



CAO ASSESSMENT REPORT

**Regarding concerns in relation to
Financial Intermediary (FI), Honduras (Project of IFC)**

March 2015

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

About the CAO

The Office of the Compliance Advisor Ombudsman (CAO) is the independent accountability mechanism for the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), the private sector arms of the World Bank Group. The CAO reports directly to the President of the World Bank Group, and its mandate is to assist in addressing complaints from people affected by IFC/MIGA supported projects in a manner that is fair, objective and constructive and to enhance the social and environmental outcomes of those projects.

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

TABLE OF CONTENTS

LIST OF ACRONYMS 4

1. OVERVIEW..... 5

2. COMPLAINT 5

3. ASSESSMENT PROCESS 5

 3.1. METHODOLOGY.....5

 3.2 OUTCOMES.....6

LIST OF ACRONYMS

BUFINSA	Búfalo Industrial S.A. de C.V.
CAICESA	Compañía Agrícola Industrial Ceibeña S. A.
CAO	Office of the Compliance Advisor Ombudsman
IFC	International Finance Corporation
INDASA	Industria Aceitera S.A. de C.V.
MIGA	Multilateral Investment Guarantee Agency
OLEPSA	Oleoproductos de Honduras S.A. de C.V.
PALSA	Palmas de San Alejo S.A.

1. OVERVIEW

In July 2014, CAO received a complaint from the *Movimiento Autentico Reivindicador Campesino del Aguán* (MARCA), a collective of four *campesino* cooperatives acting on behalf of two of their cooperatives in the Aguán region of Honduras. The complaint raised concerns about the negative impacts of palm oil activities operated by companies in the Jaremar Group and Aceite de Palma Africana-OLEOPALMA.

In determining the eligibility of the complaint, CAO accessed information indicating that some of these companies had been financed at some point in time by Banco Financiera Comercial Hondureña S.A. (the “Bank”), an IFC financial intermediary client.

CAO determined that the complaint met its three eligibility criteria in October 2014, and initiated an assessment of the complaint. After an in-depth analysis of the concerns raised by the complainants’ vis-à-vis the Bank’s portfolio in relation to the Jaremar Group and Aceite de Palma Africana-OLEOPALMA, CAO is concluding its involvement in the case as it does not fall within CAO’s mandate.

2. COMPLAINT

In July 2014, the *Movimiento Autentico Reivindicador Campesino del Aguán* (MARCA), a collective of four *campesino* cooperatives on behalf of two of their cooperatives (Trinidad and el Despertar) in the Aguán region of Honduras filed a complaint with CAO raising concerns about been negatively affected by the palm oil activities of the following companies: Aceite de Palma Africana-OLEOPALMA and companies from the Jaremar Group (Palmas de San Alejo S.A.-PALSA, Oleoproductos de Honduras S.A. de C.V.-OLEPSA, Industria Aceitera S.A. de C.V.-INDASA, Búfalo Industrial S.A. de C.V.-BUFINSA and Compañía Agrícola Industrial Ceibeña S. A.-CAICESA).

The complainants raise issues around the companies’ palm oil operations in the Aguán Valley of Honduras and their relationship to illegal takeover of community land in the same area. They also raise concerns about violence against *campesino* communities, violations of human rights, and contamination of the environment, all of which they link to the operations of these companies.

3. ASSESSMENT PROCESS

3.1 METHODOLOGY

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

In this case, CAO’s assessment of the complaint comprised:

- a review of project documentation from IFC and information provided by the Bank;
- telephonic meetings with the lead complainant and the Bank; and
- meetings with the IFC team.

Given that the complaint raised issues concerning companies that had been funded by the Bank, CAO determined it necessary to consider whether these investments were still active.

IFC has two investments with the Bank, one in 2008 and the second in 2011. The first investment was to support small and medium sized enterprise (SME) and middle to low income mortgage portfolio, combined with an IFC Advisory Services project¹, and the second is an equity and subordinated debt investment².

3.2 OUTCOMES

Based on discussions with IFC, the Bank, and the complainants, and the information received and reviewed during the assessment, CAO did not find any indication that, IFC has any current exposure to Jaremar Group companies with palm oil plantations in the Aguán Valley. Similarly, CAO did not find any indication that IFC had any exposure to investments in Aceite de Palma Africana-OLEOPALMA. Additionally, CAO learned that the issues raised by the complainants are specifically related to the operations of Aceite de Palma Africana-OLEOPALMA.

Given the absence of relevant links between the companies named in the complaint and IFC, CAO concludes that this complaint falls outside its mandate to further assess or handle the case. CAO is therefore closing the case at assessment.

¹ See: http://ifcext.ifc.org/ifcext/spiwebsite1.nsf/ProjectDisplay/SPI_DP26394. Accessed 3.18.2015

² See: http://ifcext.ifc.org/ifcext/spiwebsite1.nsf/ProjectDisplay/SPI_DP29257. Accessed 3.18.2015

Annex A. CAO Complaints Handling Process

The Office of the Compliance Advisor Ombudsman (CAO) is the independent accountability mechanism for the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group. CAO reports directly to the President of the World Bank Group, and its mandate is to assist in addressing complaints from people affected by IFC/MIGA supported projects in a manner that is fair, objective, and constructive and to enhance the social and environmental outcomes of those projects.

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

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

As per CAO's Operational Guidelines,³ the following steps are typically followed in response to a complaint that is received:

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

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

Step 3: **CAO assessment:** Assessment of the issues and provide support to stakeholders in understanding and determining whether they would like to pursue a consensual solution through a collaborative process convened by CAO's Dispute Resolution function, or whether the case should be handled by CAO's Compliance function to review IFC's/MIGA's environmental and social due diligence. The assessment time can take up to a maximum of 120 working days.

Step 4: **Facilitating settlement:** If the parties choose to pursue a collaborative process, CAO's dispute resolution function is initiated. The dispute resolution process is typically based or initiated by a Memorandum of Understanding and/or a mutually agreed upon ground rules between the parties. It may involve facilitation/mediation, joint fact-finding, or other agreed resolution approaches leading to a settlement agreement or other mutually agreed and appropriate goal. The major objective of these types of problem-solving approaches will be to address the issues raised in the complaint, and any other significant issues relevant to the complaint that were identified during the assessment or the dispute resolution process, in a way that is acceptable to the parties affected⁴.

OR

Compliance Appraisal/Investigation: If the parties opt for a Compliance process, CAO's Compliance function will initiate an appraisal of IFC's/MIGA's environmental

³ For more details on the role and work of CAO, please refer to the full Operational Guidelines: http://www.cao-ombudsman.org/documents/CAOOperationalGuidelines_2013.pdf

⁴ Where stakeholders are unable to resolve the issues through a collaborative process within an agreed time frame, CAO Dispute Resolution will first seek to assist the stakeholders in breaking through impasse(s). If this is not possible, the Dispute Resolution team will inform the stakeholders, including IFC/MIGA staff, the President and Board of the World Bank Group, and the public, that CAO Dispute Resolution has closed the complaint and transferred it to CAO Compliance for appraisal.

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

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

Step 6: **Conclusion**/Case closure