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# Compliance Monitoring

## Omnibus Case Report: Q4, 2023

## About CAO

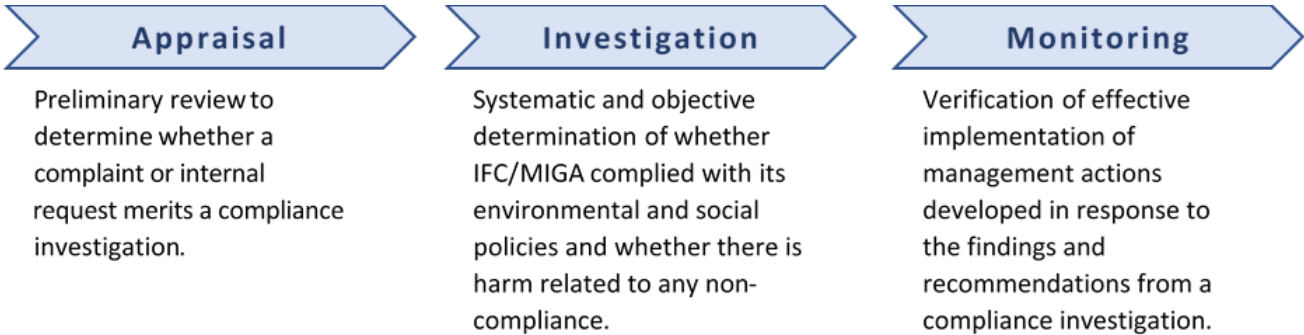
The Office of the Compliance Advisor Ombudsman (CAO) is the independent accountability mechanism of the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA), members of the World Bank Group. We work to facilitate the resolution of complaints from people affected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

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

## About the Compliance Function

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

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



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## Acronyms

CAO	Office of the Compliance Advisor Ombudsman (IFC and MIGA)
DG	Director General
E&S	Environmental and Social
ESAP	Environmental and Social Action Plan
ESIA	Environmental and Social Impact Assessment
ESDD	Environmental and Social Due Diligence
ESMS	Environmental and Social Management System
ESRP	Environmental and Social Review Procedures
ESRS	Environmental and Social Review Summary
FY	Fiscal Year
GIIP	Good International Industry Practice
IFC	International Finance Corporation
MAP	Management Action Plan
MIGA	Multilateral Investment Guarantee Agency
PS	IFC Performance Standards

# 1 About CAO Monitoring

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## 1.1 Objectives and Scope

Monitoring of open cases is the third step in CAO's approach to compliance. It ensures verification of IFC/MIGA management actions taken in response to the findings of a CAO compliance investigations.

The CAO Policy (2021) provides for CAO to release an annual monitoring report for cases under its compliance monitoring phase.<sup>1</sup> In FY23 and FY24, CAO has decided to pilot an omnibus monitoring report. This report and a subsequent one in FY24Q2 (October– December 2023) will cover all cases currently under the CAO monitoring process (see schedule in Annex A). The purpose of this omnibus approach is to enable more frequent reporting of the results of CAO monitoring of IFC/MIGA compliance with MAP commitments.

At the same time, CAO retains the option to prepare and publish case-specific monitoring reports in certain circumstances. These include cases where: (a) a more detailed review of MAP implementation that can be achieved through the omnibus approach is required; or (b) there are indications that revisions to the MAP may be beneficial. CAO is preparing draft criteria for when to prepare a case-specific monitoring report and will consult with stakeholders in advance of finalization.

## 1.2 CAO Policy

CAO's monitoring process seeks to verify the effective implementation of actions set out in the IFC/MIGA's Management Action Plan (MAP) under the CAO Policy.<sup>2</sup> CAO reviews and confirms that IFC/MIGA have completed and implemented actions presented in a MAP in an effective manner<sup>3</sup> to address CAO findings of non-compliance and related Harm.<sup>4</sup> CAO compliance monitoring focuses on the non-compliance investigation findings and related Harm for which IFC/MIGA have included corrective actions in the MAP. CAO compliance monitoring does not consider non-compliance findings for which there are no corresponding corrective actions in the MAP.<sup>5</sup>

While a case is open for compliance monitoring, the IFC/MIGA Board Directors (Board) may consider options to strengthen the implementation of measures in the MAP, if necessary. In considering such options, the Board takes into account IFC/MIGA Management progress reports and CAO monitoring reports.<sup>6</sup> Under the CAO Policy, CAO is charged with verifying the effective implementation of both project-level and systemic actions, as described below (see page 8).

CAO closes the compliance monitoring process when: (a) it determines that substantive commitments set out in the MAP have been effectively fulfilled or (b) when not all substantive commitments in the MAP have been effectively fulfilled, following engagement with Management and/or the Board, CAO

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1 CAO Policy para 142.

2 CAO Policy, para 140.

3 I.e. In a manner conducive to producing the desired effect.

4 CAO Policy, para 131.

5 CAO Policy, para 141.

6 CAO Policy, para 144.

determines that there is no reasonable expectation of further action to address non-compliance findings.<sup>7</sup>

For IFC Management Response and Management Action Plans that were prepared in response to CAO compliance investigation reports covered under the CAO [Transitional Arrangements](#)<sup>8</sup>, CAO's compliance function monitors cases in accordance with either the CAO Policy or the CAO Operational Guidelines.<sup>9</sup> All cases under review in this omnibus report, are monitored according to the CAO Policy.<sup>10</sup>

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7 CAO Policy, para 145.

8 As stated in paragraph 175 of the Policy, "CAO will develop and make public procedures for the transition of ongoing CAO cases to this Policy." Accordingly, transitional arrangements for ongoing CAO cases as set out in the link above have been discussed and agreed upon between CAO, IFC, and MIGA.

9 Under the CAO Operational Guidelines Policy (April 2013 – June 2021) that preceded the CAO Policy, CAO published case-specific monitoring reports summarizing the adequacy of IFC and MIGA's actions in response to non-compliance findings. The guidelines required that where a CAO compliance investigation finds IFC/MIGA to be out of compliance, CAO monitor the case until actions taken by IFC/MIGA assure CAO that the non-compliance is being addressed.

10 See Annex A for case-specific applicable CAO monitoring standard.

## 2 About this Report

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This CAO monitoring report covers the following five cases:

- IFC investments in Rizal Commercial Banking Corporation, Philippines
- IFC Advisory Services regarding the Panama Transmission Line IV, Panama
- IFC investment in Alto Maipo hydroelectric power project, Chile
- IFC investments in Eleme Fertilizer, Nigeria
- IFC investment in Alexandria Development Limited cement company (complaint 1), Egypt.

The [CAO Policy](#) applies to all five cases. At the completion of each case, IFC prepared a Management Action Plan (MAP). IFC then prepared Progress Reports for each case, which were shared with the Board and CAO and published on [CAO's website](#).

In preparing this pilot omnibus compliance monitoring report, CAO verified IFC's effective implementation of corrective actions by:

- Reviewing IFC's MAP Actions in relation to corresponding non-compliance findings
- Reviewing IFC Progress Reports
- Engaging with IFC project teams to validate MAP implementation
- Engaging with complainants and their representatives to discuss and document the adequacy of IFC actions and implementation
- Reviewing supporting documentation received from parties.

Upon review of each action item, CAO determine whether to keep the action open or close and rates IFC's performance on a scale of:

- Too early to tell
- Excellent
- Satisfactory
- Partly Unsatisfactory
- Unsatisfactory

### 2.1 Report structure

Sections 3 and 4 below present a summary of CAO's compliance monitoring outcomes and reflections from this first omnibus monitoring process.

Section 5 presents individual analysis for each case under review, beginning with an overview of the complaint and subsequent CAO investigation, and IFC commitments to address CAO findings. This is followed by detailed tables on IFC's MAP commitments and their implementation status alongside observations by the complainants and by CAO.

For each monitoring case, a MAP actions that respond to a project-level non-compliance and related Harm are included in a case-specific table summarizing IFC implementation and CAO observations. In several cases, IFC also committed to actions to avoid recurrence of non-compliance and improve institutional performance in other investment projects. IFC implementation of these systemic actions, alongside CAO observations, are summarized separately after the project level case-specific tables.



## 3 Summary of CAO Monitoring Analysis: May 2023

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### 3.1 Overview

CAO reviewed five cases in 2023 for this omnibus monitoring report. Of these, CAO has decided to close its project-level monitoring of two cases—Alexandria Development 01 (ADL-01) and Alto Maipo 01-02. In ADL-01, CAO concludes that IFC implemented project-level actions that did not fully resolve the relevant CAO non-compliance findings they were designed to address. However, CAO notes that IFC took these project-level actions in relation to an investment it had already exited, thus with limited leverage over its former clients. In Alto Maipo 01-02, CAO concludes that IFC implemented its project level MAP commitments, however, these commitments did not address or resolve most of CAO’s non-compliance findings due to their limited scope. CAO Advisory will consider these cases as part of future commentary on IFC’s approach to responsible exit.

In addition, CAO will continue to monitor three cases—Eleme Fertilizer-01, PL IV-01 in Panama, and Rizal Commercial Banking Corporation-01. Their status will remain open as IFC continues to implement MAP actions.

IFC also committed to take 12 systemic actions affecting its operations in general as part of its response to the five cases reviewed in this report. CAO has decided to close monitoring of five of these systemic actions and keep monitoring of seven actions open.

CAO plans to prepare and release its next omnibus monitoring report in FY24Q2. This report will cover the outstanding cases currently undergoing monitoring which were not reviewed at this time. For a full list of current cases, see Annex A.

The status of the five cases covered in this report is briefly summarized below.

### 3.2 Project-Level Actions

#### Alexandria Development Limited-01 (ADL-01), Egypt:

##### Close Project-level Monitoring

CAO has decided to close its monitoring process in relation to IFC’s project level actions. While IFC has substantially implemented the MAP actions, as approved by the Board, CAO monitoring concludes that there is insufficient evidence to demonstrate that these actions have fully resolved the identified non-compliance findings. Of the six project level actions in IFC’s MAP, CAO rates IFC’s implementation performance as one satisfactory, four partly unsatisfactory, and one unsatisfactory. At the same time, CAO notes a) that IFC’s actions were made in the context of an exited investment, conditional on the company’s voluntary implementation, and, b) in relation to non-compliance labor findings, IFC’s action was not designed to address the non-compliance findings. The lack of an active investment and thus no formal IFC ongoing supervisory role presents challenges for IFC to retain evidence of client compliance with the Performance Standards. IFC communicated to CAO that it has continued to engage with ADL but has limited leverage to ensure the company takes further actions beyond those outlined in the MAP.

Accordingly, CAO has determined that there is no reasonable expectation of further action to address non-compliance findings.

### **Alto Maipo-01&-02, Chile: Close Project-level Monitoring**

CAO has decided to close its monitoring process in relation to IFC's project-level actions. IFC's MAP made four project-level commitments: to disclose relevant E&S studies and assessments on its project website; to meet with the complainants' representatives to inform them about the CAO investigation report and the Management Response; to translate the Management Response and MAP into Spanish; and to engage with Itaú Corpbanca (Itaú), other financiers, Alto Maipo SpA, and US-based AES Corporation to share the CAO report and conclusions. The first three actions were completed between November and December 2021. In regard to the fourth action, IFC provided CAO with emails sharing CAO's investigation report and the Management Response with the relevant organizations (Itaú Corpbanca, AES Corporation, and the administrative agent for the senior project lenders). While IFC's leverage with most of these organizations is limited, as noted in CAO's investigation report, IFC retains an equity investment in Itaú, a financial intermediary (FI), and Itaú has an active investment in Alto Maipo. CAO has verified that IFC engages with Itaú Corpbanca regarding the Alto Maipo project, during E&S supervision of its FI client. IFC has indicated and demonstrated that Itaú monitors the Alto Maipo project, through an external consultant of a group of lenders, on a quarterly basis, tracks E&S developments, and monitors implementation of actions agreed by Alto Maipo with national environmental agencies, and the IFC Performance Standards. IFC has also provided evidence that indicates that CAO's investigation report is being considered as part of IFC's supervision of Itaú's E&S performance. CAO decided to close its monitoring of this action because it has been implemented within the limits committed to in the MAP and approved by the Board. Additional review of IFC's supervision of Itaú's E&S performance or of Itaú's E&S supervision of Alto Maipo would be outside the scope of CAO's monitoring mandate in this case.

### **Eleme Fertilizer-01, Nigeria: Open**

CAO has decided to keep its monitoring process of project-level action open. IFC committed to one project level action relating to its client Indorama Eleme Fertilizer & Chemicals Limited (Eleme Fertilizer). This involved hiring a third-party consultant to review the company's implementation of Performance Standard 2 with regard to "fair treatment" of workers and their ability to raise grievances "without any retribution." IFC appointed a consultant who made a series of recommendations for the company to implement, and IFC subsequently commissioned the consultant to review Eleme's implementation of the recommendations. This action was ongoing when this monitoring report was prepared.

### **Electricity Transmission Line PLIV-01, Panama: Open**

CAO has decided to keep its monitoring process of project-level actions open. CAO recognizes that IFC has completed some actions outlined in the MAP and in additional items approved by the Board. However, IFC's advice has not been reflected in the work plan and methodology of the Environmental and Social Impact Assessment (ESIA) and Free Prior Informed Consent (FPIC) processes conducted by the state-owned electricity transmission company and its E&S consultant. As a result, there is a significant likelihood that unless further steps are taken the ESIA and FPIC processes will not meet the IFC Performance Standards. Given the documented history of conflicts over infrastructure development

in the Ngöbe and Buglé territories, the inadequate application of PS7 in the ESIA and FPIC processes poses a significant risk of failing to achieve intended PS7 outcomes. These include “full respect for the human rights, dignity, aspirations, culture, and natural resource-based livelihoods of Indigenous Peoples.” CAO also considers that there is a significant risk of failing to acquire a social license for the transmission line project from the affected communities and for associated consequences to materialize. CAO recommends that IFC take additional and timely measures in its advisory role to ensure that its client complies with its 2020 agreement to make its best efforts to apply the IFC Performance Standards in the design and execution of the public-private partnership transaction. In particular, the design and implementation of the ESIA and consultation processes for the PLIV project should be conducted in alignment with PS7. Should the client continue to proceed with the project in a manner not consistent with IFC’s advice or its obligations under its agreement with IFC, IFC should consider the reputational risk of continuing to provide its advisory services.

### **Rizal Commercial Banking Corporation (RCBC)-01, Philippines: Open**

CAO has decided to keep its monitoring process of project-level actions open. IFC has reported delays in implementing its MAP and revised its implementation dates in January 2023. In March 2023, IFC discussed MAP implementation with the Board and committed to further update the Board by the end of the calendar year. CAO acknowledges the significant efforts that have been made by IFC to date. However, the delays in progress are concerning, particularly regarding RCBC’s incorporation of Performance Standard requirements in binding agreements for its high-risk sub-projects. Since the investment is active, the continuing lack of assurance that RCBC is applying IFC Performance Standards to its high risk sub-projects makes IFC vulnerable to new and additional non-compliances.

### **3.3 Systemic Actions**

IFC reported that it has completed implementation of all systemic action commitments for the ADL-01 and Alto Maipo-01&02 MAPs. CAO’s role is to verify the effective implementation of these actions. In relation to IFC’s commitment to update its E&S Review Procedures (ADL-01), IFC asserted that its updated procedures have improved IFC’s E&S risk management in a way that more effectively responds to the needs of its investment strategy and operations. The updated procedures apply systemically across all IFC investments from January 2022, and CAO will consider the effectiveness of their implementation on a case-by-case basis in ongoing compliance cases. Accordingly, CAO has decided to close its monitoring process in relation to IFC’s systemic-level action in the ADL-01 case.

In relation to Alto Maipo, CAO has decided to close four systemic level actions following IFC’s publication of the Good Practice Note for EHS approaches to hydropower projects. Three actions will remain open as additional time or information is needed to verify their effective implementation.

In relation to Panama PLIV-01 and RCBC-01, CAO has decided to keep systemic-level actions open. For PLIV-01, these actions are still under implementation by IFC. For RCBC-01, IFC reported that it published two good practice notes that met its MAP commitments in March 2023. However, since there was insufficient time to review examples of how these publications were taken up within IFC, CAO is unable to assess effective implementation of these measures for this monitoring report.

## 4 Monitoring Exercise Lessons Learned and Next Steps

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The following are lessons learned from the preparation of this first compliance omnibus report pilot, conducted in consultation with IFC/MIGA and the complainants for the cases covered. These lessons will guide CAO's evolving practice in producing periodic monitoring reports to verify and advise on the effective implementation of actions set out in IFC/MIGA Management Action Plans (MAP).

Below are CAO's reflections about engagement with complainants, criteria to assess effective implementation of MAP corrective actions, process efficiencies, and CAO's overall compliance reporting approach.

**Engagement with complainants.** CAO's engagement with complainants highlighted an overall lack of satisfaction with the level of engagement in both the MAP and compliance monitoring processes. Complainants' overarching concerns include: a) limited effectiveness of IFC actions in providing remedial solutions to communities; b) limited IFC engagement with complainants during MAP implementation; c) delayed translations of IFC Progress Reports; d) long periods of time between CAO investigation reports and CAO monitoring; and e) complainants' inability to review and provide comment on CAO monitoring reports.

**Methodology to assess effective implementation of MAP.** CAO identified the need for a more systematic approach to assess the new CAO Policy requirement to verify the effective implementation of MAP actions. Aspects that CAO will further clarify for the next report include standardized methodology for information gathering, analysis, and determining ratings. In addition, the criteria for proceeding with a case specific monitoring report versus reporting on a case's monitoring status via the omnibus structure will be further refined. This will be done in consultation with key stakeholders.

**Process efficiencies.** CAO identified areas where information gathering and validation for compliance monitoring can be further tightened to generate efficiencies. For example: a) the inclusion of outcome-oriented information in IFC progress reports; b) the timing of CAO's validation of supporting documentation related to IFC progress reports; and c) the timing of CAO's reporting related to IFC progress reports. CAO will explore opportunities to further streamline compliance monitoring processes in coordination with IFC.

**Compliance reporting timelines.** Monitoring is the final stage of the compliance cycle. It is closely linked to the quality of CAO's findings and recommendations, the commitments made by IFC/MIGA, and the expectations of the Board and complainants conveyed at the MAP preparation stage. Preparation of this compliance monitoring omnibus pilot has identified the need to further review CAO's compliance reporting cycle to maximize the opportunities for CAO, IFC, and the Board to fulfill the CAO Policy requirement to facilitate remedial solutions for project-affected people.

CAO plans to prepare and release its next omnibus monitoring report in FY24Q2.<sup>11</sup> The next report will cover the outstanding cases under monitoring which were not reviewed in the current report. If IFC provides CAO with additional information in relation to the cases covered in this report, CAO may also re-review those cases as well.

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<sup>11</sup> See Annex A for cases to be covered in CAO's FY24 Q2 omnibus report.

## 5 Case by Case CAO Monitoring Analysis and Status

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### Rizal Commercial Banking Corporation ([RCBC](#))-01, Philippines: Project-level Actions

#### Case Summary

In 2011, IFC began investing in RCBC, a financial intermediary whose strategy aligned with IFC's developmental objectives for the Philippines, including financial inclusion and sustainability.

RCBC subsequently financed 10 coal-fired power plants in the country, and committed to finance an additional plant. In October 2017, CAO received a complaint from communities in the plants' vicinity, supported by three nongovernmental organizations (NGOs)—the Philippine Movement for Climate Justice, Inclusive Development International, and Bank Information Center. The complaint raised concerns that RCBC financed these coal plants without applying IFC's Performance Standards, leading to environmental and social (E&S) harms to local communities and contributing to global climate change.

CAO's subsequent investigation reviewed how IFC applied its E&S requirements to its investments in RCBC, and in particular to the 11 coal-fired power plants named in the complaint. The investigation identified IFC non-compliance in both the appraisal and supervision of E&S risks emerging from its investment in RCBC's banking business. It found that many of the alleged adverse impacts on communities and the environment from the RCBC-financed plants were likely to have occurred. It also concluded that these shortcomings in IFC review and supervision contributed to RCBC providing support for the power plants' expansion without assurance that these sub-projects would operate in accordance with IFC Performance Standards (PS). The PS include requirements to quantify and reduce greenhouse gas (GHG) emissions.

#### CAO Monitoring and Status

IFC's Management Action Plan (MAP) to address CAO's findings and recommendations was approved by the IFC Board on April 8, 2022. In January 2023, IFC submitted a MAP Progress Report to the Board, acknowledging delays in deliverables due to factors including COVID-19 restrictions and lengthy procurement processes for expert consultants. On March 6, 2023, the Board met to discuss IFC's progress implementing the MAP, which is due for completion by September 2024. IFC will update the Board on progress by the end of 2023.

In addition to specific comments on IFC's MAP actions (see table), the complainants made the following points: (a) the need for IFC to report to the Board later this year with the understanding that the MAP may need to be revised based on the outcomes of various studies underway and the willingness of sub-project operators to remediate harms; (b) the communication and reports sent to complainants should be in Filipino or Bisaya (as relevant to communities living near the coal plants); (c) their concerns about delays in MAP implementation, in particular the recruitment of consultants and completing discussions with sub-project operators, and over the consultant procurement process. The

complainants assert that their inclusion in the process would have increased their trust in the choice of consultant and the credibility of the assessment outcomes.

CAO acknowledges the significant efforts by IFC to date. However, the delays in progress are concerning, as reported in the table below. Of particular concern is the lack of progress in RCBC incorporating PS requirements in binding agreements for its high-risk sub-projects. Given the active nature of this investment, the continuing lack of assurance that IFC PS are being applied to RCBC’s high-risk sub-projects render IFC vulnerable to new and additional non-compliances.

Rizal Commercial Banking Corporation (RCBC)-01, Philippines: Project-Level Commitments, Actions, and Status		
<p><i>Relevant documents:</i>  <a href="#">CAO Compliance Investigation Report</a>  <a href="#">IFC Management Report and Management Action Plan</a>  <a href="#">IFC Management Progress Report</a></p>		
CAO Non-Compliance Findings		
<p><b>November 2021</b></p> <p>Over the course of ten years since making its first investment, IFC has not verified that the client (a) is operating its ESMS as envisaged at the time of IFC’s pre-investment review or (b) is applying the IFC Performance Standards, to its high risk sub-projects (ESRP 2009 and 2014, para. 9.2.5/6).</p> <p>IFC has made multiple investments in a commercial bank in the Philippines that is financing projects with high levels of E&amp;S risk without assurance of PS compliance. Further, available evidence suggests that through its investment in RCBC, IFC has exposure to high-risk projects without assurance that they are operating in accordance with IFC Performance Standards, with likely adverse impacts on communities and the environment.</p>	<p>Adverse E&amp;S impacts of the RCBC funded coal-fired power plants that CAO concludes to be likely or rather likely are of a significant nature and require urgent assessment and mitigation following IFC’s Performance Standards.</p> <p>IFC’s response to the issues raised in Complaint has not provided assurance that the client has applied IFC E&amp;S requirements to the coal-fired power plants it financed as required by the ESRP (2014, para. 9.2.5).</p>	<p>Shortcomings in IFC’s review and supervision of its investments in RCBC have contributed to an outcome whereby RCBC has co-financed the construction of multiple coal-fired power plants which emit a significant amount of CO2, without significant evidence that they will operate in accordance with IFC’s requirements to reduce greenhouse gas emissions.</p>
IFC Commitments in Response		
<p><b>February 2022</b></p> <p>IFC committed to a series of actions to strengthen RCBC’s ESMS implementation:</p> <ul style="list-style-type: none"> <li>• Action A.1: E&amp;S capacity needs assessment and enhancement</li> <li>• Action A.2: Incorporating PS requirements in a binding agreement for high-risk sub-projects</li> </ul>	<p>IFC committed to assess and mitigate the E&amp;S risks and impacts of complaint-related sub-projects, as follows:</p> <ul style="list-style-type: none"> <li>• Action B.1: Gap analysis of RCBC E&amp;S due diligence and leverage</li> <li>• Action B.2: Community and other stakeholder consultations</li> </ul>	<p>IFC committed to a series of actions to address complaint sub-project GHG emissions and improve climate-related disclosure.</p> <ul style="list-style-type: none"> <li>• Action C.1: Onsite energy efficiency evaluation at RCBC-financed power plants</li> <li>• Action C.2: Improving climate-related measurement and disclosure</li> </ul>



- Action A.3: RCBC commitment to no coal financing
  - Action A.4: Reassessing RCBC's existing high-risk portfolio sub-projects against IFC PS
  - Action A.5: Revised Environmental and Social Action Plan (ESAP) between IFC and RCBC.
- See IFC Management Response and MAP for specific action items.

- Action B.3: Sub-project sponsor (power plant operator) engagement
- Action B.4: Mitigation and monitoring plan development for relevant power plants
- Action B.5: E&S performance monitoring.

- Action C.3: Improving overall E&S disclosure.

### IFC Reported Implementation

- A.1. IFC is reviewing information from RCBC on its high-risk portfolio, and developing recommendations to help RCBC enhance its E&S capacity.
- A.2 IFC reports that RCBC has revised how it conducts E&S reviews in line with country regulations and IFC PS. IFC is assessing this revised approach.
- A.3 IFC reports that RCBC has reconfirmed it will not finance any new coal sub-projects through a formal policy and statement on its website.
- A.4 IFC reports delays in procuring a third-party consultant firm to reassess RCBC's E&S high risk portfolio, but is in the final stages of procurement.
- A.5 IFC reports that it signed a new ESAP with RCBC in September 2022.

- B.1 IFC reports delays in procuring a third-party consultant firm to conduct a gap analysis of the 10 coal-fired power plants. IFC reported that four coal plants have agreed to the assessment, with six others yet to confirm. The Atimonan plant is not part of the assessment as RCBC never disbursed finance for the plant and subsequently cancelled the financing.
- B.2 IFC report this action is delayed, with implementation revised to August 2023.
- B.3 IFC report this action is delayed, with implementation revised to August 2023.
- B.4 IFC report this action is delayed, with implementation revised to August 2023.
- B.5 IFC report this action is delayed, with implementation revised to August 2024.

- IFC reports delays in hiring a third-party consultant firm to conduct GHG emission reduction audits, but is in the final stages of procurement. As of January 2023, IFC noted that four sub-projects committed to the GHG emissions audit.
- C.2 IFC noted that completion of C.2 is dependent on C.1
- C.3 IFC noted that completion of C.3 is dependent on other actions in the MAP.

### Complainants' Observations

The complainants noted the following:

It is imperative that IFC strengthen its review of RCBC's E&S Management System and pushes for adoption of IFC Performance Standards into loan documentation as soon as possible to prevent further high-risk projects risks/issues.

- The complainants noted the following:
- Concern that the Atimonan coal-fired power plant is omitted from IFC's sub-project review. They assert that the plant's development caused harm to communities when a mountain was cleared, and state that the plant would have conducted these works knowing they could draw down RCBC's approved credit line.
  - Concern about the robustness of the IFC commissioned reviews given the security concerns where some communities are based (such as Mindanao). The complainants encouraged IFC to identify

The complainants did not specifically address these action items, but expressed overarching concern regarding the delay in procurement processes to implement the MAP and deliver remedial action for affected communities.

January-March 2023

March 2023



	<p>robust alternative solutions in case access is limited to some communities</p> <ul style="list-style-type: none"> <li>• .Concern that IFC needs to assess and exercise leverage with the coal plant operators in order to secure their cooperation for remedial action, which is necessary for the MAP to succeed in delivering effective remedies for affected communities.</li> </ul>	
	▼	▼
<b>CAO Observations</b>		
<p>IFC has reported delays in implementation of measures. As substantial implementation has not yet been achieved, and IFC has revised its timeline for implementation, CAO's next monitoring exercise of this case will review IFC progress to strengthen RCBC ESMS implementation to ensure that RCBC is adequately applying the PS to IFC-financed projects in the Philippines that carry medium to high E&amp;S risks.</p>	<p>IFC has reported delays in implementing measures and revised its timeline for substantial implementation to August 2023. CAO's next monitoring exercise for this case will review completed IFC commissioned gap analyses, outcomes of those analyses, and actions IFC has taken (including assessment and exercise of leverage) to increase the number of coal fired power plants participating in the assessments.</p> <p>Where a power plant operator does not agree to participate in the gap analysis, CAO will assess the adequacy of IFC actions to assess those specific power plants.</p>	<p>IFC has reported delays in implementation of measures and revised its timeline for substantial implementation. CAO's next monitoring exercise for this case will review completed IFC commissioned energy efficiency analyses, outcomes of these analyses, and actions by IFC to increase the number of coal fired power plants participating in the assessments.</p>
▼	▼	▼
<b>Status and action rating<sup>12</sup></b>		
<b>Open: Too Early to Tell.</b>	<b>Open: Too Early to Tell.</b>	<b>Open: Too Early to Tell.</b>
<b>Overall CAO status and rating: Open: Too Early to Tell</b>		

March 2023

<sup>12</sup> Rating scale: 0-Too early to tell 1 – Excellent, 2- Satisfactory, 3- Partly Unsatisfactory, 4- Unsatisfactory

## Rizal Commercial Banking Corporation (RCBC)-01, Philippines: Systemic Actions

IFC MAP Commitments	
February 2022	<p>IFC develops a dedicated good practice note (GPN) for financial intermediary clients (FIs) on assessment of GHG gases in sub-projects to be financed.</p> <p>IFC develops a GPN for FIs covering sample environmental and social (E&amp;S) covenants to be included in loan agreements made with IFC.</p>
IFC Reported Implementation	
March 2023	<p>IFC published tip-sheet in March 2023.</p> <p>IFC published tip-sheet in March 2023.</p>
CAO Observations	
March 2023	<p>IFC published this GPN when CAO's current monitoring of Rizal was at an advanced stage. Subsequent CAO monitoring will review how IFC has sought to effectively implement the GPN with relevant FI clients.</p> <p>IFC published this GPN when CAO's current monitoring of Rizal was at an advanced stage. Subsequent CAO monitoring will review how IFC has sought to effectively implement this GPN with relevant FI clients.</p>
<p><b>Overall CAO Conclusion</b>  <b>Open: Too Early to Tell</b></p>	

## Electricity Transmission Line [PL IV-01/Multiple Locations](#), Panama: Project-level Commitments, Actions, and Status

### Case Summary

IFC is advising Panama's state transmission company, Empresa de Transmisión Eléctrica S.A (ETESA), on the structure and tender of its first public-private partnership project. The project will finance, construct, and operate a 330-km transmission line project, Transmission Line IV, in northern Panama. IFC was transaction advisor to ETESA in 2017-2018 for the transmission line project's first tender but the bids did not satisfy requirements. Since November 2020, IFC has advised the new government on a second tender process. The 2020 agreement signed by IFC and ETESA, commits the client to "make best efforts" to apply IFC Performance Standards (PS) to the Transmission Line project's design and execution. The 2020 agreement has since expired and is being re-negotiated.

In June 2018, CAO received a complaint from community members supported by local, national, and international NGOs. The complainants allege that construction of the transmission line would affect Indigenous communities in the vicinity of the project by displacing their land and destroying local biodiversity and livelihoods. The complaint states that Indigenous communities from the Norte de Santa Fé region of Veraguas province, whose territory is not officially recognized by the Government of Panama, have not been consulted about the transmission line and its potential impacts. The complaint also raises concerns about ETESA's consultation process with Indigenous communities in the Ño Kribo region of Comarca Ngäbe-Buglé, a government-recognized Indigenous territory.

CAO's compliance investigation reviewed IFC's advice to ETESA, particularly in relation to the process of Free, Prior, and Informed Consent (FPIC) and engagement with affected Indigenous Peoples. Finalized in March 2022, the investigation found that IFC's advice to ETESA was partially consistent with PS requirements. CAO concluded that IFC has helped move the development of the PL IV project toward alignment with PS requirements for consultation with Indigenous Peoples. It also identified key shortcomings in IFC's advice to ETESA related to: (a) the exclusion of several Indigenous communities, including those from the Norte de Santa Fé region and the Annex Areas in the Bocas del Toro province from the FPIC process; and (b) the design of a consultation process that is insufficiently inclusive of traditional authorities, project-affected communities, and women.

### CAO Monitoring and Status

In response to CAO's findings, IFC developed its Management Action Plan (MAP) in agreement with ETESA and submitted the MAP to the IFC Board on May 10, 2022. CAO and the complainants submitted separate comments on IFC's proposed actions to the Board, resulting in additional actions agreed to by IFC. The IFC Board of Directors approved the updated MAP on June 9, 2022.

IFC has completed the two actions outlined in the MAP—a letter to ETESA and a two-day workshop with ETESA and their E&S consultant. Regarding the Board-approved additional actions, CAO recognizes that IFC provided advice consistent with the PS to the client and its E&S consultant on the work plan for the project's Environmental and Social Impact Assessment (ESIA). However, both IFC and the complainants have informed CAO that ETESA is conducting the ESIA without taking account of IFC's advice. Of particular concern is the ongoing exclusion of the Indigenous communities outside of the Comarca region from the ESIA and FPIC processes. CAO has been informed that the Indigenous

authorities in Norte de Santa Fé have passed three resolutions rejecting the transmission line project, based on the lack of consultation to date.

CAO monitoring concludes that shortcomings in the ESIA and FPIC process identified in CAO's investigation report continue to occur. Unless there is a course correction, exclusion of project-affected Indigenous communities outside the Comarca from the ESIA and FPIC processes, contrary to PS 7 will continue. So will shortcomings with the consultation process inside the Comarca, namely the exclusion of traditional authorities from participation in the consultation process, a lack of culturally appropriate and gender-inclusive consultations, and lack of access to project information in the local Indigenous languages. Given the documented history of conflicts over infrastructure development in the Ngöbe and Buglé territories, the inadequate application of PS7 in the ESIA and FPIC processes poses a significant risk of failing to achieve intended PS7 outcomes, namely "full respect for the human rights, dignity, aspirations, culture, and natural resource-based livelihoods of Indigenous Peoples,"<sup>13</sup> There is also a significant risk of failing to acquire a social license for the transmission line project from the affected communities and for potential associated consequences to materialize.

The complainants have provided comments and concerns on IFC's MAP actions to date, summarized in the table. In January 2023, they also requested that IFC ask ETESA to post relevant information online before any visit by ETESA or its consultant to Indigenous communities. This requested information included the purpose and location of the visits with a schedule of dates and times; and an explanation of how the visits will engage Indigenous communities in the ESIA process and in the design and implementation of an FPIC process. In addition, the complainants requested more frequent virtual meetings with IFC, given the short timeline for completing both the ESIA—including the consultation process and FPIC—and the bidding process for the transmission line project.

Considering the significant risks to affected Indigenous communities of being excluded from the FPIC process, CAO recommends that IFC take additional, timely measures in its advisory role to ensure that its client complies with its 2020 agreement to make its best efforts to apply the PS in the transaction's design and execution of the PPP transaction, This includes the design and implementation of the ESIA and consultation processes for the PLIV project, with a particular focus on PS 7. Should the client continue to proceed with the project in a manner that is not consistent with IFC's advice or its obligations under the 2020 agreement, IFC should consider the reputational risks of continuing to engage in its advisory services.

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<sup>13</sup> IFC Performance Standard 7: Indigenous Peoples, pg. 1.

## PL IV-01/Multiple Locations, Panama: Project-level Commitments, Actions, and Status

### Relevant documents:

[CAO Compliance Investigation Report](#)

[IFC Management Report and Management Action Plan](#)

[IFC Management Progress Report](#)

### CAO Non-Compliance Findings

February 2022

IFC did not provide advice consistent with the Performance Standards in relation to the need for stakeholder analysis and engagement planning before ETESA started the preliminary FPIC process.

IFC's advice in relation to the primary FPIC process, as contained in the terms of reference for the PLIV project ESIA prepared by IFC, was not fully consistent with Performance Standards requirements.

IFC's MAP action was not in response to a specific non-compliance. Rather, IFC committed to this action following a Board discussion.

IFC's MAP action was not in response to a specific non-compliance. Rather, IFC committed to this action following a Board discussion.

### IFC Commitments in Response

May 2022

Enhance advice on the consultation process with Indigenous Peoples inside and outside the Comarca region in line with IFC Performance Standards (PS).

- Action A.1: IFC will advise ETESA on measures to be undertaken to align the ongoing stakeholder engagement process with PS1 and PS7 requirements.
- Action A.2: IFC will advise ETESA to undertake an engagement process with IPs outside the Comarca consistent with IFC PS.

#### Deliverable/expected outcome:

Letter to ETESA's Chief Executive Officer with IFC recommendations.

- Action B.1: IFC will hold a two-day workshop with ETESA and its selected E&S consultant to explain in more detail the PS requirements to be used in the ESIA.

The workshop will cover the requirements of the eight IFC PS, and will include, among other points, a discussion of: (a) a bottom-up approach to stakeholder consultations and decision-making, especially in the context of IP communities living inside and outside the Comarca; (b) the importance of gender inclusive assessment and consultations covering the project's area of influence; and (c) the need for information disclosure in local indigenous languages. The workshop will be documented in minutes, including a list of all participants, presentations made, and agreed next steps. Key outcomes will be included in ETESA's E&S consultant work plan for the ESIA, which IFC will review.

#### Deliverables/expected outcomes:

1. Two-day workshop with ETESA and its E&S consultant. Minutes of

- Action C.1: To provide feedback to the complainants, IFC will send a letter within 30 days of MAP approval, outlining which suggestions have been taken on board and explaining why others cannot be incorporated.

IFC will also propose a follow-up meeting, within 30 days, to go over the letter's contents with the complainants.

**Deliverables/expected outcomes:** [Staff statement commitments] To provide feedback to and seek feedback from the complainants.

1. IFC's written response to the complainants' suggestions on the MAP.
2. IFC meeting with the complainants to explain IFC response to complainants' suggestions on MAP.
3. IFC meeting with complainants to request feedback every six months to coincide with progress reporting to the Board.

- Actions D.1: As part of IFC overall engagement with ETESA, IFC will review the outputs of the ESIA process, starting with the consultant's work plan, to provide recommendations on closing PS gaps. IFC advice will include recommending supplemental consultant expertise and/or resources as necessary to carry out the ESIA in accordance with the PS and achieve FPIC. IFC will continue advising ETESA on stakeholder engagement, PS7, and FPIC, and review the FPIC design documentation and outputs for consistency with the PS.

#### Deliverables/expected

**outcomes:** [Staff statement commitments] Continuing to advise ETESA and its consultant on stakeholder engagement and FPIC.

1. IFC recommendations on E&S consultant's first deliverable.
2. IFC advice to ETESA on E&S consultant technical capacity.
3. IFC review and advice on additional outputs of the ESIA process.
4. IFC request to ETESA to continue the discussion on engagement with

	<p>workshop and acceptance of workshop outcomes by ETESA.</p> <p>2. Inclusion of key outcomes of workshop in ETESA's E&amp;S consultant workplan for the ESIA. [Staff statement commitments] Review the various outputs of the ESIA process.</p> <p>3. Provide recommendations on the consultant's ESIA work plan.</p> <p>4. Advise ETESA on E&amp;S consultant technical capacity.</p> <p>5. IFC review and advice on additional outputs of the ESIA process.</p>		<p>Indigenous groups, and IFC review and advice on additional ESIA process outputs.</p>
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**IFC Reported Implementation**

<p>A.1 and A.2 completed on July 19, 2022.</p> <p>Letter delivered to ETESA's CEO, with ongoing advice to be provided as part of IFC's advisory role.</p> <p>Advice focused on a methodology for stakeholder identification and analysis, disclosure, and inclusive consultation. It specified engaging traditional leaders and promoted the use of indigenous languages and culturally appropriate communication. IFC also advised ETESA to use local translators and female consultants to improve engagement with Indigenous women.</p> <p>ETESA's confirmation of IFC's letter and MAP, including PS requirements, received on November 8, 2022.</p>	<ul style="list-style-type: none"> <li>• B.1 Outcome 1 completed on July 20-21, 2022. IFC, ETESA, and the E&amp;S consultant participated in an "Updating Social &amp; Environmental Issues Workshop," which covered the eight IFC Performance Standards.</li> <li>• B.1 Outcomes 2 &amp;3: IFC reviewed the E&amp;S consultant's first deliverable, which included the ESIA work plan. IFC provided ETESA with recommendations to align the work plan with IFC PS on October 25, 2022. Follow up is ongoing with ETESA and the E&amp;S consultant on inclusion of key workshop outcomes in the work plan.</li> <li>• B.1 Outcome 4: Completed on September 24, 2022, with ongoing IFC advisory role.</li> <li>• B.1 Outcome 5: Ongoing advice per IFC's advisory role.</li> </ul>	<ul style="list-style-type: none"> <li>• C.1 Outcome 1 completed on July 11, 2022.</li> <li>• C.1 Outcome 2 completed on August 4, 2022.</li> <li>• C.1 Outcome 3: Delayed.</li> </ul>	<ul style="list-style-type: none"> <li>• D.1 Outcome 1 completed on October 25, 2022 with ongoing advice per IFC's advisory role.</li> <li>• D.1 Outcomes 2, 3, and 4: Ongoing advice per IFC's advisory role.</li> </ul>
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**Complainants' Observations**

<p>The complainants consider that the original MAP, which only included the letter to ETESA and the two-day workshop, was categorically</p>	<p>The complainants raised concerns that IFC's MAP progress report does not mention the deficiencies of previous consultations regarding</p>	<p>The complainants stated that their first meeting with IFC was on January 20, 2023, but did not include access to concrete</p>	<p>The complainants voiced concern that the ESIA and FPIC processes are due for completion between August and October 2023,</p>
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July 2022-March 2023

March 2023

insufficient. They regard IFC's additional commitments, including the ongoing advice to ETESA to carry out the ESIA and the FPIC process in accordance with the PS, as key. The complainants emphasize that all communities the project would affect must be identified and included in the design stages.

the preliminary FPIC conducted with affected communities. They urged IFC to inform ETESA and its consultant of the concrete measures needed to avoid the same errors being repeated.

Moreover, while the complainants understand that IFC and ETESA jointly agreed to the MAP commitments, they do not believe that these commitments sufficiently recognize the importance of PS implementation.

information that would allow them to comment on the ESIA or the consultant's work plan.

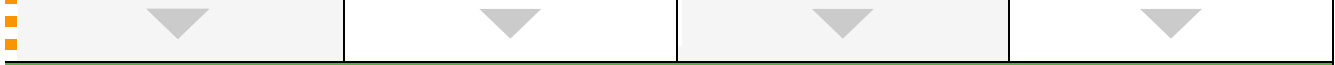
according to their communications with IFC. They view this timeline as extremely short, considering that Indigenous communities have not participated in the ESIA or the design and implementation of the FPIC process.

They also raised concerns that ETESA aims to bring forward the construction and operation bidding process to June 2023.

Lastly, the complainants raised issues with ETESA conducting several visits to the Ño Kribo region during 2022 before selecting its E&S consultant. Some of these visits were with Comarca representatives recognized by the Panama government, an approach the complainants allege continues a pattern of excluding traditional authorities identified by CAO.

The complainants also noted that ETESA's consultant met with the Ño Kribo Regional Congress in September 2022, prior to signing a contract.

Outside the Comarca, ETESA's consultant also visited Indigenous communities in the Norte de Santa Fe region in late 2022. These visits caused confusion and fear since the traditional authorities were not notified and signatures collected. According to the complainants, the consultants only shared information about the project's benefits and opportunities.



**CAO Observations**

IFC's letter to ETESA's CEO provided detailed advice on measures to align the stakeholder analysis and engagement process with PS1 and PS7 requirements for Indigenous communities and authorities both inside and outside the Comarca. Specific recommendations included: (a) identify all Indigenous communities who could potentially be affected, (b) include traditional authorities

In comments on the IFC MAP presented to the Board in June 2022, CAO welcomed the workshop but expressed concerns that two days' workshop would be insufficient to address the complexities of applying PS7 to the project.

CAO takes note of the two-day workshop held in July 2022, and the additional working sessions held in February 2023, and

CAO acknowledges that IFC sent a written response to the complainants on the MAP, held its first meeting on January 20, 2023, and a follow-up in-person meeting in Panama City on March 23, 2023. However, CAO notes that the complainants' opportunity for feedback has been limited, and they have requested more frequent virtual meetings with IFC, given the short timeline.

As noted above, while IFC has provided recommendations to ETESA and its E&S consultant on the ESIA work plan and technical capacity with the aim of closing gaps with the PS, the final work plan does not reflect IFC's advice. Meanwhile, the ESIA is proceeding under this work plan. CAO notes serious concerns about the implications of the ongoing ESIA without addressing PS gaps.

March 2023

<p>and an inclusive gender participation, (c) use culturally appropriate methods, and (d) integrate the ESIA and FPIC results in an updated version of the November 2021 agreement with the Comarca. For communities outside the Comarca, IFC recommended that ETESA start building relationships, and—in case FPIC was needed—to document a mutually agreed process. However, to date, CAO concludes that IFC’s advice regarding the application of PS7 requirements to Indigenous communities and authorities outside the Comarca as well as those that have been excluded inside the Comarca have not been implemented by ETESA.</p>	<p>acknowledges the agreements made between IFC, ETESA, and its E&amp;S consultant on the workshop outcomes. However, CAO is concerned that the E&amp;S consultant’s ESIA work plan does not reflect IFC advice based on the workshop outcomes. In CAO’s view, this means that the ESIA is currently being conducted in a manner inconsistent with the PS.</p> <p>One of CAO’s compliance investigation recommendations was to revisit the ETESA agreements already made with Comarca representatives during the preliminary FPIC process, based on the outcomes of a stakeholder engagement plan that would take into account both formal and customary governance structures and decision-making processes. IFC informed CAO that ETESA and Comarca representatives were proceeding with “social projects” agreed in November 2021. CAO has not seen evidence that this agreement was revisited.</p>		<p>Moreover, CAO has not received any information about the status of the FPIC process inside or outside the Comarca.</p>
<b>Status and action rating</b>			
<b>Closed: Satisfactory</b>	<b>Open: Partly Unsatisfactory</b>	<b>Open: Partly Unsatisfactory</b>	<b>Open: Unsatisfactory</b>
<b>Overall CAO status and rating: Open: Partly Unsatisfactory</b>			



# Electricity Transmission Line PL IV-01/Multiple Locations, Panama: Systemic Actions

In presenting its MAP for approval, IFC’s Staff Statement to the Board committed to additional actions to address CAO’s systemic recommendations related to the complaint regarding IFC’s advisory role with Panama’s state-owned electricity transmission company.

CAO’s systemic recommendations covered: (a) providing guidance to staff on the scope of IFC’s role when a client implements project development activities with E&S risks or impacts during an Advisory Services engagement; and (b) incorporating the need for contextual risk analysis in Advisory Services projects in IFC’s Environmental and Social Review Procedures (ESRP).

IFC MAP Commitments	
<p>July 2022</p> <ul style="list-style-type: none"> <li>IFC will provide an update to CODE (IFC Board sub-committee) on development of the ESRP and accompanying ESRP Handbook. These will provide detailed implementation guidance to IFC specialists on new business processing, portfolio monitoring, and advisory services, as well as an update on mainstreaming contextual risk screening.</li> </ul>	<p>IFC is mainstreaming contextual risk analysis across project appraisal and supervision as well as advisory services, as reflected in the draft ESRP and the ESRP Handbook.</p>
IFC Reported Implementation	
<p>July 2022 – March 2023</p> <ul style="list-style-type: none"> <li>Delivered third update to the Board on commitments to non-policy actions in response to the External Review of IFC/MIGA E&amp;S Accountability, including CAO’s Role and Effectiveness. Next update expected Q3 FY23.</li> <li>Drafting of the advisory services section of the ESRP and internal consultation has been completed, with a final review due in Q4 FY23. The ESRP Handbook sections on advisory services are due for completion in FY24. IFC will continue to update the Board on developments through its reporting on non-policy actions.</li> </ul>	<p>The advisory services section draft of the ESRP includes a contextual risk analysis to be incorporated in the review of all public-private partnership (PPP) projects. A final review of this ESRP section is expected by Q4 FY23.</p>
CAO Observations	
<p>March 2023</p> <ul style="list-style-type: none"> <li>As the implementation activities are due in Q3 and Q4 of FY23 and in FY24, CAO will review once IFC has completed substantive implementation of this action.</li> </ul>	<p>As the implementation activities are due in Q4 of FY23, CAO will review once IFC has completed substantive implementation of this action.</p>
<p><b>Overall CAO Conclusion</b> <b>Open: Too Early to Tell</b></p>	

## **Alto Maipo-01 & 02/Cajon del Maipo, Chile: Project-level Actions**

### **Case Summary**

In October 2013, IFC approved a loan of up to US\$150 million to Alto Maipo SpA to construct and operate a hydroelectric project in the Maipo river basin, Chile. The loan was part of a US\$1.2 billion debt package with parallel financing provided by development and private sector banks, and the project included two power plants and related infrastructure with 67km of underground tunnels. In May 2018, after the financing was restructured, IFC sold the outstanding balance of its loan to another bank and exited the project. The hydroelectric power project was completed in late 2021.

In January and June 2017, CAO received two complaints related to the Alto Maipo SpA hydroelectric power project. The first complaint, submitted by two NGOs, the Coordinadora Ciudadana No Alto Maipo and Ecosistemas, on behalf of community members in the Municipality of San José de Maipo, raised environmental and social (E&S) concerns. The second complaint, presented by a female worker for AES Gener Foundation, a project contractor, raised concerns about sexual harassment and the effectiveness of the workers' grievance mechanism.

The CAO compliance investigation focused on IFC's review and supervision of the project up to IFC's exit in May 2018 and concluded that IFC's pre-investment review was generally consistent with its Sustainability Policy. However, IFC's review and advice did not ensure compliance with Performance Standards (PS) requirements regarding consultation with affected communities, analysis of alternatives to complement the project's E&S impact assessment, and evidence of broad community support for the project. During project supervision, CAO found that IFC over-relied on an adaptive management approach to identify and address issues in accordance with good international industry practice. This led to oversights regarding E&S risks including potential for groundwater infiltration and contamination, unassessed risks and potential impacts on downstream river ecosystems, and absence of quantitative air quality monitoring. Additional oversights included, lack of adequate actions to mitigate and monitor noise impacts despite known noise exceedances in communities close to the construction sites, and lack of assessment and a mitigation plan to address the project's impacts on recreational river use during its operational phase. CAO also concluded that IFC did not ensure the client took appropriate measures to prevent and address harassment, intimidation, and/or exploitation, especially of women, or ensure the client had a sufficient workers grievance mechanism in place.

Separately, CAO concluded that IFC had failed to disclose relevant E&S assessments and updates to its Environmental and Social Review Summary (ESRS) as they became available, in accordance with its Access to Information Policy.

### **CAO Monitoring and Status**

CAO's investigation report and IFC's Management Action Plan (MAP) in response were approved by the IFC Board of Directors for publication in September 2021. In October 2022, CAO published IFC's first progress report, which stated that all MAP requirements had been completed and requested that the case be closed. In February 2023, IFC shared the Spanish translation of the progress report with complainants.

The complainants did not make specific observations about IFC's MAP actions, except about engagement with Itaú Corpobanca, a financial intermediary (FI) client of IFC with a stake in Alto Maipo (see table below). However, they made general observations on the CAO process, quality and relevance of IFC's MAP, and communities' continuing concerns about the hydropower project.

Regarding CAO, the complainants argue that structural problems render CAO useless from the perspective of complainants. As evidence, the complainants cite CAO's inability to stop IFC disbursements or projects and claim it lacks independence from IFC's Management and Board of Directors. They describe CAO as reactive instead of preventive, claim that its experts lack independence and objectivity, and regard the six<sup>14</sup> years spent on the Alto Maipo investigation as a strategic delay to allow project completion. In addition, they consider IFC's 2018 exit an example of irresponsibility toward the project and its E&S impacts by both IFC and CAO. The complainants emphasize the economic, social, and moral cost the case has had for communities and their representatives, after a six-year process that created high expectations but not results.

Regarding IFC's MAP and progress report, the complainants reiterated that the MAP focuses on improving practices and processes for future projects, only partially responds to CAO's main investigation findings, and does not address the concrete impacts suffered by project-affected communities. They point out that the unaddressed CAO findings included some of the communities' main concerns, regarding sediment transportation and groundwater infiltration. They argue that IFC Management has continuously absolved itself from responsibility, with the exit in May 2018 and with the project completion in 2021. They also allege that complainants have suffered stigmatization, harassment, and cyberespionage,<sup>15</sup> and requested that IFC develop and effectively implement its zero-tolerance commitment on reprisals even though it has exited the project. They question how IFC Management can claim it has completed its MAP without providing remedy and after an exit which did not address the potential risks of reprisals. In their view, IFC Management's request to close the case shows indifference to finding responsible solutions when IFC exits a project, even when its investment has facilitated the occurrence of harm.

Regarding the Alto Maipo Project's impact, the complainants state that the hydropower project will result in foreseen and long-term damages. They state that, while CAO's investigation partially confirmed some of their concerns, it was extremely limited on some issues (such as impacts on ecosystem services) and the investigation report failed to consider the project's impacts on the lives, livelihoods, and culture of local communities. They point out that, in January 2023, Chilean media reported that the Maipo River was not reaching the sea due to record low water levels—a prospect the complainants had warned about. The complainants assert that this project has life, economic, and environmental implications that IFC is not remedying.

Lastly, complainants argue that this case provides a learning opportunity for CAO and IFC. Specifically, they requested that CAO reflect on: (a) the length of the CAO process and the consequences for the

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14 The CAO compliance investigation lasted 3 years (from May 2018 to June 2021). The CAO process, as a whole, has lasted 6 years up until now (from the submission of the first complaint in January 2017 to IFC's MAP progress report sent to complainants in February 2023).

15 On November 2021, the complainants shared with CAO a news article on how Alto Maipo had hired a service to investigate and profile environmental leaders who are critical and oppose the Alto Maipo project, as well as to workers who were in contact with people who oppose the Alto Maipo project. The article is available in Spanish here: <https://bit.ly/3ArnuG6>

harms caused; (b) the absence of remedy for complainants and how CAO could respond in future cases; (c) the need for IFC to make effective their zero tolerance commitment against reprisals; and (d) the conditions for a responsible exit.

CAO considers that IFC has completed and effectively implemented all project-level MAP actions (see table, below). Separately, CAO is waiting for additional information regarding three systemic actions, which will remain open. CAO will continue to monitor these actions.

Regarding the complainants’ concerns and observations, CAO understands that IFC’s MAP did not address or resolve most non-compliance findings identified by CAO. In an effort to respond to the complainants’ request for reflections on the CAO process and institutional framework, CAO Advisory will consider this case as part of future commentary on responsible exit.

Alto Maipo-01&02/Cajon del Maipo, Chile: Project-Level Commitments, Actions, and Status			
<p><i>Relevant documents:</i>  <a href="#">CAO Compliance Investigation Report</a>  <a href="#">IFC Management Response</a>  <a href="#">IFC Management Progress Report</a></p>			
CAO Non-Compliance Findings			
<p>June 2021</p> <p>IFC did not consistently apply its own disclosure requirements to the project. In particular, IFC’s Access to Information Policy (AIP) requires that IFC update the ESRS with E&amp;S information as it becomes available, including any additional E&amp;S assessments conducted for the project, and “third-party monitoring reports where required by IFC, in accordance with the Performance Standards.” (AIP 2012, para. 41).</p>	<p>CAO’s investigation report made the following comment regarding IFC financial intermediary exposure to, and business relationship with, Alto Maipo.</p> <p><i>The CAO report found that IFC holds an equity investment in Itaú Corpbanca (#32316), a private sector financier in Alto Maipo, as well as an ongoing business relationship with the parent company, AES Corporation through two active power sector projects (#26836 and #25978).</i></p> <p><i>In the context of this point, CAO made the following recommendation to IFC: Considering [CAO’s] findings of non compliance during the period of IFC’s investment, CAO recommended that IFC share the compliance investigation with the project, work to address project-level actions in response to the non-compliance findings, and engage Itaú Corpbanca and other financiers of the project in relation to the response.</i></p>	<p>IFC’s MAP action was not in response to a specific non-compliance. Rather, IFC responded to the following CAO recommendation: Consult with complainants in relation to the Management Response.</p>	<p>IFC’s MAP action was not in response to a specific non-compliance. Rather, IFC responded to the following CAO recommendation:</p> <p>Prepare a Spanish language translation of the IFC response and any associated action plan.</p>

<b>IFC Commitments in Response</b>			
<p>July 2021</p> <p>Disclose relevant environmental &amp; social impact assessment (ESIA) related documentation on the IFC project disclosure website.</p> <p>IFC will update its website with electronic copies or web links, where available, to any relevant ESIA documents prepared by or on behalf of Alto Maipo SpA, on which IFC based its project pre-investment assessment review and supervision, in accordance with the AIP.</p>	<p>IFC will engage with Itaú Corpbanca, other financiers, Alto Maipo SpA and US-based AES Corporation to share the CAO report and conclusions.</p> <p>Prior to Board approval of its MAP, IFC clarified that the purpose of this action was for these organizations to be able to consider CAO's report and IFC's response in their project implementation and supervision of Alto Maipo, as relevant.</p>	<p>IFC is open to holding an informational meeting with civil society organizations following publication of the investigation report and IFC's Management Response.</p>	<p>IFC to translate the Executive Summary of its Management Response and the MAP into Spanish.</p>
<b>IFC Reported Implementation</b>			
<p>October 2022-April 2023</p> <p>Completed in November 2021. The list of all relevant E&amp;S and ESIA documents on which IFC based its pre-investment review was uploaded to the disclosure website, at the following link: <a href="https://bit.ly/3L50qI5">https://bit.ly/3L50qI5</a></p>	<p>Completed in September 2021. The CAO report and IFC Management Response were shared with Itaú Corpbanca, the administrative agent for the Senior Lenders, Alto Maipo, and AES Corporation on September 20, 2021.</p> <p>IFC continues to support the Itaú Corpbanca E&amp;S management, which includes Itaú managing and engagement regarding the Alto Maipo project. An IFC site visit was carried out the end of March 2023 after which it reported that Itaú Corpbanca's ESMS is aligned with FI requirements and Itaú monitors the project as part of its portfolio on a quarterly basis, tracks E&amp;S developments, and monitors implementation of actions agreed by Alto Maipo with national environmental agencies. Additionally, project documents related to IFC's E&amp;S supervision of Itaú, evidence that the Alto Maipo project is being monitored by an external consultant, on behalf of a group of lenders, which includes Itaú, following IFC Performance Standards among others. Internal project documents also evidence that, after CAO's investigation</p>	<p>Completed in December 2021. A virtual informational meeting was held with US based CIEL in December 2021. The local CSO was invited but did not attend.</p>	<p>Completed in November 2021. The translation was completed in October 2021, and the Spanish version uploaded on CAO's website the following month. See: <a href="https://bit.ly/40zQSnZ">https://bit.ly/40zQSnZ</a></p>

	<p>report was issued, IFC Management considered CAO's findings in the course of their E&amp;S supervision of their Itaú investment, and estimated that the project's E&amp;S action plan, which Itaú is actively monitoring, is aligned with many of the items raised by the CAO.</p>		
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**Complainants' Observations**

<p>March 2023</p>	<p>The complainants did not provide CAO with specific comments related to this individual MAP action. Their general observations are summarized above.</p>	<p>The complainants stated that they are unaware of the scope, terms, and purpose of IFC's engagement with Itaú Corpbanca regarding the Alto Maipo project. They consider that IFC has a responsibility to support their financial intermediary clients in addressing E&amp;S project risks, particularly given CAO's compliance investigation findings regarding the Alto Maipo hydropower project. However, the complainants state that IFC's progress report was unclear regarding IFC's responsibility towards Itaú, and they therefore requested that IFC clarify its relationship with Itaú, and the scope and status of the supervision it conducts related to the Alto Maipo project.</p>	<p>CIEL confirmed that the meeting took place, and that the local representatives were unable to attend. In the meeting, CIEL described to IFC its position on the complaint, IFC's actions, and the IFC Management Action Plan's irrelevance to the complainants.</p>	<p>The complainants did not provide CAO with specific comments related to this individual MAP action. Their general observations are summarized above.</p>
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**CAO Observations**

<p>April 2023</p>	<p>CAO has verified that IFC published a series of complementary studies and documents related to the ESIA in IFC's project disclosure website.</p>	<p>CAO has verified that IFC Management sent the Investigation Report and the Management Response, via email, on September 20, 2021 to Itaú Corpbanca, AES Corporation, and the administrative agent for the senior project lenders.</p> <p>IFC confirmed that its equity investment in Itaú is active and Itaú has an active investment in Alto Maipo. In this context, CAO has verified that IFC continues to engage with Itaú Corpbanca, including in regard to the Alto Maipo project, in the course of their E&amp;S supervision of Itaú. IFC has</p>	<p>CAO has verified that IFC held an informational meeting with CIEL, after the publication of the investigation report and the Management Response in December 2021 and acknowledges that IFC invited the local NGOs who did not to participate by their own choice.</p>	<p>CAO received and published on its website the Spanish version of IFC's Management Response and MAP in November 2021.</p>
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	<p>confirmed and provided evidence to CAO that demonstrates that Itaú monitors the Alto Maipo project, through an external consultant, as part of a group of lenders, on a quarterly basis, tracks E&amp;S developments, and monitors implementation of actions agreed by Alto Maipo with national environmental agencies, and the IFC Performance Standards. IFC has also provided evidence that indicates that CAO's investigation report is being considered as part of IFC's supervision of Itaú's E&amp;S performance.</p> <p>CAO is satisfied that this action was completed and, based on clarifications and supporting documentation provided, has effectively been implemented within the limits and scope of the action committed in the MAP. Additional review of IFC's supervision of Itaú's E&amp;S performance or of Itaú's E&amp;S supervision of Alto Maipo is however outside the scope of what CAO can do within its monitoring mandate in this case, given the limited aspect of the action committed by IFC in its MAP and approved by the Board.</p>		
<b>Status and action rating</b>			
<b>Closed: Satisfactory</b>	<b>Closed: Satisfactory</b>	<b>Closed: Satisfactory</b>	<b>Closed: Satisfactory</b>
<b>Overall CAO status and rating: Closed : completed satisfactorily.</b>			

# Alto Maipo-01&02/Cajon del Maipo, Chile: Systemic Actions

The findings of CAO’s compliance investigation report included wide-ranging systemic recommendations for IFC processes and operations. The table below summarizes IFC’s commitments and actions in these areas, including IFC’s general approach to hydropower projects, its approach to stakeholder engagement for cumulative impact assessments, guidance for IFC staff on broad community support, gender-based violence, environmental, health, and safety (EHS) issues related to air quality, and timely disclosure of project-related E&S information.

IFC MAP Commitments						
<p>July 2021</p> <ul style="list-style-type: none"> <li>■ Produce a Good Practice Note for general approach to hydropower projects.</li> </ul>	Enhanced stakeholder engagement for Cumulative Impact Assessments (CIA).	Enhanced guidance on management of gender-based violence (GBV) for IFC staff.	Update the guidance to social development specialists to ensure the section of IFC’s Broad Community Support (BCS) matrix on “key evidence of support and/or objection to the project” describes the key underlying reasons for support or objection.	Provide updated guidance on broad community support (BCS) disclosure in the Environmental and Social Review Procedures (ESRS) to improve the quality of summary information used to describe the BCS process and IFC’s determination.	Develop guidance for IFC specialists on identifying the parameters for ambient air quality baseline studies and parameter-based monitoring requirements in line with Good International Industry Practice (GIIP) during construction. Guidance to be based on project characteristics (e.g., large scope of construction activities, presence of sensitive receptors in the area of influence, construction risks). As needed, include such guidance in the ongoing update of IFC’s General EHS Guidelines.	Enhance IFC’s systems so that relevant E&S information during project supervision is made available, if applicable and where required, in a timely manner, and project status is correctly reflected on IFC’s disclosure website.



IFC Reported Implementation

October 2022-April 2023

<p>Completed in 2018. Issued a Good Practice Note: Environmental, Health, and Safety Approaches for Hydropower Projects.</p>	<p>Completed in 2013. Good Practice Handbook on Cumulative Impact Assessment and Management: Guidance for the Private Sector in Emerging Markets.</p>	<p>Completed. Over the last two years IFC has developed clear guidance for E&amp;S specialists on GBV and sexual harassment. This includes tools and training provided by expert consultants. In addition, in April 2020 IFC hired a senior full-time GBV specialist to lead further efforts in this regard and support E&amp;S specialists during project appraisals and supervision to identify and review GBV and sexual harassment risks.</p>	<p>Completed in January 2022. The updated BCS matrix template includes a description of the key underlying reasons for community support of or objection to the project under the section Assessment of Broad Community Support - Key Evidence of Support and/or Objection. IFC has disseminated the template, which is available for all E&amp;S specialists through the internal document management system.</p>	<p>Completed in January 2022. The BCS guidance has been updated and requires IFC social specialists to update the BCS summary of outcomes in alignment with the BCS memo and to include the BCS process conclusions in the IFC's ESRS disclosure for a project. The guidance is formalized in an internal tip sheet: Broad Community Support (ESRPNB-DI-022, Version 1.0, January 2022). This is available for all E&amp;S specialists through the internal document management system.</p>	<p>Completed August 2022. IFC developed an internal tip sheet for Assessing Air Quality Impacts During Construction of Large Projects, specifically focusing on parameters for ambient air quality baseline studies and parameter-based monitoring requirements in line with GIIP. The tip sheet is available for E&amp;S specialists through the internal document management system.</p>	<p>Completed in January 2022. IFC has updated its Environmental and Social Review Procedures (ESRP) to provide guidance to E&amp;S specialists on requirements for disclosure of E&amp;S documentation during supervision of projects.</p> <p>The IFC risk and public affairs unit has introduced a new process for identifying projects that have reached financial closure but have not been closed in the internal system because of outstanding legal and operational issues. This process involves updating their status to reflect financial closure by marking them as 'Completed' on the disclosure portal. It is currently being implemented, with relevant projects' status reviewed and updated monthly.</p>
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## CAO Observations and Case Status

April 2023

<p>CAO has verified that IFC has issued the Good Practice Note for EHS approaches for Hydropower Projects and disseminated among its E&amp;S Specialists. IFC has also confirmed that such GPN is being used as an example of good international industry practice (GIIP) in relevant hydropower projects of which IFC provided a few examples.</p> <p>As an example of GIIP, this GPN provides guidance on the implementation of EHS standards to various aspects of hydropower projects with run-of-river diversion, run-of-river reservoir, storage reservoir, and pumped storage types of facilities. As such, it is not possible in the course of this compliance monitoring for CAO to verify the effective implementation of all aspects of this GPN. If relevant, CAO will consider its implementation in any future compliance case where GIIP for this type of hydropower projects was required in the application IFC's E&amp;S policies. CAO</p>	<p>CAO has verified this Good Practice Handbook on Cumulative Impact Assessment was issued. However, IFC shared relevant information regarding the implementation of this action when CAO's current monitoring of Alto Maipo was at an advanced stage. Subsequent CAO monitoring will review how IFC has sought to effectively implement this GPN in relevant projects. Thus, CAO monitoring for this action will remain open. .</p>	<p>IFC has issued guidelines on GBV and sexual harassment. However, after requesting further information from IFC to verify the effective implementation of this action, CAO has not yet received such information or clarifications at the time of writing this report. Accordingly, CAO has decided to keep this action open.</p>	<p>CAO has verified that the BCS matrix template was updated and disseminated in January 2022. The updated matrix template includes a description, examples, and additional details regarding the possible underlying reasons for community support or objection. The lack of details in this regard was CAO's main compliance finding related to this action in the MAP.</p> <p>At CAO's request, IFC Management provided examples of projects where this updated matrix was used since its issuance to make a BCS determination in projects that required it under the Performance Standards.</p> <p>CAO is satisfied that this action was completed and, based on examples provided by IFC, is being effectively implemented. Well implemented, IFC's guidance will support more effective assessment of BCS in IFC's investments. CAO monitoring for this action will be closed.</p>	<p>CAO has verified that the BCS-ESRP tip sheet was issued and disseminated in January 2022 to IFC E&amp;S specialists. The tip sheet includes provisions for updates to the BCS determination memo and its update or disclosure in the ESRS on IFC's project site.</p> <p>At CAO's request, IFC Management provided examples of projects where BCS had been assessed and determinations made since January 2022. In these examples, the summary in the ESRS reflects the guidance in the tip sheet regarding the process and summary of outcomes.</p> <p>CAO is satisfied that this action was completed and, based on examples provided by IFC, is being effectively implemented. Well implemented, IFC's guidance will support more effective disclosure of BCS in IFC's investments. CAO monitoring for this action will be closed.</p>	<p>CAO has verified that the tip sheet for assessing air quality impacts during construction of large projects was issued and disseminated in September 2022. It includes a requirement for qualitative and quantitative analysis, through the use of national and other relevant parameters, including those of the World Bank Group and World Health Organization, for baseline ambient air quality studies, parameter-based monitoring, impact analysis, monitoring during construction, mitigation measures, and corrective measures, in line with GIIP. The absence of quantitative monitoring of air quality indicators together with the need to comply with the more stringent national or WBG standards on ambient air quality, was CAO's main compliance finding related to this action in the MAP. The tip sheet includes both considerations.. The tip sheet has been in place for a little over six months. According to IFC, since September 2022 only one project met the circumstances for using</p>	<p>CAO has verified that the ESRP were updated in January 2022 to include guidance regarding disclosure of project closures.</p> <p>According to IFC, the new ESRP process has been implemented since January 2022. In part, this involves putting in place a mechanism to override system delays that allows for disclosure of outdated project status. According to IFC, this mechanism would kick in when projects reach financial closure, but still have outstanding legal and operational issues. The new process would therefore provide stakeholders with more timely information regarding IFC's financial exposure to a project, through a monthly review of such cases.</p> <p>In the course of CAO's monitoring however, CAO has found a number of IFC projects that remain active in its disclosure page, even after IFC exited the investment for some years. CAO concludes that further monitoring of this action is merited to verify</p>
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<p>■ monitoring for this action will be closed.</p>					<p>the tip sheet, and the project's publicly available information reflects E&amp;S conditions consistent with this tip sheet.</p> <p>CAO is satisfied that this action was completed and, based on the example provided by IFC, is being effectively implemented. Well implemented, IFC's guidance will support more effective assessment of air quality impacts in IFC's investments. CAO monitoring for this action will be closed.</p>	<p>the effective implementation of this action. Thus, CAO monitoring for this action will remain open.</p>
<p style="text-align: center;"><b>Overall CAO Conclusion</b></p> <p style="text-align: center;"><b>Open: Three actions are Too Early to Tell</b> and will remain open, pending CAO verification of their effective implementation.</p> <p style="text-align: center;"><b>Four actions were closed.</b></p>						

## **Eleme Fertilizer-01/Port Harcourt, Nigeria: Project-level Actions**

### **Case Summary**

Indorama Corporation is a leading conglomerate in the global petrochemical industry. In 2007, Indorama purchased a petrochemical facility at Port Harcourt, Nigeria, and in 2010 it established a subsidiary, Indorama Eleme Fertilizer & Chemicals Limited (IEFCL/Eleme Fertilizer). In 2013, an IFC loan to IEFCL supported construction of a fertilizer plant on the site, which commenced operations in 2016. In 2018 and 2020, IFC provided additional loans to IEFCL to expand the fertilizer facility.

In April 2018, CAO received a complaint from 134 IEFCL employees raising concerns about the company's labor and working conditions and use of security forces. Specifically, the complaint cited salary and welfare, health and safety hazards, and freedom to join unions, among issues of concern. It also claimed that a worker protest in July 2017 had led to violent treatment by company security and the Nigerian military, and that the company had subsequently initiated disciplinary procedures against seven employees, dismissing three of them. The complainants argued that these actions constituted retaliatory measures designed to dissuade employees from raising their working conditions.

Since the July 2017 protest, IFC has conducted enhanced supervision of Eleme Fertilizer's approach to labor issues and security, and documented implementation of corrective actions. CAO's compliance investigation therefore focused on IFC's pre-investment review and supervision of the company's disciplinary procedures and grievance handling, including its response to the retaliation allegations in the complaint. Completed in 2021, the investigation found IFC non-compliant in its oversight of Eleme with regard to Performance Standard 2 (Labor and Working Conditions) requirements to implement an effective worker grievance mechanism (WGM) and prevent retaliation against workers raising grievances. In addition, CAO identified a lack of technical guidance for IFC staff and clients on how to respond to allegations of retaliation against workers as an underlying cause of the non-compliance.

### **CAO Monitoring and Status**

CAO's investigation report and IFC's Management Action Plan (MAP) in response were approved by the IFC Board of Directors in September, 2021. IFC's progress report in September 2022 states that its client has taken corrective actions with more to follow. However, the complainants state that some of their original concerns remain unaddressed, such as broader labor and working condition concerns raised in the CAO complaint but not considered in CAO's investigation. They also claim that enhancements to the company's worker grievance mechanism have not led to effective resolution of complaints as the mechanism is a paper document that has not been implemented systemically.

CAO will continue to monitor actions taken by IFC to assure itself of the effectiveness of the client's WGM in accordance with PS2 requirements.

## Eleme Fertilizer-01/Port Harcourt, Nigeria: Project-Level Commitments, Actions, and Status

*Relevant documents:*

- [CAO Compliance Investigation Report](#)
- [IFC Management Response](#)
- [IFC Management Progress Report](#)

### CAO Non-Compliance Finding

June 2021

- After becoming aware of allegations of retaliation against workers in late 2018, CAO finds IFC did not take sufficient action in response in order to assure itself that the Company's actions reflected PS2 commitments to "fair treatment" of workers and the requirement that workers should be able to raise grievances "without any retribution" (para. 15 and 20).



### IFC Commitments in Response

July 2021

- IFC to assure itself that IEFCL's actions properly reflect PS2 commitments to "fair treatment" of workers and their ability to raise grievances "without any retribution."



### IFC Reported Implementation

October 2022

- IFC hired a third-party consultant to assess IEFCL's current worker grievance mechanism against PS2 requirements and international labor standards. The assessment report recommended:
  - 1. Improved implementation procedures.
  - 2. Enhanced awareness among workers and management about the grievance process.
  - 3. Training and capacity building
  - 4. Monitoring and evaluation.
- IFC reported implementation of these measures is ongoing.



### Complainants' Observation

March 2023

- The complainants reiterated that concerns in their original complaint, including adequate remuneration, freedom of association, remain active.
- They stated appreciation for IFC efforts to enhance the company's WGM, but claim that this paper document has not been implemented. Almost all plant workers are members of the sole union with workers expected to raise grievances through its Collective Bargain Agreement. According to the complainants, grievances raised through this channel are not effectively resolved. Specifically, the union informs workers that their issue has been raised with management, but workers do not see any outcome.



### CAO Observation

- The IFC-commissioned third-party consultant recommended a series of improvements to the company grievance mechanism.
- IFC informed CAO that the consultant is currently reviewing Eleme Fertilizer's implementation of these measures in order to provide assurance of effective implementation.
- CAO will keep this case open and review again upon receipt of IFC supervision of effective implementation of measures to ensure PS2 compliance.

March 2023



### Status and action rating

**Open: Too Early to Tell**

**Overall CAO status and rating:  
Open: Too Early to Tell**

## **Alexandria Development Limited-01, Egypt: Project-level Actions**

### **Case Summary**

In 2010, IFC approved an EUR 80 million equity investment to expand the Egyptian operations of Titan Group, an international cement producer. This included IFC support for Titan subsidiary Alexandria Development Limited (ADL),<sup>16</sup> with the aim of improving environmental performance at its cement plant in Alexandria (APCC). IFC exited its direct investment in ADL in December 2019 but retained a financial exposure through a debt obligation to the client's parent company until early 2021.

In 2015, CAO received a complaint from neighboring residents and former workers citing dust, noise, and odor pollution from the APCC cement plant. The complainants also raised concerns about worker health and safety, freedom of association, and working conditions, particularly for those employed through labor supply companies. A group of former workers raised grievances about compensation they received from an early retirement scheme in 2002-2003, prior to IFC's investment. The complainants also alleged that ADL was operating in breach of national licensing requirements, had not disclosed relevant E&S information, and had not consulted sufficiently with the community.

CAO's compliance investigation, completed in July 2021, found that IFC's pre-investment review was not appropriate given the nature and scale of the project or commensurate with the level of E&S risks and impacts, as required by the IFC Sustainability Policy. During supervision, CAO found that IFC supported the client to gradually reduce the plant's air emissions and address fugitive dust. However, IFC supervision of the company's air quality monitoring indicated that ADL's performance did not meet WBG standards for stack emissions, fugitive dust, or noise pollution. In addition, CAO found that IFC did not ensure that ADL's disclosure, grievance handling, and community engagement practices met IFC Performance Standard 1 requirements. In relation to labor, CAO noted improvements in occupational health and safety and oversight of contract workers during the period of IFC's investment. However, CAO found that IFC had not assured itself that the client's labor arrangements for contract workers meet Performance Standard 2 requirements or that the client had engaged with concerns raised by 2003 retirees or former contract workers.

### **CAO Monitoring and Status**

IFC has substantially implemented its Management Action Plan (MAP) actions to address the findings in CAO's 2021 compliance investigation report. CAO monitoring (see table below) concludes there is insufficient evidence to demonstrate that these actions have resolved the non-compliance findings they sought to address. The complainants continue to have significant concerns, including the MAP's failure to address labor and environmental issues raised in the complaint, and the length of the CAO process (see table). However, CAO has decided to close this case, noting that IFC's actions were taken after an exit investment, and conditional on ADL's voluntary implementation. The lack of an active investment and formal ongoing supervision role for IFC makes it challenging for IFC to retain evidence of PS compliance. In addition, IFC has communicated to CAO that it has limited leverage to ensure the company takes further action beyond those in the MAP. Accordingly, CAO has determined that there is

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<sup>16</sup> CAO refers to the IFC client as Alexandria Development Limited – this is the entity in which IFC made its investment. IFC's Management Response and Progress Report makes reference to Titan Cement Egypt (TCE) – the more commonly used name for IFC's client. In this monitoring report, ADL and TCE have the meaning.

no reasonable expectation of further action to address non-compliance findings, and decided to close the case, with an overall rating of Partly Unsatisfactory.



## Alexandria Development Limited-01, Egypt: Project-Level Commitments, Actions, and Status


*Relevant documents:*


- [CAO Compliance Investigation Report](#)
- [IFC Management Response](#)
- [IFC Management Progress Report](#)

### CAO Non-Compliance Findings

July 2021

<p>IFC's initial disclosure of project information and its review of client disclosure was insufficient. In particular, IFC did not disclose relevant E&amp;S Assessment documentation reviewed as part of its E&amp;S due diligence as required by the Access to Information Policy (para. 13(a)).</p>	<p>IFC's E&amp;S review of the client's contribution to local air pollution was not commensurate to risk in light of APCC's performance and location. Although an ambient air quality assessment was required to determine whether airshed was "degraded" and to define appropriate mitigation measures (WBG EHS Guidelines), IFC did not ensure its client carried out such an assessment. During supervision, the client's recorded emissions of pollutants with negative health impacts regularly exceeded WBG and national standards. IFC engaged with the client to follow up on agreed corrective actions. However, persistent delays in implementing pollution control measures have prolonged impacts on the local community from nuisance dust and cumulative health effects associated with air pollution. To date, fugitive dust control remains a problem and IFC has not been effective in ensuring that the client is implementing</p>	<p>IFC did not ensure that the client assessed the impacts from noise and vibration in accordance with its EHS Guidelines. IFC has not required its client to take necessary steps to minimize or control noise from the plant, or to monitor or assess impacts from vibration in accordance with PS3, para. 9. In relation to odor, IFC gave clear remedial instructions to the client. However, IFC has not ensured that the client consulted with affected community members in relation to noise, vibration or odor as required by PS1, para. 30.</p>	<p>IFC's pre-investment review did not document client consultation with affected communities (PS1, paras. 21-22). Although the project presented significant adverse impacts on affected communities living in close proximity to the plant, IFC did not assure itself that there was broad community support for the project (Sustainability Policy, para.15). IFC's supervision did not provide assurance that the client was conducting effective consultation (PS1, para. 21). When conflict between APCC and the local community escalated, IFC did not review the client's track record of consultation or advise the client on how to address critical E&amp;S issues through community engagement. Despite indications that the client's approach to consultation was not consistent with PS1 requirements, IFC did not flag this as a compliance issue, nor did IFC support the client to develop an approach to community consultation that</p>	<p>IFC's pre-investment review did not adequately consider requirements to establish a structured complaints mechanism or to assess and manage security risk (PS1 and PS4). While IFC has recommended that the client formalize its approach to community complaint handling, to date IFC lacks assurance that the client has a functioning grievance mechanism (PS1 para. 23). IFC reviewed its client's private contracted security arrangements and noted gaps in relation to PS4 requirements following concerns raised by civil society in 2014. To date, however, IFC lacks assurance that the client's approach to security meets PS4 requirements including requirements to assess and mitigate risks associated with the deployment of public and private security personnel. This is of particular concern in the context of a facility where there have been community protests and armed security responses</p>	<p>IFC was aware of disputes relating to the client's 2003 retrenchments at the time of its investments. However, IFC did not identify the retrenchments as a legacy issue and did not explore remediation measures with its client (contrary to Sustainability Policy, para. 13). During project supervision, IFC did not engage its client on the retrenchment issues when the 2003 early retirees began protesting to raise their grievances and did not ensure that its client had in place a grievance mechanism that was appropriate to address these issues (contrary to PS1, para. 23).</p> <p>IFC's project due diligence and early supervision did not assess the client's compliance with PS2 requirements that extend protections for working conditions, freedom of association, and health and safety to non-employee workers (para. 17). "Non-employee workers" include those workers</p>
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	<p>good housekeeping practices for dust suppression in accordance with IFC requirements (Cement EHS Guidelines).</p> <p>To date, IFC has not demonstrated that the client's methods of monitoring and reporting point source emissions are consistent with IFC requirements.</p>		<p>reflected the requirements of PS1 (Sustainability Policy, para. 26).</p>	<p>during the period of IFC's investment.</p>	<p>who are contracted through intermediaries and who perform work directly related to core functions essential to the client's products or services for a substantial duration. IFC has not assessed its client's statement that the contract workforce at APCC is conducting non-core activities, despite complaints raised by contract workers and observations from its own external consultant. From 2014 onwards, IFC has reviewed the client's contracts with labor supply companies and has worked with the client to bring some aspects of its engagement with those companies into compliance with PS2, para. 17. However, IFC has not assured itself that the client has used commercially reasonable efforts to require that supply companies apply PS2 requirements relating to freedom of association or worker health and safety.</p> <p>In relation to freedom of association, CAO finds that IFC has not ensured that its client allowed contract workers to express grievances and protect their rights regarding working conditions and terms of employment as required by PS2, paras. 9 and 10. IFC did not consider the country or sector context in relation to labor and working conditions or freedom of association during</p>
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					<p>its due diligence process and did not document any PS2 risks or restrictions on workers' organizations. From 2014, IFC recommended that its client include appropriate freedom of association protections in legal agreements with their contract labor supply companies, but has not assured itself that the client has done so.</p> <p>In relation to contract workers' safety and health, CAO finds that IFC's early supervision did not adequately consider its client's compliance with the EHS Guidelines. Following complaints from civil society and former workers, IFC identified inadequacies in PPE use and labor supply company oversight. In 2018 and 2019, IFC specifically advised its client to enhance systems for selection and monitoring of labor supply companies, including training of contract workers. However, IFC did not ensure that the client addressed its recommendations from 2018 and 2019 regarding OHS, including the need for the client to take responsibility for OHS of contract workers in accordance with GIIP.</p>
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### IFC Commitments in Response

July 2021

<p>IFC will disclose on its website available E&amp;S assessment documentation referenced in the project 2009 Environmental and Social Review Summary (ESRS), including the 2002 EIA and a summary CO2 emissions audit.</p>	<p>IFC will propose that Titan Egypt (TCE) disclose an environmental performance report explaining the actions it took in the past 10 years to abate, control, and monitor environmental emissions at the ADL cement plant.</p> <p>As clarified to CAO and communicated to the IFC Board, IFC noted that this report would disclose the company's pollution monitoring methodology and data (point source, ambient air, noise, and vibration), in a manner understandable to communities.</p>	<p>IFC will propose that TCE continue the work started to identify and assess the noise sources.</p> <p>As clarified to CAO and communicated to the IFC Board, IFC will also propose to Titan Egypt (TCE) that this work also include vibration.</p>	<p>IFC will propose that TCE document its community engagement and grievance management procedures in alignment with corporate standards and the international standards adhered to by parent company Titan Group.</p> <p>As clarified to CAO and communicated to the IFC Board, IFC noted that this would include disclosing information in an understandable manner to communities and establishing a program of ongoing consultation and a grievance mechanism aligned with PS1.</p>	<p>IFC will propose that TCE document its security management procedures, in alignment with corporate standards and the international standards adhered to by Titan Group.</p> <p>As clarified to CAO and communicated to the IFC Board, IFC clarified to its client that this included IFC Performance Standard 4 requirements.</p>	<p>IFC's Management Response affirmed its view that it was in compliance on its supervision of labor issues. The Management Action Plan did not commit to any action in response to these findings. However, prior to IFC Board approval of the MAP, as clarified to CAO and communicated to the IFC Board, IFC commitment to convey CAO's recommendations on labor and working conditions to Titan.</p>
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### IFC Reported Implementation

October 2022

<p>IFC disclosed these documents (2002 Kiln 5 EIA study and KPMG Emissions Audit Report 2009) in October 2021. The documents are available on IFC's Disclosure website for the Titan Egypt investment.</p>	<p>IFC assisted TCE in preparing the environmental performance report, published in English in January 2022 and in Arabic in May 2022. The report summarizes the key achievements and progress over the past 10 years with respect to the plant's environmental performance. Both documents are available on IFC's Titan Egypt Disclosure website.</p> <p>IFC recommended that TCE continue to publish</p>	<p>IFC proposed these actions and TCE contracted a specialized company to assess the impact from plant noise sources on the Wadi Al-Qamar residential area. As of July 2022, the contractor was on site to carry out the first round of noise source mapping. TCE informed IFC that it expects to finalize the study and prepare the noise mitigation action plan by the end of 2022.</p>	<p>IFC supported TCE to document its community engagement and grievance management procedures. The IFC team met with TCE management, the Group Operations Support &amp; Sustainable Development Director, Environment, Social &amp; Governance Performance Director, and Audit Director. IFC shared guidance notes and templates of good practice. In 2022, IFC and TCE discussed how the client's existing community engagement</p>	<p>IFC supported TCE in documenting its security procedures. The IFC team met with TCE management, the Group Operations Support &amp; Sustainable Development Director, Environment, Social &amp; Governance Performance Director, and Audit Director. IFC provided guidance on good practice for security management plans and procedures. Versions of the Security Management Plan prepared by TCE were issued in</p>	<p>IFC's progress report did not comment on this issue.</p>
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environmental performance updates.

practices could be formalized and adjusted in line with corporate standards (ref.: Titan Cement Group Integrated Annual Report 2021) and international standards.

Titan Group and TCE provided IFC with the Titan Group Guidance Framework for Business Unit Community Engagement Plans (CEPs) and the CEP developed for Egypt operations. Titan Group has set a strategic target to align CEPs with material issues for stakeholders and the 2030 UN SDGs by 2025. In line with the Group commitment, TCE is carrying out a materiality assessment, focused mainly on community development actions in Wadi al-Qamar. IFC recommended including actions addressing E&S the community's specific concerns regarding plant operations.

In line with IFC's recommendations, TCE began mapping existing communications channels with stakeholders and local communities to support ongoing information-sharing between the plant staff and the local stakeholders, including the community of Wadi al-Qamar.

In response to IFC's recommendations, TCE provided a grievance mechanism procedure in July 2022. This

February, May, and June 2022. In July 2022, TCE communicated that Titan Group is undertaking a review to incorporate human rights principles across its corporate procedures, including security management. IFC was informed that Titan Group will develop a roadmap to implement the forthcoming EU Corporate Sustainability Due Diligence Directive by the end of 2022.

describes the company's existing channels for receiving grievances from communities, including contacts with the plant manager and HR Business Unit, their partnering NGOs (Sustainability Center for Development and Wadi al-Qamar Youth Association), Wadi al-Qamar and Dekhila parliament members, and the Ministry of Environment Office in Alexandria.

**Complainants' Observations**

**February 2023**

- CAO discussed this case with the complainant representatives in February 2023. They reaffirmed their disappointment with IFC's MAP, and directed CAO to their statement of March 2022, following the release of the CAO investigation report and IFC MAP, for specific concerns.
- The representatives noted that CAO released its investigation report (September 2021) six years after they submitted their complaint to CAO and four and a half years after CAO triggered an investigation. They expressed the need for a commitment to an appropriate time limit for completing a CAO investigation.
- The complainant representatives stated that IFC's MAP committed to actions on only six of the 12 items identified by CAO. In their view, IFC did not propose actions on the most important CAO findings and complainant concerns, namely labor issues and the major environmental problems raised. Further, they noted that implementation of actions involving Titan Egypt were conditional on the company's future approval.

**CAO Observations**

**March 2023**

<ul style="list-style-type: none"> <li>CAO confirms that IFC disclosed the 2002 EIA and the 2009 KPMG audit. As their non-release was the basis for CAO's 2021 non-compliance finding, CAO now closes this action.</li> </ul>	<p>Titan Egypt's January 2022 report summarizes infrastructure and housekeeping controls (some with photographs) implemented between 2010 and 2021 to reduce air pollution emissions. The report also includes annual data below the threshold for</p>	<p>IFC reported to CAO that the client's assessment of plant noise sources has been completed and the report shared with IFC. The report indicates results slightly above national noise limits for activities at the south and south-east border of the ADL facility, which</p>	<p>IFC reports that it proposed actions and supported the company to document its community engagement and grievance management procedures. IFC reports that the company is carrying out a materiality assessment process</p>	<p>IFC reports supporting the company to document its security procedures.</p> <p>While CAO notes that IFC has acted on its MAP commitment, this action was insufficient to resolve the CAO non-compliance finding. Resolving</p>	<p>While the IFC progress report did not provide any additional comment on this commitment, the IFC team confirmed to CAO that IFC conveyed CAO's recommendations on labor and working conditions to Titan.</p>
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<p>IFC's NOx emission standard (600 mg/Nm<sup>3</sup>) since 2017 and below the IFC PM10 standard (100mg/Nm<sup>3</sup>) since 2018. The company's website provides quarterly emissions for dust, NOx, and SO<sub>2</sub>.</p> <p>CAO also notes the report's disclosure in Arabic—the complainants' language.</p> <p>However, the client's reporting does not enable an assessment of compliance with IFC EHS standards—namely conformance with IFC thresholds 95% of the time the plant is in operation.</p>	<p>affects residents in the adjacent Wadi El Qamar area. The company noted its intention to install noise mitigation measures between 2024 and early 2026.</p> <p>The report does not address the complainants' concern regarding vibrations.</p>	<p>focused on Wadi al-Qamar where the complainants live.</p> <p>IFC shared with CAO comments that it provided to the company on its community engagement and grievance management procedures. These comments were aligned to PS requirements. The company provided IFC with an updated version which incorporated IFC's comments. However, as of this report, IFC had not retained evidence demonstrating that the company is effectively implementing community engagement and grievance management procedures to PS requirements.</p> <p>At the same time, as of this report, the complainants have not provided CAO with their view on the company's stakeholder engagement and grievance mechanism.</p>	<p>the non-compliance requires IFC to evidence that the company's approach to security meets PS4 requirements, including those to assess and mitigate risks associated with the deployment of public and private security personnel.</p> <p>At the same time, during this report's preparation, the complainants did not provide CAO with their view on the company's use of security forces.</p>	<p>IFC's action was insufficient to resolve the CAO non-compliance finding.</p>	
<b>Status and action rating</b>					
<b>Closed: Satisfactory</b>	<b>Closed: Partly Unsatisfactory</b>	<b>Closed: Partly Unsatisfactory</b>	<b>Closed: Partly Unsatisfactory</b>	<b>Closed: Partly Unsatisfactory</b>	<b>Closed: Unsatisfactory</b>
<b>Overall CAO status and rating: Closed: Partly Unsatisfactory</b>					

# Alexandria Development Limited-01, Egypt: Systemic Actions

## IFC MAP Commitment

In 2019, IFC updated its Environmental and Social Review Procedures (ESRP) to reflect evolution and improvements in practice as well as organizational and procedural changes of the E&S Policy and Risk Department. IFC proposed to revised ESRP to includes specific procedures for:

- Project staffing at appraisal and supervision of investments projects
- Contextual risk assessment
- Supervision criteria for high-risk projects.

October 2022



## IFC Reported Implementation

The updated ESRP was approved on January 6, 2022 and implementation began on January 23, 2022.

January 2022



## CAO Observations

IFC confirmed to CAO that they began implementing the new ESRP in 2022. IFC noted that its IFC has asserted that its updated procedures have improved IFC's E&S risk management in a way that more effectively responds to the needs of IFC's investment strategy and operations. Specifically, IFC have noted enhancements in (i) defining clear accountabilities; (ii) differentiated approach and sharper criteria for regular and high risk projects; (iii) removal of unnecessary and prescriptive detail and ambiguities; and (iv) the process for decision making escalation.

As these new procedures apply across all IFC operations, it is not possible at this time for CAO to verify their effective implementation. However, CAO will consider implementation in future compliance cases where the ESRP are applicable.

March 2023



**Overall CAO Conclusion:  
Closed**



## Annex A. Summary of All Open Cases Undergoing CAO Compliance Monitoring

CAO Case Name	CAO Investigation Release Date	Last CAO Monitoring Report	CAO Monitoring Omnibus schedule <sup>17</sup>	Applicable standards for CAO Monitoring	
				CAO Operational Guidelines (2013)	CAO Policy (2021)
<b>Rizal Commercial Banking Corporation (RCBC)-01</b>	April 2022	N/A	FY23 Q4		✓
<b>PL IV-01/Panama</b>	June 2022	N/A	FY23 Q2		✓
<b>Alex Dev-01/Wadi al-Qamar</b>	September 2021	N/A	FY23 Q4		✓
<b>Eleme Fertilizer-01/Port Harcourt</b>	September 2021	N/A	FY23 Q4		✓
<b>Alto Maipo-01&amp;2/Cajon del Maipo</b>	September 2021	N/A	FY23 Q4		✓
<b>Tata Ultra Mega-01 /Mundra and Anjar &amp; -02 Tragadi Village</b>	October 2013	February 2017	FY24 Q2	✓	
<b>Tata Tea-01-02/Assam</b>	November 2016	January 2019	FY24 Q2	✓	
<b>Bidco Bev. &amp; Det.-01&amp;04/Thika</b>	March 2019	N/A	FY24 Q2	✓	
<b>Bujagali Energy - 04, 06, 07, 08/Bujagali</b>	December 2017	September 2022	FY24 Q2	✓	
<b>India Infrastructure Fund-01/Dhenkanal District</b>	January 2016	March 2019	FY24 Q2	✓	
<b>Togo LCT-01/Lomé</b>	October 2016	April 2021	Case Specific Report	✓	
<b>Real LRIF-01/Coban</b>	October 2017	August 2019	FY24 Q2	✓	
<b>CIFI-01/Santa Cruz</b>	June 2020	N/A	FY24 Q2	✓	
<b>IFC Financial Markets</b>	February 2013	February 2017	Case Specific Report	✓	

<sup>17</sup> The inclusion of a report in the CAO Monitoring Omnibus schedule or an individual report is subject to change. CAO is developing criteria for proceeding with a case specific monitoring report versus monitoring a case via the omnibus structure.



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The Independent Accountability Mechanism for IFC & MIGA