

**Dispute Resolution Conclusion Report  
Regarding Complaint Received in Relation to IFC’s Investment in Zalar  
(IFC #32390) in Morocco, September 2022**

**SUMMARY**

In March 2016, CAO received a complaint related to a poultry producer in Morocco, Zalar Holding S.A. (“Zalar,” formerly called Zalagh Holding S.A., or the “**Company**”), supported by the International Finance Corporation (IFC). The complaint, filed by residents of Ristou village (the “**Complainants**”), raised concerns about adverse environmental impacts of Zalar’s poultry hatchery in Ristou, including air quality and health. The complaint further alleged that Zalar did not employ enough local residents and did not adequately invest in the local community.

In April 2016, CAO determined that the complaint met its three eligibility criteria and began its assessment.

During CAO’s assessment, the Complainants and the Company (**the “Parties”**) expressed an interest in engaging in a CAO dispute resolution process to resolve the issues. Under CAO’s Operational Guidelines, applicable at the time, the complaint was transferred to CAO’s Dispute Resolution function.

As a result of the dispute resolution process facilitated by CAO, the Parties signed a final settlement agreement in August 2017 that set out various commitments from the Parties. This included the Company’s commitment to a five-year plan to carry out projects to benefit the community, responding directly to priorities identified by community representatives.

In 2018, the Parties successfully carried out the first Company-funded community development project geared to benefit the village. The community representatives had identified the need for a bus to transport local students to a secondary school outside the village. The Company purchased the bus, transferred ownership to the community, and delivered it in June 2018. After careful consideration, and having debated other options, the Parties decided in 2019 that the second community development project would be the construction of a water tower along with the digging of a well, which would distribute water to Ristou village, and surrounding villages.

The construction works started in September 2021 and were completed in May 2022, following delays related in part to the COVID-19 pandemic.

Given the budget allocated to those two projects, which equals the total monetary amount provided for in the settlement agreement and allocated to community-benefit projects, the Parties agreed that the provisions of the agreement related to community-benefit projects have been fully implemented. They also confirmed that they were satisfied with the implementation of the rest of the settlement agreement. Hence, CAO closed the case in June 2022.

This Conclusion Report describes the assessment and dialogue process, and offers some reflections and lessons learned from the process.

## **BACKGROUND**

### **The Project**

According to IFC, Zalar is an industrial poultry producer that operates across the entire poultry meat value chain. The IFC's 2013 equity investment was aimed at financing a three-year expansion to strengthen Zalar's position in the Moroccan poultry sector and reinforce its integration across the poultry value chain.

### **The Complaint**

According to the complaint, the installation of a poultry hatchery in Ristou caused adverse environmental and social impacts in the village, notably air pollution and health issues for residents (related to air pollution), and disturbance of children at an adjacent school. Complainants further expressed concern that the Company was not investing adequately in the local community, including by not employing enough local residents.



*CAO staff meet with local villagers in Ristou during the assessment trip (June 2016).*

### **CAO Assessment**

In April 2016, CAO determined that the complaint met its three eligibility criteria and began an assessment of the complaint.

The purpose of CAO's assessment is to clarify the issues and concerns raised by the Complainants; to gather information, as appropriate, on how other stakeholders see the situation; and to determine whether the Complainants and the Company would like to pursue a CAO dispute resolution process, or whether the complaint would proceed to CAO Compliance for appraisal of IFC's compliance with its E&S policies.

CAO visited the village of Ristou and met with local villagers and the Company in June 2016. After further discussions, both the Complainants and the Company chose to engage in a voluntary dispute resolution process facilitated by CAO in November 2016. For more information on the assessment phase, please refer to the assessment report, available here: [http://www.cao-ombudsman.org/cases/case\\_detail.aspx?id=244](http://www.cao-ombudsman.org/cases/case_detail.aspx?id=244).

## **The Dispute Resolution Process**

Starting in November 2016, CAO worked with the Parties to plan the dialogue. In December, the Parties agreed on ground rules that set out, among other aspects, who would represent the community and the Company in the process, principles of engagement such as good faith, and the roles and responsibilities of the Parties and of CAO.

Over four months, CAO interacted with the Parties both jointly and separately to assist them in working toward a mutually acceptable agreement.

During this time, the Company expressed a desire to invest in the relationship with the local village. Further, the Company expressed a willingness to explain to local villagers the environmental and social management of its plant, which had been certified as meeting International Organization for Standardization (ISO) standards. The Company also stressed that Moroccan authorities had extensively reviewed its operations and found them in compliance with relevant regulations.

The Company and the community representatives also expressed a shared desire for improved communication and cooperation between them.

In February 2017, the Company and community representatives reached an agreement that sets out:

- The Company's commitment to adhere strictly to environmental regulations. The Company further committed to sharing relevant information about government permits and independent expert audits regarding the environmental performance of its operations with the community representatives.
- The Company's commitment to prioritize hiring local community members from the Ristou, Tiddas, and Maaziz villages (which are neighbouring villages to Ristou).
- The establishment of a dialogue committee that will meet at least once a year to discuss issues of concern or common interest, including community priorities for development projects for the Company to support.
- The Company's commitment to a five-year plan to carry out projects to benefit the community responding directly to priorities identified by community representatives each year. In the context of this five-year plan, the Company committed to finance projects worth up to a total of 500,000 dirhams (approx. 50,000 USD) (one 100,000-dirham project per year for five years).

The agreement was signed in August 2017. Copies of the [Agreement](#) were posted on CAO's website in French, Arabic, and English.

## Monitoring Implementation

As part of the agreement, the Complainants and the Company agreed that the CAO dispute resolution team would monitor implementation of the agreement. The CAO team thus continued to support the Parties during the implementation of the agreement.

The community-identified development project for the first year of cooperation (2017-2018) was the purchase of a bus to allow village children to be safely transported to a nearby middle school. The Parties also decided that the community representatives would create a formal association, in order to simplify any necessary formalities related to the community benefit projects. The association was formally created beginning of 2018. The Parties successfully carried out the first project in June 2018, when the Company bought a bus, transferred ownership to the association, and delivered the bus to the villagers. According to the Complainants, this project is crucial to the village. Before it was implemented, students had to walk 14 kilometres roundtrip every day to go to school, which was especially difficult in rainy weather. Since the implementation of this project, the Company has agreed to pay an additional monthly 3000-dirhams allowance to the association, which is intended to cover the cost incurred for the maintenance of the bus.



*Community members in front of the bus purchased by the Company to transport students to a nearby school.*

In 2018, the community identified a need to renovate the local mosque and started discussing this option with the Company. While the project was still under discussion, the Complainants identified another donor for that project. Subsequently, the Parties started discussing the construction of a well to provide water to the community, another need identified by the Complainants.

The Parties finally decided in 2019 that the second community development project would be the digging of well, along with the construction of a water tower and pipes to transport water from the well to the tower and from the tower to the neighbouring houses. The decision to build a water tower - and pipes that would bring water directly to residents' houses - in addition to the well was made to alleviate residents' burden to go fetch water at the well. Between 2019 and 2021, with delays in part due to the COVID-19 situation, the Parties worked on the implementation of the project. This included choosing adequate land on which to dig the well and install the water tower; requesting relevant authorizations from the local authorities and private landowners to dig the well and install the tower and underground pipes; choosing a

construction firm and negotiating the budget with the firm. The construction works for the well, the water tower and the pipes started in September 2021 and were completed in May 2022.



*Water tower built as part of the CAO process to provide water to community members.*

The Complainants expressed their satisfaction at the completion of the project, which was of vital importance for the community, helping to meet one of their biggest challenges, access to water.

Given that the total cost of the two projects amounted to 500,000 dirhams (approx. 50,000 USD), which is the total amount allocated to community-benefit projects in the settlement agreement, the Parties agreed that once the water tower project was complete, they considered the provisions of the agreement related to community-benefit projects to be fully implemented. They also confirmed that all other provisions of the agreement have been implemented to their satisfaction.

In June 2022, CAO convened a final closure meeting in Ristou with the Complainants and the Company. The Complainants expressed their gratitude to Zalar for its participation in the CAO process and its contribution to their community. Zalar thanked the Complainants for their continued engagement and indicated they remained at their disposal to discuss issues that may arise in the context of their relationship as good neighbours.

The Complainants expressed interest in the Company renewing their commitment to finance community benefit projects for the next five years. The Company indicated that they were opened to continue to support the community on a project-by-project basis. They added that should the community have a specific community-benefit project in mind, the community representatives should present a project proposal to the Company, which would study its feasibility and discuss internally the possibility of financing such project. Additionally, the

Company committed to continue to pay the monthly 3,000-dirhams allowance to the association in order to ensure the well-being of the villagers' schoolchildren.

## **LESSONS LEARNED**

As part of the closure meeting, the CAO team solicited views on the challenges and lessons learned from all Parties involved in the process.

Both Parties expressed their satisfaction with the dispute resolution process and how it helped them overcome communication barriers and difficulties faced in reaching out to each other. They added that before the CAO process, their relationship was very conflictual. They saw each other as enemies and there was a lot of resentment on each side. They both stated that the CAO process enabled them to get to know each other as human beings, understand each other's point of view and needs, and establish a fluid communication channel.

The Complainants shared that the CAO process enabled them to finally feel heard. They also expressed their gratitude that the mediator's work helped unify the community. They added that they found the CAO Monitoring role and support during the implementation of the agreement very helpful. They also expressed that although they understand this might be outside CAO's mandate, they wished there would be more the CAO and the World Bank in general could do to support vulnerable communities and encourage World Bank Group clients to bolster their corporate social responsibility programs. Finally, they voiced their disappointment that the Company was unwilling to renew their commitment to finance community benefit projects for the coming years.

On their end, the Company indicated that before the CAO process, they felt unjustly criticized. They added that they were very satisfied with the open communication channel between them and the Complainants that the CAO process enabled. They also stated that they remained committed to their relationship with the Complainants and would take into consideration any community-benefit project that the latter would propose in the future.

A crucial lesson for this case is the importance of a clear and transparent communication between a company and their neighbouring community - as early as possible in the process of the construction of the plant - on how their plant operates, as well as the measures taken to mitigate potential environmental and social impact.



*Closing meeting between CAO, the Company, and community representatives (June 2022).*

## **CONCLUSION AND NEXT STEPS**

Since the Parties have informed CAO that the agreement has been implemented to their mutual satisfaction, and in accordance with CAO's Policy,<sup>1</sup> CAO concluded the dispute resolution process and closed the case.

All relevant documentation is available at CAO's website at [www.cao-ombudsman.org](http://www.cao-ombudsman.org).

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

---

<sup>1</sup> CAO's Policy is available here:  
<https://documents1.worldbank.org/curated/en/889191625065397617/pdf/IFC-MIGA-Independent-Accountability-Mechanism-CAO-Policy.pdf>

## ANNEX A. CAO COMPLAINT-HANDLING PROCESS

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

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

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

OR

---

<sup>2</sup> For more details on the role and work of CAO, please refer to the full IFC/MIGA Independent Accountability Mechanism (CAO) Policy: <https://documents1.worldbank.org/curated/en/889191625065397617/pdf/IFC-MIGA-Independent-Accountability-Mechanism-CAO-Policy.pdf>

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



**Compliance Appraisal/Investigation:** If the Parties opt for an investigative process, the complaint is transferred to CAO's Compliance function. The complaint is also transferred to the Compliance function when a dispute resolution process results in partial or no agreement. At least one Complainant must provide explicit consent for the transfer unless CAO is aware of Threats and Reprisals concerns. CAO's Compliance function reviews IFC/MIGA's compliance with environmental and social policies, assesses related harm, and recommends remedial actions where appropriate following a three-step process. First, a compliance appraisal determines whether further investigation is warranted. The appraisal can take up to 45 business days, with the possibility of extending 20 business days in exceptional circumstances. Second, if an investigation is warranted, the appraisal is followed by an in-depth compliance investigation of IFC/MIGA's performance. An investigation report will be made public, along with IFC/MIGA's response and an action plan to remediate findings of non-compliance and related harm. Third, in cases where non-compliance and related harm are found, CAO will monitor the effective implementation of the action plan.

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

Step 6: **Conclusion/Case Closure**