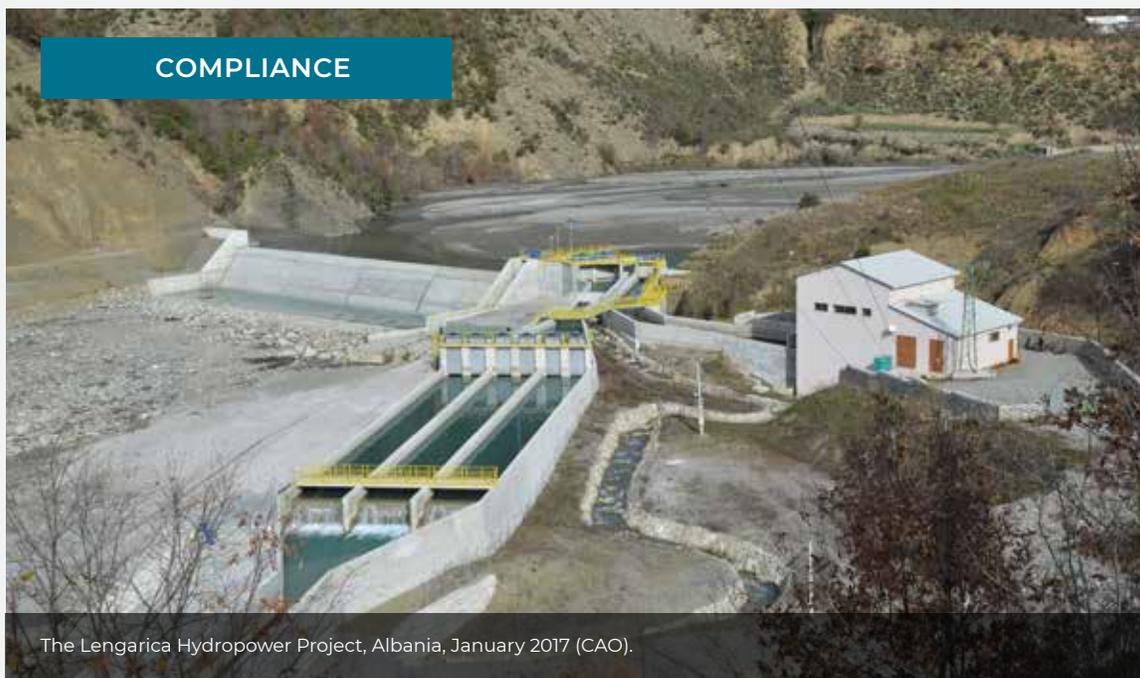
We published a compliance investigation regarding IFC's investment in Bidco Africa Ltd., which addresses a complaint from workers. IFC's response contains a project-level action plan and commits to review Bidco's labor practices.

Togo

We published a second monitoring report related to IFC's investment in the Lomé Container Terminal. IFC has taken positive steps to address compliance findings related to coastal erosion, including commissioning an environmental audit.

Uganda

In March 2019, we published a monitoring report regarding IFC/MIGA's Bujagali Energy Project. The report follows up on two CAO compliance investigations issued in 2017 and 2018 regarding labor and land issues. While IFC has made commitments, CAO noted delays in implementation.



The Lengarica Hydropower Project, Albania, January 2017 (CAO).

Albania: Investigation Released Regarding IFC Support to Hydropower Project in National Park

In September 2018, we released a compliance investigation of IFC's investment in the construction and operation of a run-of-river hydropower project on Albania's Lengarica River, operated by Enso Hydro.

The project sits within the largest National Park in Albania, Fir of Hotovë-Dangelli, known for its mountainous terrain, dense forests, and numerous river gorges. The investigation responds to a complaint from community representatives and local civil society organizations about project impacts on biodiversity and tourism, as the area is popular for thermal springs, rafting, and outdoors activities.

CAO's investigation found shortcomings in IFC's review related to endangered and endemic species; cumulative impacts emerging from the boom of hydropower projects on the Lengarica river system; and proposed metrics for sustaining the freshwater ecosystem and human livelihoods. However, many of these shortcomings were addressed during project implementation as additional biodiversity studies were commissioned and a biodiversity monitoring program was established. Outstanding issues relate to IFC's assessment and mitigation of project impacts on tourism, the alignment of the project with the National Park's management plan, and IFC's disclosure of the project's Environmental and Social Impact Assessment (ESIA).

IFC's response includes a project-level action plan designed to address these outstanding issues. This includes engaging the tourism community to enable use of the canyon for recreational activities; aligning the client's actions with the National Park's management plan; and disclosing the ESIA. CAO is now monitoring the case.



Workers on an APPL tea plantation in northeast India (CAO).

India: Compliance Monitoring of Labor Issues on IFC-Supported Tea Plantations

CAO released a compliance monitoring report in January 2019 regarding IFC's project with Amalgamated Plantations Private Limited (APPL), the second largest producer and supplier of tea in India.

APPL employs over 30,000 permanent workers across its 25 tea estates in Assam and West Bengal and is required by Indian law to provide accommodations and other basic services to its employees and their dependents — over 155,000 people in all. Our monitoring report assesses actions taken by IFC in response to a 2016 CAO investigation, which was triggered following reports of labor incidents on two APPL plantations and a complaint from workers in 2013 concerning labor and working conditions.

The IFC project is designed to help implement a worker-shareholder plantation model on the company's tea estates. Tea workers in northeastern India represent a vulnerable group as many are descendants of tribal communities from other Indian states who were brought to the tea estates as bonded or forced labor during India's colonial period. While noting the potential for significant development impact, CAO's investigation found that IFC's pre-investment review was not commensurate to the risks presented by the worker's vulnerable status and dependency on APPL. Shortcomings in this review led to the development of mitigation measures that were also insufficiently detailed and did not address key risk areas.

In response to the investigation, IFC noted that APPL was implementing an Action Plan to address shortcomings and legacy issues in key areas such as human health, worker health and safety, housing, and sanitation infrastructure. Since the release of CAO's investigation report, APPL has reported progress in implementing some of the Action Plan commitments. However, the complainants assert that workers were not consulted on the Action Plan and raise concerns with the progress and quality of its implementation.

CAO's monitoring report concluded that IFC has completed only limited environmental and social supervision of the investment and has not satisfactorily addressed CAO's findings. IFC has now agreed to organize and fund a neutral, independent facilitator to facilitate a stakeholder consultation to help build trust and find common ground on various aspects going forward. IFC also proposes to facilitate an approach to engage stakeholders on a sector-wide study. We will continue to monitor this case and expect to issue another monitoring report in the next year.



Dinant palm oil operations in the Aguán Valley, Honduras, October 2014 (CAO).

Honduras: CAO Closes Dinant Cases after Monitoring IFC Actions Related to Security and Conflict

In November 2018, CAO released a final monitoring report and closed the investigation of IFC's investment in Corporación Dinant, a palm oil producer with operations across Honduras. The case addressed serious concerns arising from the violent land conflict in and around Dinant plantations in the Aguán valley.

Beginning in 2010, the World Bank received several complaints from communities in the Aguán region alleging violent evictions of farmers by private and public security forces connected to Dinant, and IFC's failure to address these security issues appropriately. In response, CAO initiated a compliance review. The resulting investigation published in 2014 found serious shortcomings in IFC's review and supervision of the project. IFC responded with an "Enhanced Action Plan", which committed Dinant to Good International Industry Practice in the use of its security forces, as well as a third-party investigation of past incidents of violence by Dinant security forces.

Our final monitoring report acknowledges steps taken by IFC to enhance Dinant's approach to private security management reflecting IFC's Performance Standard 4 on Community Health, Safety, and Security. The report also recognized IFC's efforts to incorporate lessons from the Dinant audit related to contextual risk assessment, adopting higher standards for use of security forces, and enhanced monitoring of company adherence to IFC's environmental and social standards. We noted, however, that IFC has only partially addressed project-level findings. A third-party inquiry of past incidents has not yet been delivered to IFC, and depending on the outcomes of this inquiry, remedies including compensation may be required under the requirements of Performance Standard 1 and the Enhanced Action Plan.

Since Dinant fully repaid its loan to IFC in April 2017 and IFC has not proposed any further project-level actions, CAO concluded its involvement in the project in November 2018.



CAO conducts a site visit to Bidco manufacturing facilities in Kenya as part of the investigation of IFC's investment in the project, May 2017 (CAO).

REFLECTIONS FROM OUR YEAR

Enhancing Outcomes

To enhance outcomes following a compliance investigation, CAO encourages IFC and MIGA to develop action plans that include both project and systemic level responses to non-compliance findings.

CAO also encourages management to consult with project-affected communities, including CAO complainants when developing a response.

This year, a new procedure was put in place whereby the President of the World Bank Group provides the Board with an opportunity to consider a CAO compliance investigation and IFC or MIGA response prior to their clearance for publication. Following this procedure IFC's response to CAO's Enso investigation in Albania included a commitment to work with the client to support implementation of a management plan for the National Park where the IFC supported hydropower project is located, and also to work with local tourism operators to allow rafting on the river at agreed times. IFC's response to CAO's Bidco investigation in Kenya included a commitment to enhance supervision of the client's labor practices. CAO will report back on the effectiveness of these actions in addressing its compliance findings as part of its compliance monitoring function.

Change and Prevention of Harm Through Learning

ADVISORY

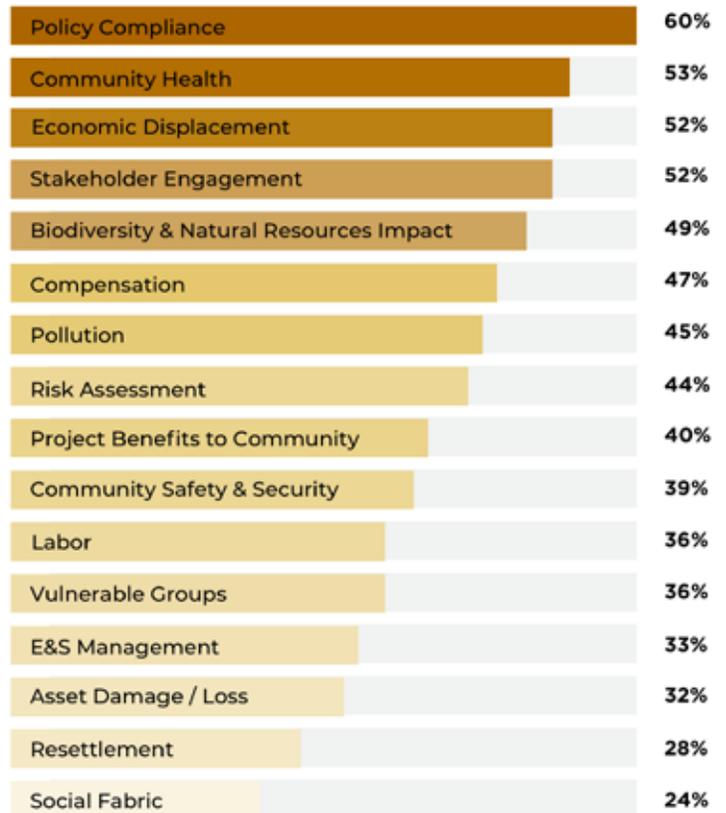
A dispute resolution process in Myanmar between an IFC-supported fertilizer company and representatives of a local community, June 2018 (CAO). Insights from this case also informed Advisory's guidance on IFC's draft resettlement handbook this year.

Through our advisory function, we gather insights from our dispute resolution and compliance cases to catalyze learning and help enhance IFC and MIGA performance in relation to key environmental and social issues. This work is done with the end goal of improving project outcomes and preventing future harm.

Environmental and Social Issues, FY2019

Environmental and social policy compliance continues to be the leading concern raised by complainants in 60 percent of our cases. Community health, displacement, and stakeholder engagement also feature in over 50 percent of all cases.

Complaints typically include multiple environmental and social (E&S) issues. Percentages therefore denote the frequency that each issue was raised in the FY2019 caseload.



ADVISORY



A thriving village has emerged as a result of the Agri Vie dispute resolution processes in Uganda, August 2018 (Stephan Bachenheimer/CAO). Insights from these cases informed Advisory's guidance on IFC's draft resettlement handbook this year.

Involuntary Resettlement: Insights from CAO Cases Inform IFC Handbook

We continue to look for ways to engage IFC and MIGA productively and positively around learning. This year, we provided comments to inform IFC's revised Draft Good Practice Handbook on Involuntary Resettlement during its open consultation period.

We drew our advice from 22 percent of CAO complaints that have raised concerns regarding land acquisition and involuntary resettlement over the past 20 years. An expert consultant worked in collaboration with CAO specialists to review IFC's draft handbook in the context of CAO case experiences and we identified four challenge areas that formed the basis of suggestions to inform the handbook: the scope of application for Performance Standard 5 on Land Acquisition and Involuntary Resettlement; calculating compensation at full replacement cost; requirements for disclosure, consultation, and informed participation of stakeholders; and the interplay with the public sector in government-led land acquisition processes.

Concerns regarding resettlement are often interconnected with other issues. For example, CAO's review indicates that land and natural resource use may be overlooked or undervalued during the resettlement period, particularly in relation to resource use by mobile communities. Our inputs therefore focused on situations where applying IFC's Performance Standard requirements have proved challenging in practice and we identified suggestions for the Draft Handbook which culminated in a formal set of comments to IFC.

The resettlement comments, and other CAO advisory work, are available at www.cao-ombudsman.org.



The fruits of the Bagyeli community's first cacao harvest in Cameroon, one outcome of the CAO dispute resolution process, June 2019 (Rodrigue Mbock/CAO). Advisory conducted Monitoring & Evaluation work in Cameroon this year related to this case.

Monitoring and Evaluation – Assessing CAO's Impact

In addition to drawing insights from our work to improve IFC and MIGA's performance, we analyze our own impact and effectiveness through a monitoring and evaluation (M&E) system. We started M&E activities in 2009 and have evolved them over time.

Our M&E activities involve collecting case data, monitoring case outcomes, initiating peer reviews, tracking management actions, and conducting surveys with complainants, IFC and MIGA staff, clients, and other stakeholders. The surveys gather specific stakeholder feedback regarding their experiences of CAO processes. CAO conducts them at the end of each stage of a given process and produces internal reports documenting the findings. The questionnaires utilize questions that are derived from indicators that align with our Operational Guidelines and mandate.

With the consistency and growth of the M&E program, this year we reviewed M&E findings over three fiscal years, FY2017 to 2019. In analyzing its survey results, CAO gives equal weight to each case, rather than weighting cases based on the number of survey respondents. Feedback from assessment processes showed that 89 percent of complainants and 76 percent of company representatives believed that CAO balanced interests fairly. A core objective of assessments is for CAO to enable the parties to make informed decisions about whether to initiate a dispute resolution or compliance process. Surveys indicate that 72 percent of complainants felt informed about CAO processes and 61 percent reported that they fully understood the respective advantages and disadvantages of dispute resolution and compliance to address a complaint.

Survey results from dispute resolution showed that while trust between parties can be low at the outset of cases, it typically improves by the conclusion of a dispute resolution process. Over 90 percent of company and community respondents in cases that led to full agreement reported that the process helped them gain a better understanding of the other party. In contrast, where the process led to partial or no agreement, respondents in only a third of cases reported a better understanding of others. Regardless of whether the parties in dispute resolution had reached agreement or not, they generally agreed that CAO acted with integrity and without favoring any of the parties.

We will explore further ways to systematically analyze our M&E findings to improve processes and outcomes in FY20. We additionally continue to implement our Management Action Tracking Record, which tracks IFC and MIGA actions in response to our work and serves as a tool to ensure that implementation gaps are addressed.



Grievance Mechanism Toolkit Update

We have been assessing the effectiveness of our advisory work at both the policy and operational levels. In 2016, we developed a Grievance Mechanism Toolkit to support company implementation of operational grievance redress mechanisms.

As part of the launch we encouraged user feedback through a survey mechanism embedded in the toolkit. A review of voluntary survey results from users has been overwhelmingly positive.

The toolkit has been used in at least 9 countries, including 5 fragile and conflict states in Africa, Asia, and the Pacific, and by companies in sectors including banking, health and education, agribusiness, telecoms, governance, and service delivery. Predominantly, it is being used by practitioners doing the assessment and evaluation of grievance mechanisms, but also by private sector management and operations staff.

Access to grievance redress mechanisms helps ensure that community concerns about projects can be raised and resolved before they escalate to the point of conflict and impact project sustainability. We are pleased that this toolkit has been a helpful and practical resource for practitioners in the field and continue to encourage feedback. The toolkit is available in English, French, and Spanish at www.cao-grm.org.

Outreach & Knowledge Sharing

OUTREACH

CAO facilitates a multi-stakeholder discussion in Tirana, Albania, September 2018 (Felix Davey/CAO).

In keeping with CAO's mandate of ensuring access to recourse for communities affected by IFC and MIGA projects, our outreach program aims to proactively meet with communities and civil society groups to inform them about our work. We also engage the private sector, government, and other stakeholders with the goal of promoting environmental and social accountability and good practice in relation to grievance redress. In all, we met with over 300 organizations from 50 countries during FY2019.



Civil Society Outreach

While more people are aware of CAO, many still tell us that they do not have sufficient access to information about IFC and MIGA projects or options for recourse. Ensuring accessibility to CAO thus remains a core challenge.

To maximize the impact of our outreach to communities and civil society, we often conduct outreach in partnership with the independent accountability mechanisms (IAMs) of other development banks and include IFC country staff in these efforts where appropriate. Our approach varies from one-day workshops to outreach videoconferences (VCs), which allows us to expand our reach with limited resources.

Though cases from Africa account for a quarter of our current caseload, they represent just 9 out of 46 African countries where IFC and MIGA have investments. Outreach in the region therefore continues to be a focus. In Kenya this year, we organized an event in October 2018 in partnership with the Kenyan National Commission on Human Rights and Hakijamii, with participation from IFC's Country Office in Nairobi. In addition to learning about CAO, the 30 participants met with IFC's to learn about their portfolio in the country. In Ethiopia, we convened an outreach VC in May 2019 with 20 civil society and community leaders co-hosted with Transparency International Ethiopia and the World Bank's Inspection Panel. IFC country office staff also presented their work. And in June 2019, we participated in a roundtable in Côte d'Ivoire at the African Development Bank hosted by IAMnet which brought together over 50 civil society representatives from across the African continent to discuss accountability around development projects.

In other regions, CAO co-hosted a one-day workshop with the Inspection Panel during the 2018 World Bank Group/IMF Annual Meetings which convened participants from across the Indonesian archipelago. CAO also participated in an outreach VC with civil society in Haiti in April 2019 with the Inspection Panel and the Inter-American Development Bank's accountability mechanism (MICI). The event was supported by Action Aid Haiti. In the coming year, we will turn our attention to events in South Asia and Latin America.

OUTREACH



CAO Vice President (far left) presents at a workshop in New Delhi, India, which included representatives from government, banks, and private sector in South Asia, October 2018 (CAO).

Engaging the Financial Sector

We regularly collaborate with the private sector to share insights from our work related to grievance response and accountability. We have found that there is growing interest in this field from companies, banks, investors, and regulatory agencies, among others.

In May 2019, CAO's Vice President, Osvaldo L. Gratacós participated in a regional workshop in Shanghai, China, hosted by the Asian Development Bank and the China Banking and Insurance Regulatory Commission. The workshop was the third in a series held over the last two years around developing a compliance and accountability framework for investments supported by financial intermediaries (FIs) in the Asia-Pacific region. The event in Shanghai brought together 250 participants, including 30 state-owned banks and FIs from China and developing countries in the region, as well as large Chinese public sector entities, the independent accountability mechanisms of other multilateral development banks, civil society, and research institutes. Earlier in the year, CAO participated in a related workshop in New Delhi including representatives from government, banks and private sector in South Asia. In both events, we contributed to the discussions by sharing our experiences related the environmental and social risks in IFC FI investments. This is an issue CAO has looked at extensively both through our 2012 compliance audit of a sample of IFC's FI investments, and complaints regarding the subprojects of IFC-supported FIs, which is now the third biggest sector of CAO's caseload.

CAO's Vice President was also invited to participate in a sustainable finance conference in Dublin, Ireland in May 2019, hosted by the Government of Ireland and Sustainable Nation Ireland. He shared insights from CAO's work related to E&S performance in the financial sector with bond issuers, investors, and other key market participants. And in Galway, CAO participated in a business and human rights event hosted by the Irish Centre for Human Rights.

OUTREACH



Gina Barbieri, CAO Principal Ombudsman, with participants and other presenters from the master class in mediation for women business leaders, Dakar, Senegal, June 2019 (IFC).

Dispute Resolution Knowledge Sharing

Sharing insights from our dispute resolution casework was another focus this year. We participated in multi-stakeholder discussions around the world and worked to develop mediation practice through guidance materials and training workshops.

In Tirana, Albania, CAO facilitated a panel discussion in September 2018 to explore the use of collaborative problem solving to address disputes about development projects. Participants included representatives from the community engaged in the CAO mediation process related to Bankers Petroleum (which closed this year), CAO's mediation team, and representatives from IFC and the Extractive Industries Transparency Initiative (EITI). The public event was attended by government, private sector, and civil society organizations.

In January 2019, Rio Tinto, one of the world's largest metals and mining companies, invited CAO to lead a practice session at the company's headquarters in London on communities and social performance for senior managers. CAO shared lessons from its mediation process in Mongolia related to the Oyu Tolgoi mine, which is managed by Rio Tinto and financed by IFC and MIGA. While in London, CAO was also invited to share learning from its work in Mongolia with the management and staff of the European Bank for Reconstruction and Development (EBRD), which is also an investor in the Oyu Tolgoi project. In February, we were invited by IFC to share tools, principles, and experience from our dispute resolution work at a roundtable on Environment, Health, and Safety (EHS) in Agribusiness for IFC clients in Ukraine. CAO facilitated a discussion with IFC staff and clients about strategies for preventing and managing potential conflicts with local communities. In June, CAO delivered a master class in mediation for women business leaders at IFC's flagship Sustainability Exchange in Dakar, Senegal.

We have been working to transform these insights into good practice materials, and released the first two publications in our "Reflections from Practice" series this year. The series is based on CAO's 20 years' experience in the dispute resolution field and aims to benefit staff and mediators while meeting the growing external demand for CAO's dispute resolution knowledge.

Budget

CAO operations are funded by an administrative budget, which is approved by the President and provided by IFC and MIGA on a cost-sharing basis. CAO also has available a non-conditional supplemental budget allocation and a Mediation/Conflict Resolution Contingency Fund. CAO manages its budget independently. In FY2019, a new procedure was introduced whereby the President will share CAO's budget request for review, advice and direction with the IFC and MIGA Boards of Executive Directors.

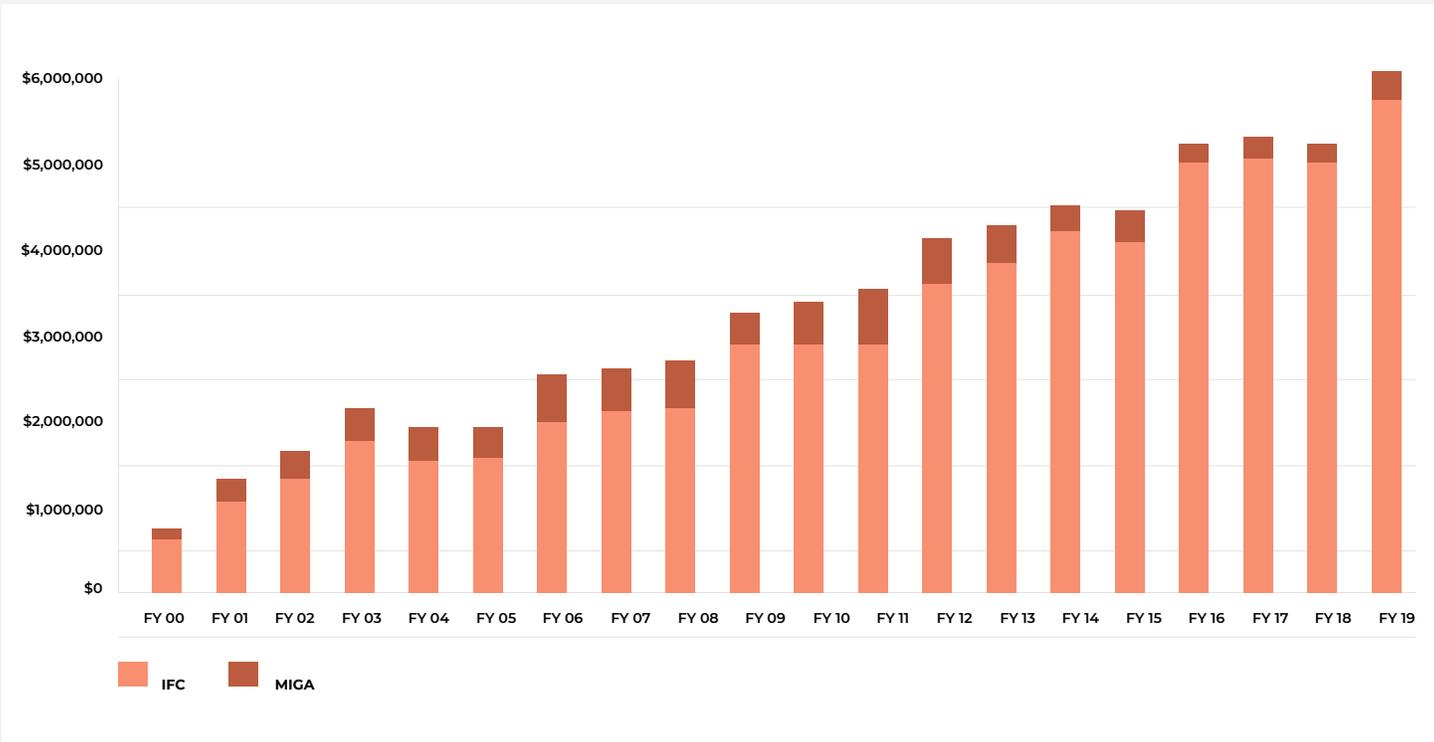
CAO's Administrative Budget, FY2019

In FY2019, CAO had a total administrative budget of \$6,127,715, of which we expensed 99 percent (\$6,064,618). IFC and MIGA contributions were of \$5,778,652 and \$349,063 respectively. This includes \$310,000 provided by IFC as part of CAO's "non-conditional supplemental allocation" from \$475,000 available. CAO's administrative budget covers the costs of staff salaries, consultants, travel, communications, contractual services, and other administrative expenses. CAO's administrative budget is funded by IFC and MIGA on a cost-sharing basis (see Table 2).

SALARIES	\$2,668,021
BENEFITS	\$1,812,092
CONSULTANTS	\$669,773
TRAVEL	\$492,967
CONTRACTUAL SERVICES	\$167,438
PUBLICATIONS	\$106,165
TEMPORARIES	\$100,465
COMMUNICATIONS AND IT SERVICES	\$31,256
REPRESENTATION AND HOSPITALITY	\$16,128
EQUIPMENT AND BUILDING SERVICES	\$313
TOTAL EXPENSES	\$6,064,618
BASE ADMINISTRATIVE BUDGET	\$5,817,715
NON-CONDITIONAL SUPPLEMENTAL BUDGET	\$310,000
TOTAL ADMINISTRATIVE BUDGET	\$6,127,715

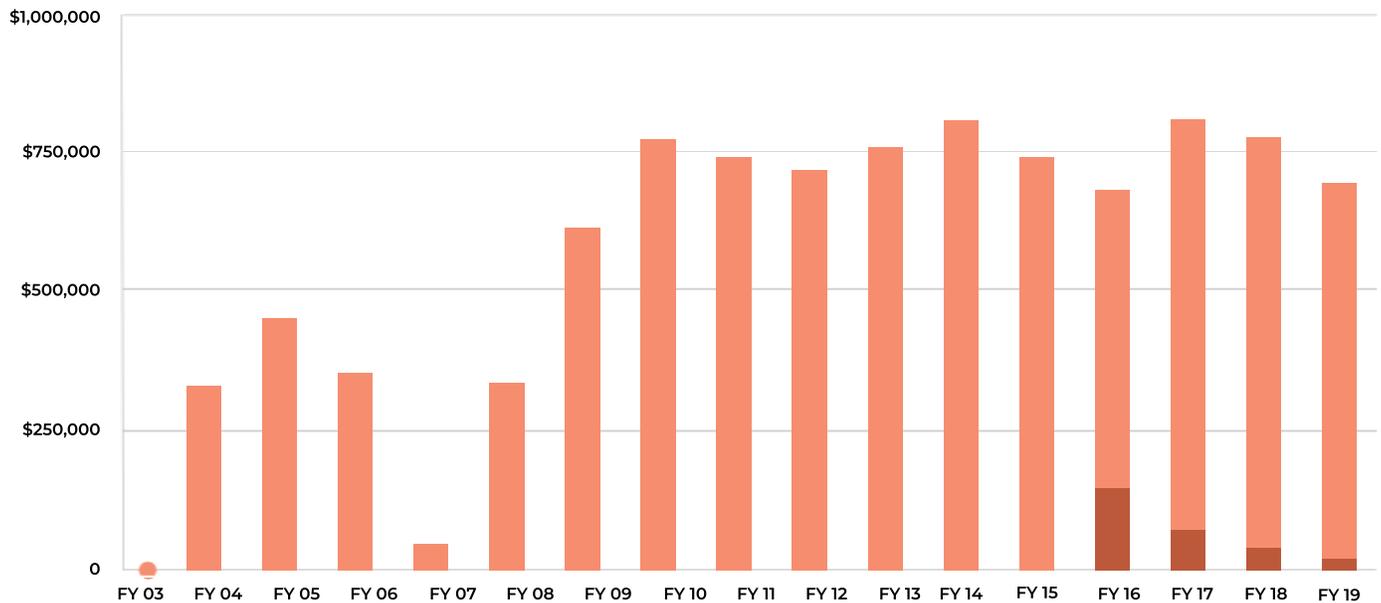
IFC/MIGA's Contribution to CAO's Administrative Budget

The determination of the cost sharing is based on the percentage of time spent by CAO staff on each institution's business matters in the prior closed fiscal year. CAO also has an agreement with IFC and MIGA whereby additional funds from a Contingency Fund will be made available, on request, to support extraordinary or multi-year activities related to dispute resolution (see Table 3).



CAO Contingency Fund

CAO's Environmental/Social Mediation and Conflict Resolution Contingency Fund helps CAO budget for extraordinary dispute resolution activities that extend over several years. Contributions of \$800,000 from IFC and \$200,000 from MIGA have remained unchanged since FY2003. Contingency Funds are not available for assessment, compliance, advisory or outreach activities, which are funded from CAO's administrative budget. In total, CAO expended \$750,000 in Contingency Funds this year.



OTHER CONTRIBUTIONS FROM IFC SPONSORS, FY2019

Contribution from Oyu Tolgoi LLC **\$470,510**

DIRECT CONTRIBUTIONS FROM IFC FY2003 - FY2019

The Contingency Fund was established FY2003

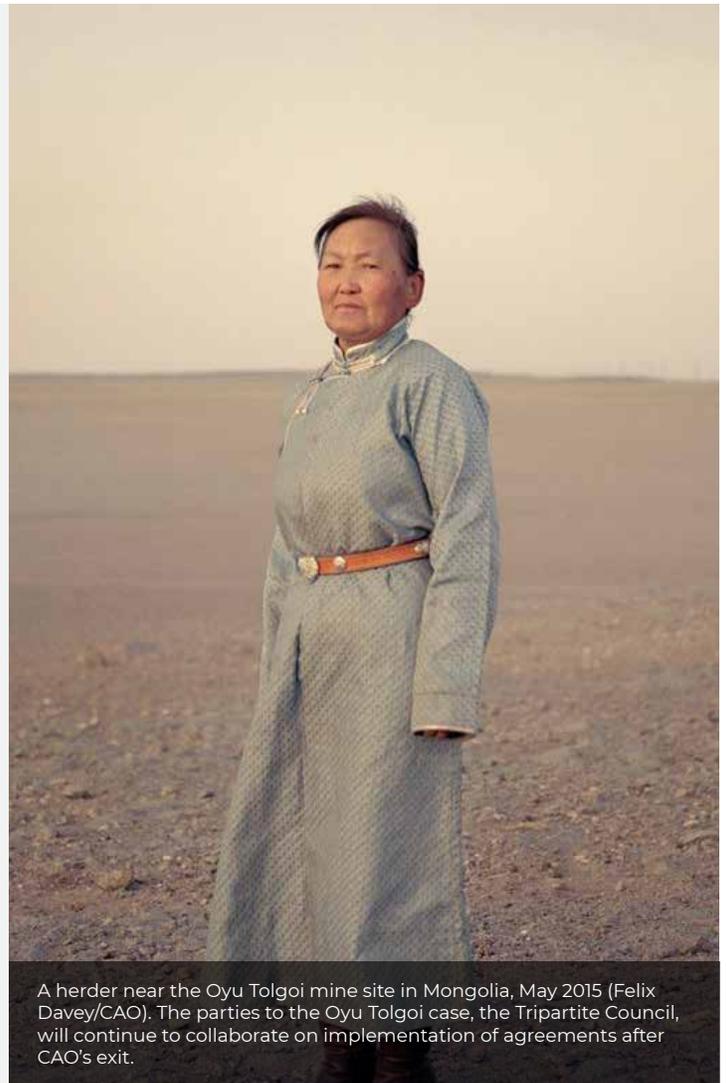
DIRECT CONTRIBUTIONS FROM MIGA FY2016 - FY2019

CAO accessed MIGA's contribution for the first time in FY2016

Looking Forward

The next year is a significant one for CAO as we celebrate our 20th anniversary and will be assessing the impact of our work through a retrospective analysis. In addition, we will be engaging in the external review of IFC and MIGA's environmental and social accountability framework, including CAO's role and effectiveness. The review, which will be conducted by independent experts reporting to the Board, provides a structured process through which informed decisions can be made to strengthen grievance response and accountability around IFC and MIGA projects. We hope the outcome of the review will be a stronger CAO and institutions that are better prepared to respond to community concerns, with more effective remedy, local impact, and systematic learning resulting from the accountability process.

Over the last 20 years, CAO has consistently sought input from external experts on how we can be a more effective mechanism, and enacted valuable recommendations through updates to our Operational Guidelines in consultation with stakeholders. We welcome proposals to enhance our work and evolve our practice so we can continue to deliver solutions, accountability and learning that benefits communities, IFC and MIGA clients, staff, and other stakeholders—and supports the Bank Group's strategic goals.



A herder near the Oyu Tolgoi mine site in Mongolia, May 2015 (Felix Davey/CAO). The parties to the Oyu Tolgoi case, the Tripartite Council, will continue to collaborate on implementation of agreements after CAO's exit.

About CAO

The Office of the Compliance Advisor Ombudsman (CAO) is the independent accountability mechanism for the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), members of the World Bank Group. CAO's mandate is to address complaints from people affected by IFC and MIGA projects and to enhance environmental and social project outcomes. CAO reports to the President of the World Bank Group.

Learn more at www.cao-ombudsman.org.

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