

DISPUTE RESOLUTION CONCLUSION REPORT

**Regarding the First Complaint Received in Relation to
IFC's Wind Power Project in Uzbekistan
(IFC Project #44364)**

March 2025

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

TABLE OF CONTENTS

ACRONYMS IV

OVERVIEW 1

BACKGROUND..... 1

 The IFC Project 1

 The Complaint..... 2

 CAO Assessment..... 2

DISPUTE RESOLUTION PROCESS 2

CONCLUSION 3

APPENDIX A. CAO COMPLAINT-HANDLING PROCESS..... 4

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.

OVERVIEW

In July 2023, the Office of the Compliance Advisor Ombudsman (CAO) received a complaint from a herder who resides in the Navoi region, Uzbekistan. The complaint relates to a wind power project, supported by the International Finance Corporation (IFC), being implemented by Shamol Zarafshan Energy FE LLC (SZE), a special purpose company wholly owned by Abu Dhabi Future Energy Company PJSC (Masdar).

In October 2023, CAO found the complaint eligible and began an assessment. During the assessment, the complainant and SZE (the parties) expressed interest in engaging in a dispute resolution process facilitated by CAO to resolve the issues raised in the complaint. In accordance with the CAO Policy, CAO transferred the complaint to its Dispute Resolution function in February 2024.

Between February and March 2024, CAO engaged with the parties virtually and in-person. As a result of the dispute resolution process, the parties subsequently reached and signed an agreement in March 2024, which CAO monitored before closing the case to the parties' satisfaction in December 2024. The parties decided to keep the terms of the agreement confidential, releasing a [joint statement](#) on CAO's website in December 2024. This conclusion report provides an overview of the assessment and dispute resolution process, and offers some reflections and lessons learned.

BACKGROUND

The IFC Project

IFC's Zarafshon Wind Project (#44364)¹ involves the development, design, financing, construction, operation, and maintenance of a 500-megawatt (MW) wind power plant in the Navoi region, Uzbekistan. It is a Category A project comprising up to 111 wind turbine generators, each with a capacity of up to 4.5 MW. The project is located 15 kilometers (km) east of Zarafshan on an elevated plateau in the Kyzylkum desert.

IFC approved the project in July 2022 and reached financial close in November 2022. It is being implemented by SZE, a special purpose company incorporated in Uzbekistan and wholly owned by Masdar. It is being developed under an Engineering, Procurement, and Construction (EPC) contract, executed by SEPCOIII Electric Power Construction Co, 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 carbon dioxide (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.

SZE 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 SZE, the project will displace 1.1 million tons of CO₂ per year once fully completed. 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 2030.²

¹ IFC project disclosure: <https://disclosures.ifc.org/project-detail/SII/44364/zarafshon-wind>

² Excerpt from the document "Project Initial Response to Grievance" by Shamol Zarafshan Energy FE LLC, November 29, 2023.

The Complaint

On July 24, 2023, a herder, who resides in the Tamdy district in the Navoi region, 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 1 horse due to these impacts and the adverse impacts on land that the complainant uses for animal breeding purposes, which is the main source of his economic subsistence.

CAO Assessment

In October 2023, CAO determined that the complaint met its three eligibility criteria and began an assessment of the complaint. The purpose of the CAO assessment is to clarify the issues raised in the complaint, gather information on the views of different stakeholders, and determine whether the parties would like to pursue a dispute resolution or compliance process. The CAO assessment process does not entail a judgment on the merits of the complaint; rather, it seeks to understand the facts and empower those involved to make informed decisions on how to address the issues raised.

During the assessment, CAO conducted a mission in January 2024 to hold in-person bilateral meetings with the parties and start discussing possible solutions through joint fact-finding field work. The complainant and Masdar/SZE expressed an interest in engaging in a dispute resolution process facilitated by CAO to resolve the issues raised in the complaint. In accordance with the CAO Policy,³ the complaint was transferred to CAO's Dispute Resolution function in February 2024.⁴

DISPUTE RESOLUTION PROCESS

The dispute resolution process began with CAO-facilitated bilateral meetings between the complainant and company representatives, which CAO conducted between January and March 2024. These initial discussions were crucial in preparing both parties for meaningful engagement on the issues raised in the complaint. During these meetings, CAO provided the parties with more information about the dispute resolution process emphasizing the goals and principles of mediation, and shared useful techniques for collaborative dialogue and constructive communication, which included understanding how to generate solutions and the parties' best alternatives to a negotiated agreement.

As a result of these meetings and preparatory sessions, the parties agreed on the ground rules and principles to be applied to the dispute resolution process, including confidentiality rules for all parties. During this period, CAO also conducted several joint fact-finding activities involving the parties which aimed to verify information needed during the negotiation process.

Since both parties were keen to address the complaint issues promptly, CAO convened an in-person joint meeting between the complainant and representatives of Masdar/SZE in Zarafshan in March 2024. The parties reached agreement and signed a written final agreement on March 20, 2024. They asked CAO to monitor implementation of the agreement for nine months, until December 31, 2024, to ensure that the parties were satisfied with the outcome. The terms of the agreement remain confidential, at the parties' request, but they agreed to

³ CAO's Policy is available here: <https://www.cao-ombudsman.org/policies-guidelines>

⁴ For more information on the assessment phase, please refer to the assessment report: <https://www.cao-ombudsman.org/cases/uzbekistan-zarafshan-01>

publish a joint statement on CAO's website about the outcome of their collaborative dispute resolution process.⁵

CAO began to monitor implementation of the agreement on March 21, 2024. During a dispute resolution monitoring mission to Zarafshan on December 16, 2024, the parties confirmed their full satisfaction with the implementation of agreed actions. Based on the parties' consent, CAO concluded its involvement in the case in December 2024.

The success and efficiency of the dispute resolution process in this case was achieved since the parties demonstrated a willingness to collaborate and address the issues in a timely manner. Understanding each other's perspectives and working collaboratively in the field were key factors in the parties achieving a positive outcome. CAO highlights that the good relationship and collaboration between the parties were commendable and significantly contributed to the resolution of the dispute.

CONCLUSION

In accordance with the CAO Policy, CAO has closed this case after monitoring full implementation of the dispute resolution agreement.

All relevant documentation is available on CAO's website at www.cao-ombudsman.org

See Annex A for more information on the CAO complaint-handling process.

⁵ English and Russian version of the joint statement are uploaded on the CAO website: <https://www.cao-ombudsman.org/cases/uzbekistan-zarafshan-01>

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,⁶ 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.⁷

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,

⁶ 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>

⁷ 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.

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 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**

