



CAO ASSESSMENT REPORT

**Regarding Community concerns in relation to
IFC's Zalagh project (#32390) in Morocco**

November 2016

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

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 reports directly to the President of the World Bank Group, and its mandate is to assist in addressing complaints from people affected by IFC/MIGA projects in a manner that is fair, objective, and constructive and to enhance the environmental and social outcomes of those projects.

For more information, see www.cao-ombudsman.org.

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LIST OF ACRONYMS

CAO	Office of the Compliance Advisor Ombudsman
IFC	International Finance Corporation
MIGA	Multilateral Investment Guarantee Agency
ISO	International Organization for Standardization

1. OVERVIEW

In March 2016, CAO received a complaint related to Zalar Holding S.A. (“Zalar”, formerly called Zalagh Holding S.A.), a poultry producer in Morocco supported by IFC. The complaint was filed on behalf of a coalition of community-based organizations (“complainants”). The complaint alleges that the installation of a poultry hatchery in their village is causing air pollution and health issues for residents, and disturbing children at an adjacent school. CAO found the complaint eligible in April 2016 and began an assessment of the issues raised in the complaint. During the assessment process, the complainants and Zalar agreed to engage in a voluntary dispute resolution process facilitated by CAO. This Assessment Report provides an overview of the assessment process, including a description of the project, the complaint, the assessment methodology, and next steps.

2. BACKGROUND

2.1 The Project

According to IFC, Zalar is an industrial poultry producer present across the entire poultry meat value chain. IFC’s investment in the company is in the form of redeemable preferred shares. Proceeds from the IFC investment are being used to finance a three-year expansion plan aimed at strengthening Zalar’s position in the Moroccan poultry sector and reinforcing its integration across the poultry value chain.

2.2 The Complaint

In March 2016, a complaint was filed with CAO on behalf of a coalition of local organizations. The complainants allege that the installation of a poultry hatchery in their village is causing environmental and social impacts in the village, notably air pollution and health issues for residents, and disturbing children at an adjacent school.

3. ASSESSMENT SUMMARY

The purpose of CAO’s assessment is to clarify the issues and concerns raised by the complainants, to gather information on how Zalar and other stakeholders see the situation, and to determine whether the complainants and Zalar would like to pursue a dispute resolution process facilitated by CAO or if the complaint should be referred to CAO Compliance for appraisal of IFC’s performance (see Annex A for CAO’s complaint handling process). CAO does not gather information during its assessment to make a judgment on the merits of the complaint.

3.1 Assessment Method

CAO’s assessment of the complaint consisted of:

- a desk review of project documentation;
- public and private meetings with the complainants and other members from the affected community;
- meetings with IFC’s project team and Zalar representatives;
- a meeting with a representative of local government (“Préfecture”);
- a visit to the affected village, June 28 – July 1, 2016.

3.2 Summary of Issues

This section gives a broad overview of the issues as expressed by the complainants and discussed with the company. It does not comprise a judgment by CAO about the merits of the complaint.

During CAO's assessment, the parties highlighted the following areas of concern:

The complainants' perspective

Environmental issues:

The complainants raised concerns about (i) air and noise pollution caused by Zalar's activities, (ii) soil pollution due to processes used within the company's facilities, (iii) potential adverse impacts of Zalar's activities on the water shortage affecting the village and, (iv) more generally, lack of information regarding the environmental impacts of Zalar's activities in their village.

Work opportunities:

The complainants raised concerns about the availability of work opportunities for local community members, and more generally about the need for further investment in the village.

The company's perspective

Representatives of Zalar emphasized that its activities in the village are compliant with Moroccan environmental laws and norms. They said that questions of environmental impacts had been looked into by relevant government agencies in the past, who had confirmed to Zalar that its operations conformed to relevant regulations. Zalar also highlighted that its facilities in Tiddas are ISO certified.

With regards to local investment, the company pointed out that, among other things, the majority of its employees come from the neighboring villages, including Tiddas, where the hatchery is located, and Maaziz. More generally, Zalar also indicated that it had invested in various facilities of the village in the past, including the school, and that it has been funding some local community projects each year.

4. NEXT STEPS

The company and the complainants have agreed to engage in a voluntary dispute resolution process facilitated by CAO. As a preliminary step, CAO will engage with the parties to establish ground rules to guide the process. The parties will also need to agree on the issues that they wish the dialogue process to address.

ANNEX A. CAO COMPLAINTS HANDLING PROCESS

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) of the World Bank Group. CAO reports directly to the President of the World Bank Group, and its mandate is to assist in addressing complaints from people affected by IFC/MIGA supported projects in a manner that is fair, objective, and constructive and to enhance the environmental and social outcomes of those projects.

The initial assessment is conducted 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; and (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.

This document is a preliminary record of the views heard by the CAO team, and explanations of next steps depending on whether the parties choose to pursue a Dispute Resolution process or prefer a CAO Compliance process. *This report does not make any judgment on the merits of the complaint.*

As per CAO's Operational Guidelines,¹ the following steps are typically followed in response to a complaint that is received:

Step 1: **Acknowledgement** of receipt of the complaint

Step 2: **Eligibility:** Determination of the complaint's eligibility for assessment under the mandate of the CAO (no more than 15 working days)

Step 3: **CAO assessment:** "Assessment of the issues and provide 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 120 working days."

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 or initiated by a Memorandum of Understanding and/or a 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 goal. 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 affected².

OR

¹ For more details on the role and work of CAO, please refer to the full Operational Guidelines: http://www.cao-ombudsman.org/documents/CAOOperationalGuidelines_2013.pdf

² 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 closed the complaint and transferred it to CAO Compliance for appraisal.

Compliance Appraisal/Investigation: If the parties opt for a Compliance process, CAO's Compliance function will initiate an appraisal of IFC's/MIGA's environmental and social due diligence of the project in question to determine whether a compliance investigation of IFC's/MIGA's performance related to the project is merited. The appraisal time can take up to a maximum of 45 working days. If an investigation is found to be merited, CAO Compliance will conduct an in-depth investigation into IFC's/MIGA's performance. An investigation report with any identified non-compliances will be made public, along with IFC's/MIGA's response.

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

Step 6: **Conclusion/Case closure**