



Community Guide to the International Finance Corporation

An action resource for people
affected by IFC-funded projects

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International Finance Corporation



IFC

International
Finance Corporation
WORLD BANK GROUP



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Inclusive Development International is a human rights organization working to make the international economic system more just and inclusive. IDI supports and builds the capacity of grassroots organizations and communities to defend their land, natural resources and human rights against threats from harmful investment, trade and development practices. Through research, casework and policy advocacy, IDI works to strengthen the human rights regulation and accountability of corporations, financial institutions and development agencies.

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Introduction

The International Finance Corporation (IFC) is the private sector lending arm of the World Bank Group, whose mission is to fight poverty. The IFC works by investing in or lending money to private companies with the aim of spurring economic growth in developing countries. However, in many of these countries local communities have faced serious adverse impacts from IFC-supported projects.

The IFC has policies and standards that are meant to protect people and the environment from harm. But often these requirements are not properly followed. In some cases, people who are displaced by a project are not given adequate compensation or supported by good programs to ensure that their livelihoods are restored or improved. In many cases, affected people are not informed or meaningfully consulted about the project, its risks and their entitlements and options. In other cases, Indigenous Peoples' right to give or withhold their free prior and informed consent is not respected and their lands and natural resources are taken or destroyed to make way for private investment without the agreement of affected communities.

This guide is written for communities who face negative impacts from IFC-supported projects. It explains what the IFC is and how it provides financial and other support to businesses, including intermediary banks and funds. The guide explains what the IFC Environmental and Social Performance Standards are and who is responsible for implementing them and making sure they are respected on the ground. Two of the Performance Standards, covering Involuntary Resettlement and Indigenous Peoples, are described in more detail, including their objectives, and the main protections and entitlements affected communities are supposed to receive. Lastly, the guide explains what affected communities can do if an IFC-supported project does not comply with the Performance Standards and causes harm. It discusses company complaint mechanisms, raising the issues directly with the IFC, and using the IFC's independent complaint mechanism, called the Compliance Advisor Ombudsman (CAO).

1 The International Finance Corporation

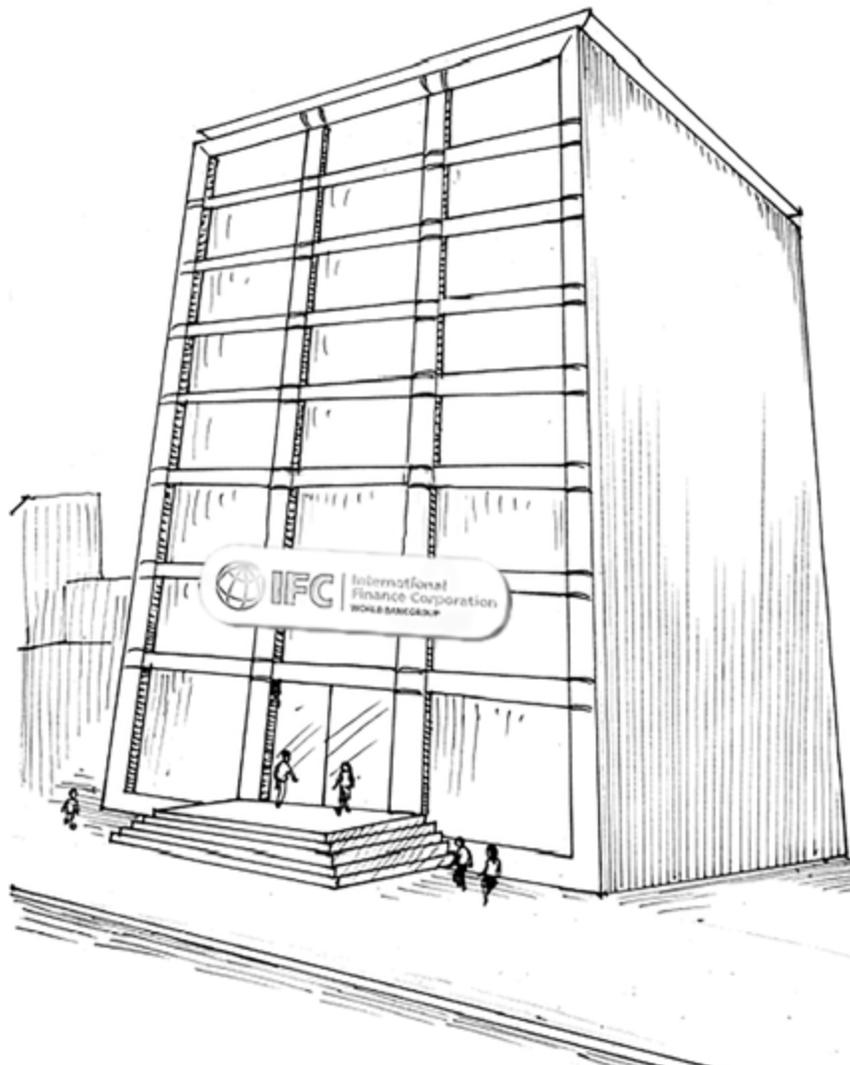
1 What is the IFC?

The International Finance Corporation (IFC)

is an international development bank that was established in 1956. The IFC is part of the World Bank Group, whose mission is to fight poverty. While other parts of the World Bank provide funds to governments (the public sector), the

special role of the IFC is to provide financial and other support to companies (the private sector) in developing countries.

The IFC is owned by more than 180 member countries, which collectively determine the IFC's policies and guide the IFC's programs and activities. Its main office is in Washington, DC, USA, and it also has offices in the countries in which it works.



2 How does the IFC support the private sector?

The IFC provides money to companies in developing countries through **loans** and by buying **shares**.

- When the IFC loans money, the company is required to pay back the money with an additional amount, called **interest**, over an agreed time period. This is also called providing **finance**. The IFC can provide a loan for a specific type of activity, such as to expand a clothing factory, or it can give a loan for the company to use however it chooses.

- When the IFC buys shares, it gives the company money in return for an ownership stake in the company. In other words, it invests in the company by becoming a part owner and expects to earn profits from its investment when the company earns profits from its business activities. It can also earn profits when it sells its shares in the company to others at a higher price than the amount it paid for them. This is also called an **equity** investment.

The IFC also provides other types of financial support to companies, as well as technical advice.

According to the IFC, the purpose of its financial and advisory support to the private sector is to help businesses grow, to create jobs and raise living standards in developing countries.

3 What types of businesses does the IFC support?

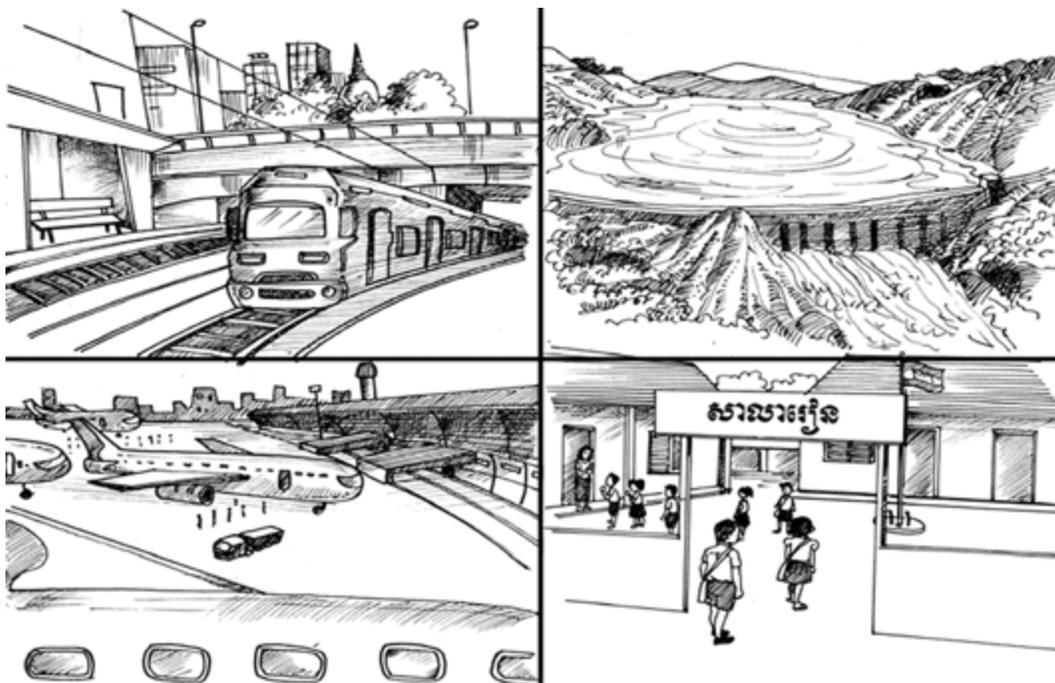
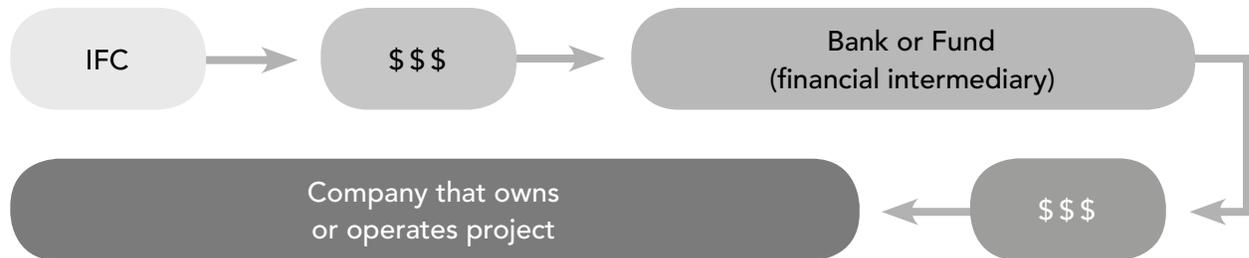
The IFC provides loans and invests directly in companies that own and operate projects on the

ground. For example the IFC supports companies that develop and operate big infrastructure projects, agriculture projects, power generation projects, oil, gas and mining projects, manufacturing projects and tourism and real estate projects. These are often large-scale projects.



The IFC also provides loans and invests in other financial institutions, including **banks** and **funds**, which are companies that finance other

businesses. These banks and funds then loan the money or invest in other companies that own or operate projects on the ground.

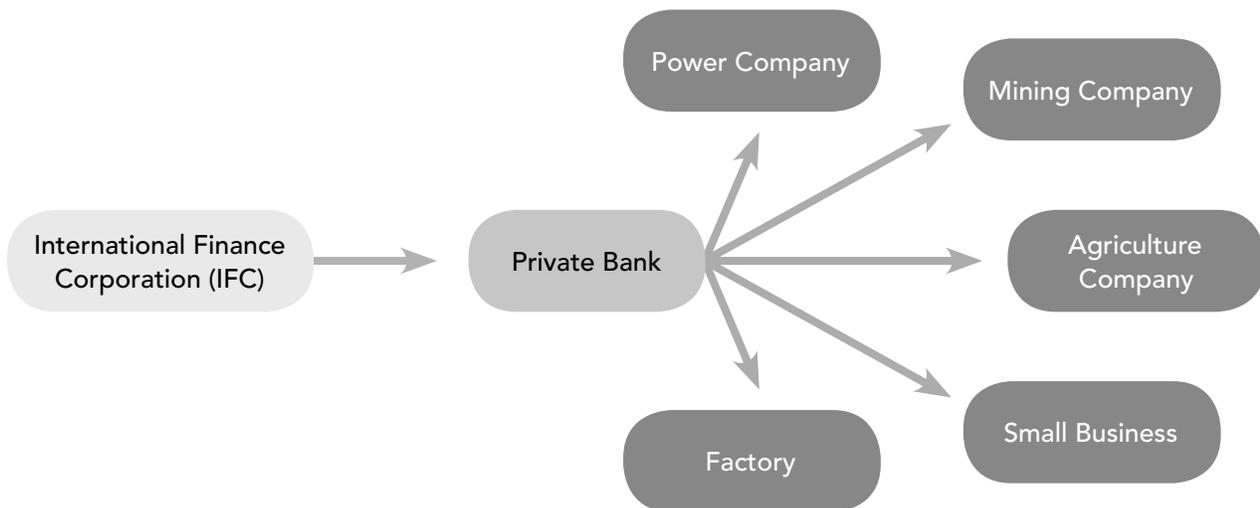


The banks and funds in between the IFC and the company involved in the project are called **financial intermediaries**. The money flows from the IFC to the financial intermediary and then to the company directly involved in the project. The bank or fund earns profits by loaning money or investing in many companies that operate on the ground.

More than half of IFC's total investments go to financial intermediaries, rather than the companies directly involved in projects on the ground.

That means that IFC invests mostly in banks and funds. This is a very important part of IFC's business.

The IFC says that investing in financial intermediaries allows it to reach many smaller businesses and projects, such as factories and farms, which it could not support directly. However, there are also many big projects, such as coal, bauxite and gold mines, power plants, hydropower dams and large mono-crop plantations that the IFC supports through financial intermediaries.



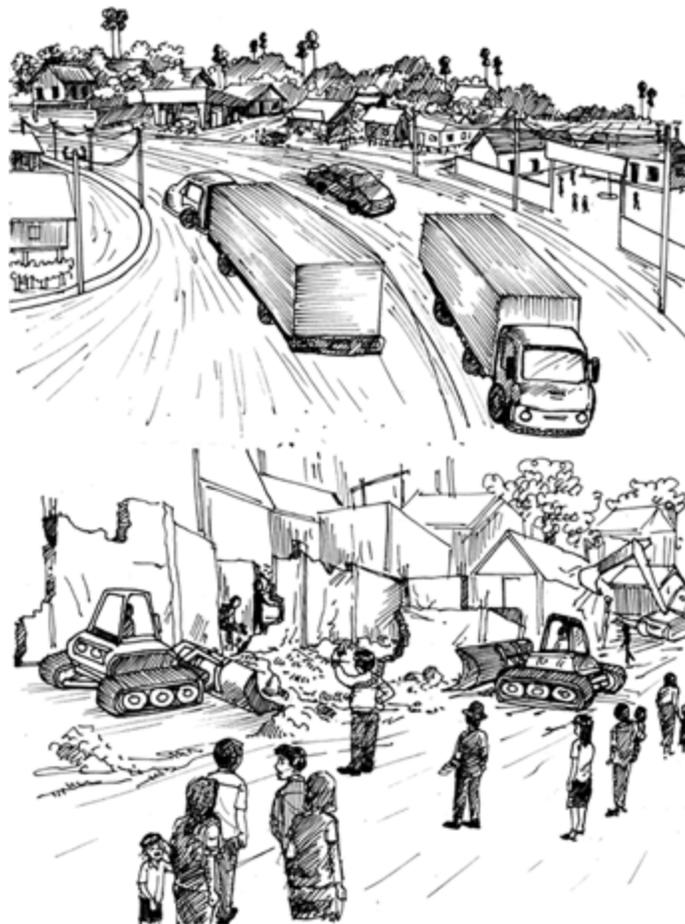
2 IFC Performance Standards

1 IFC projects and its mission

As a part of the World Bank Group - a development organization owned by governments - the IFC's mission is to fight poverty. All projects that the IFC supports should help to achieve this mission. This means that before the IFC agrees to

provide support directly or indirectly to a dam, a mine, a plantation or any other project, it should make sure that the project will improve peoples' quality of life. The IFC should not support projects that will increase poverty or cause hardships for local communities.

However, many projects that the IFC supports have both positive and negative impacts on people and the environment.



IFC-supported projects can have both positive and negative impacts.
A new highway can improve a country's transport but can also displace people

2 The Performance Standards

During the 1980s and 1990s, many civil society groups publically criticized the World Bank Group about the negative impacts of its projects. These groups argued that development projects should not harm people or the environment and that projects should be planned so that everyone can share the benefits, not just a small few. They said it was contradiction for an institution whose mission is to fight poverty to support activities that create poverty.

As a result of these civil society campaigns, the IFC, like the rest of the World Bank Group, has adopted a policy and a set of guidelines aimed at preventing negative impacts to people and the environment from IFC projects. The IFC guidelines are called **Performance Standards**. These

are rules that must be respected by a company when it accepts financial support from the IFC. They are also aimed at making sure that people who are likely to be affected by an IFC-supported project have access to information and are properly consulted.

The Performance Standards cover:

1. Assessment and management of environmental and social impacts
2. Labor and working conditions
3. Pollution
4. Community health, safety and security
5. Land acquisition and resettlement of communities
6. Biodiversity and sustainable management of natural resources
7. Impacts on Indigenous Peoples
8. Impacts on cultural heritage



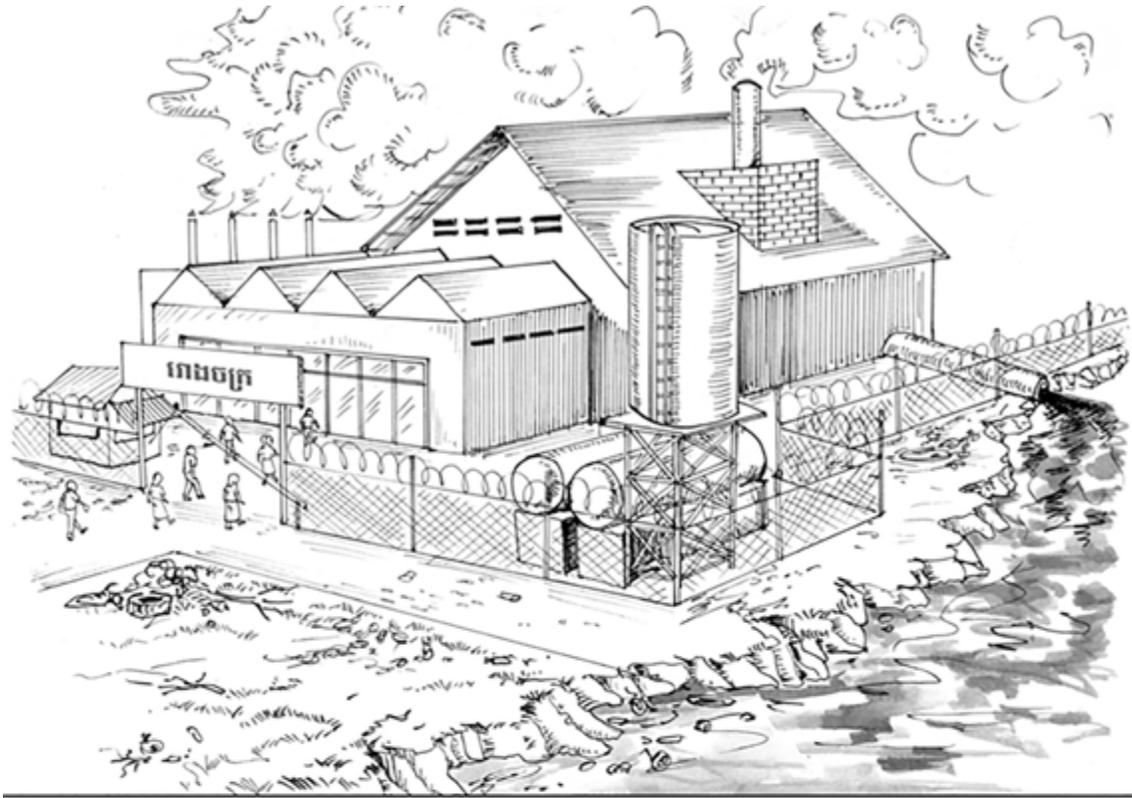
Who is Responsible for the IFC Performance Standards?

Both the IFC and its clients (the companies it supports) have responsibilities to ensure that the Performance Standards are implemented and respected.

- **Companies** that receive financial support from the IFC are responsible for ensuring the Performance Standards are respected on the ground. This should be written into the legal agreement that IFC signs with the company when it makes its investment.
- When the IFC invests in a **financial intermediary**, the bank or fund is responsible for ensuring the companies they support respect the Performance Standards on the ground. This should also be written into the investment agreement.
- **Before it provides support**, the IFC is responsible for checking that the company is likely to respect the Performance Standards. If it does not believe that the company is willing and able to respect the Performance Standards, it should impose conditions on the investment to ensure that it will comply with the standards over a reasonable period of time, or it should not approve the investment.
- **Once it has provided support**, the IFC is responsible for supervising to make sure the company implements and respects the Performance Standards.

In general, the Performance Standards should apply when money flows from the IFC to a project that has serious effects on the environment or local communities in any of the ways listed above.

Handout 1 – Lesson 2



Handout 2 – Lesson 2

Story about building a factory on the outskirts of a city

A community that lives on the outskirts of a city cannot find any jobs nearby. They used to be farmers, but the city has expanded so there is no land left for farms. There is a river nearby, but only a few of the families can make a living from catching and selling the fish.

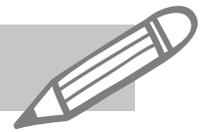
To solve this problem, the government finds a company to build a large factory in the village. The company builds the factory and hires many people from the village to work there. Many families in the village are happy that they can now work and earn a living.

However, the company dumps the waste from the factory into the river. After a short time the river is polluted and the fish die. The fisher families can no longer make their living by catching and selling fish and are very unhappy.

Group Discussion Questions

- What are the positive and negative impacts of the project?
- Is the project fair? Does it reduce poverty?
- Should the IFC agree to support the project? If not, why not and if so, should there be any conditions on that support?

Handout 3 – Lesson 2



Story about a highway project

The government wants to build a major road from the capital city to a remote part of the country. Many private investors are interested in getting involved in agriculture and mining projects in that part of the country, but complain that it's very hard for trucks to travel there. The government decides to ask a private company to build and operate the road, and to pay for it by charging a toll to each vehicle that drives on it.

The government and the companies involved in these projects say that they are helping to develop a remote and poor part of the country by creating jobs for people who live there. A new highway will help to bring more money into the area. Land prices in the area will increase. More tourists will also be able to travel to the area. The old roads are unsafe and very slow and need to be upgraded.

However, there are also serious concerns about building the new highway. There are villages along some sections of the planned highway that would need to move away. These people would not be able to stay in their houses and many have small businesses or farms that they would also lose.

Indigenous communities that live in the area that the highway will lead to are also very concerned about the impact. These communities have faced many problems from the agriculture and mining projects in the area. For example, companies involved in these projects have taken away land that they live on and use for farming and destroyed their forests. As indigenous people lose their land and access to forest resources, they are finding it harder to survive and their communities and communal way of life are breaking down.

Group Discussion Questions

- What are the positive and negative impacts of the project?
- Is the project fair? Does the project reduce poverty?
- Should the IFC agree to support the project? If not, why not and if so, should there be any conditions on that support?

3 Involuntary Resettlement: Performance Standard 5

1 IFC projects and displacement

Displacement is one of the worst impacts of investment projects. It is also one of the most common impacts. In many cases, people are evicted from their homes and land to make way for a project. Many people around the world have become poorer due to displacement. This is because, in addition to losing their homes, they

lose access to the land and resources they depend on for their food and livelihoods.

When people are displaced from urban areas and are forced to move far away, they can lose access to their places of work. In rural areas, displacement can lead to lost resources including forests, rivers and farmland. They might also lose access to services including community centers, schools or health clinics. Displacement often leads to the breakdown of communities and social and support networks.



2 Performance Standard 5: Who does it protect?

The IFC's Performance Standard 5 provides protections for people who are displaced from their homes and land by IFC-supported projects.

- For example, it protects a family that has to move from their home because of a planned factory using funds from the IFC.

The policy protects people who will lose access to their land, business or resources they depend upon for their livelihoods.

- For example, it protects a farmer who will lose his farming land because it is needed to extend a railway line.
- It protects a businesswoman who will lose her shop because the land is taken.
- It protects a community who will lose access to a forest that they use to collect food or products to sell.
- It protects a fishing community who will lose access to a river or the sea for fishing and will not be able to eat and sell fish as a result.

All these types of people are protected if they have to move away from their home or land, or if their access to and use of the land is restricted by the project.

What is “Involuntary Resettlement”?

“**Involuntary Resettlement**” is any situation where people's land or housing is taken, or their access to land that people live or work on or use for their livelihoods is restricted and they don't have the right to refuse. This is also called **physical and economic displacement**.



People displaced from their home, land, jobs or resources they use for livelihoods because of an IFC-supported project are protected by Performance Standard 5

3 The objectives of Performance Standard 5

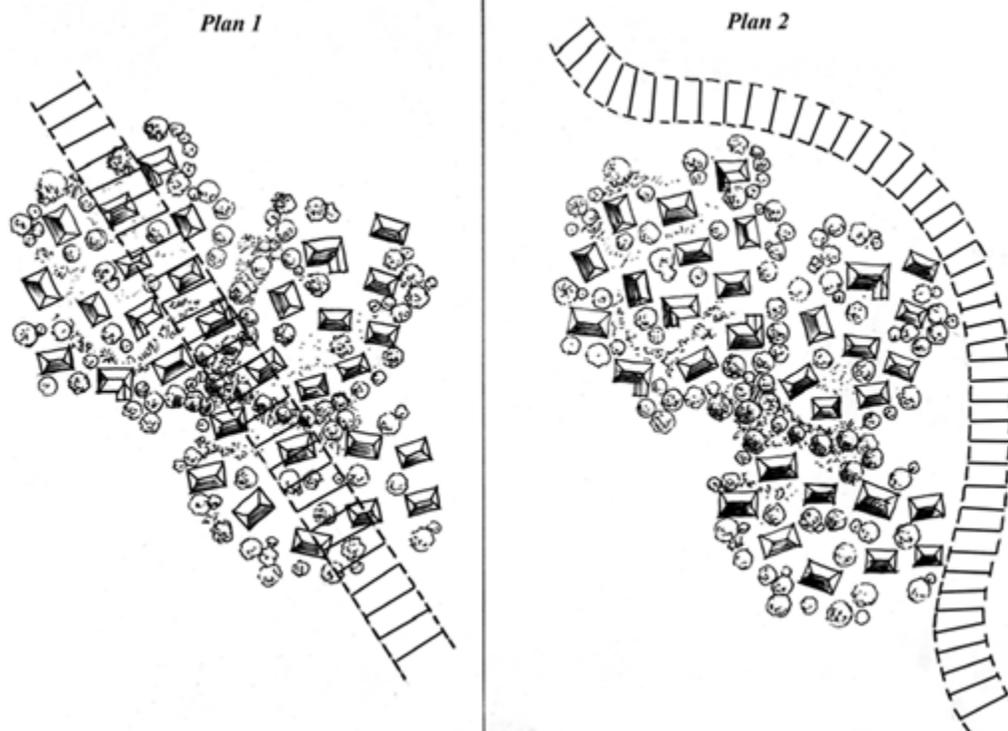
Performance Standard 5 aims to do three main things:

1. Avoid displacement by exploring project designs that affect as few people as possible.
2. When people will be displaced, provide them with compensation, alternative land and housing, resettlement assistance and other support so that their living conditions are improved, and at a minimum they are not made worse off.
3. Make sure affected people have access to information and are effectively consulted about resettlement and can participate in decision-making.

4 Avoiding displacement

The first aim of Performance Standard 5 is to avoid displacement. That means that, when the company is planning the project, it has a duty to think about how to minimize displacement as much as possible or avoid it altogether. If there will be some displacement, as few people as possible should be displaced.

The company should consider ideas such as using less land for the project or finding a different location or route for the project where there are no houses, farms or other important natural resources. The example in the illustration below shows two different options for building a railway. Plan 1 goes right through a village and will cause a lot of displacement. Plan 2 goes around the village and will avoid displacement.



The second plan should be used because it avoids displacement

5 People should not be made worse off

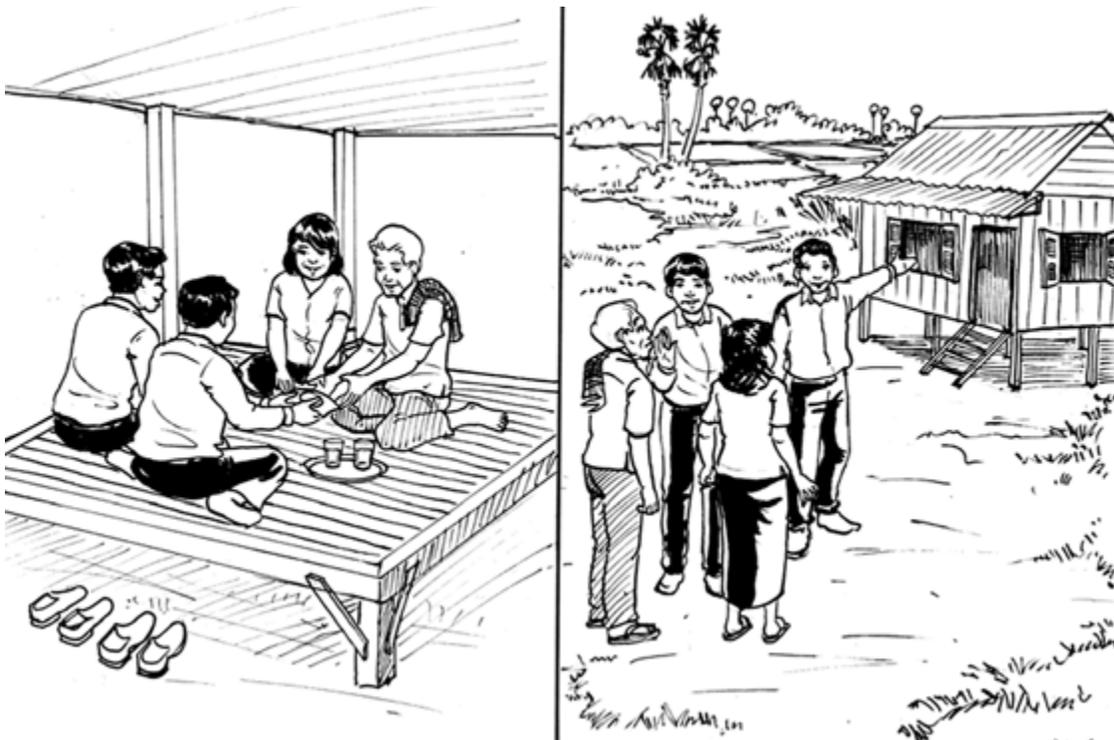
For people who are displaced by an IFC-supported project, Performance Standard 5 aims to ensure that at a minimum, no one is made worse off as a result of displacement. In order to achieve this aim, people who will be displaced should get compensation, transitional support, livelihood assistance and other development benefits.

The exact entitlements of displaced people under Performance Standard 5 depends on what they lose and whether they have legal rights to the land, resources and assets that they lose. For example:

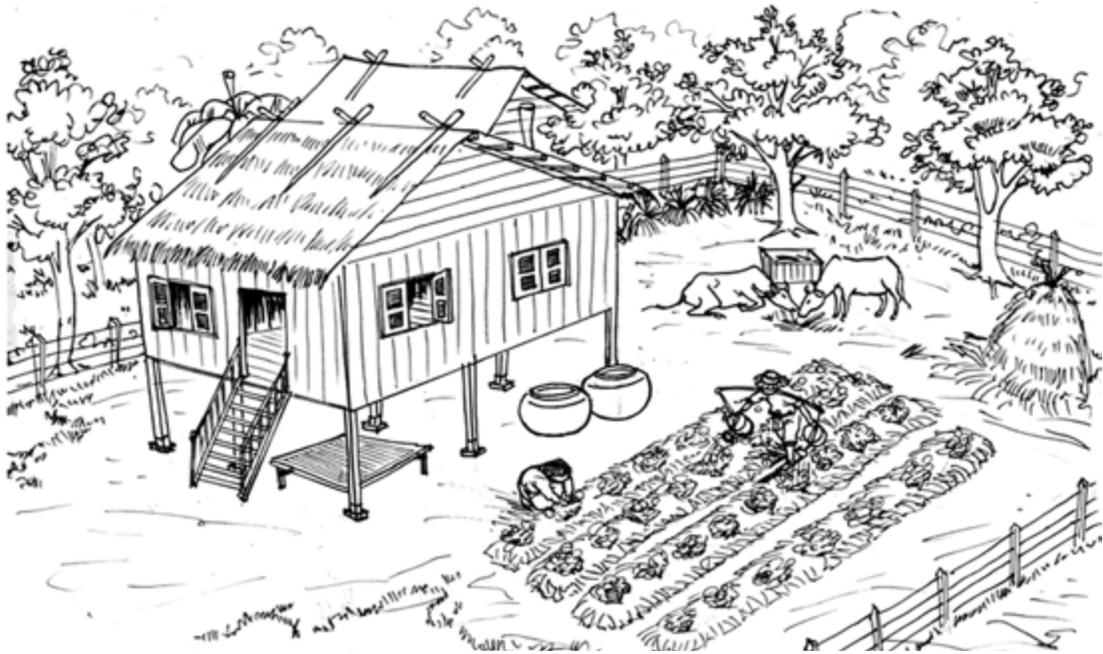
- People or communities who have legal rights to the property, including land and other

assets and resources that they will lose, must be offered the choice of full compensation for property so they can replace it themselves *or* replacement property of equal or higher value and quality.

- People who will be physically displaced but do not have legal rights to the land that they lose, should be resettled. Housing at resettlement sites must be “adequate”. People should get security of tenure at the resettlement site, meaning that they should get some form of legal recognition and guarantee that they will not be forcibly evicted.
- People who do not have legal rights to the land, but do own assets that they will lose, such as structures, trees or crops, must get full compensation for those assets.



This land will be taken for an IFC-supported project. The family owns the land and house. They are entitled to either full cash compensation or replacement land and housing of at least equal value and quality



Even if this family does not have legal rights to this land, they are entitled to compensation for the housing and crops, since they own these assets. They should also be resettled to adequate housing with tenure security

- People who are economically displaced must be offered livelihood assistance, which should help them improve, or at least restore, their income, livelihoods and standards of living. This may include, for example, livelihood training, access to credit or employment opportunities.



Here, people are being trained to be tailors



This couple was given alternative land with rice soil to restart their farm

- People whose livelihoods are land-based should be offered replacement land that has equal or better features, such as location and soil fertility. If a project restricts access to resources that a community depends upon, efforts should be made to allow continued access to those resources or provide access to alternative resources with equal or better livelihood potential.
- Anyone who is economically displaced should get “transitional support” (usually cash) to cover the period of time that it is likely to take for them to restore their livelihoods.

In addition to these entitlements, the company is also supposed to provide opportunities to affected people to receive appropriate development benefits from the project. For example, affected

people could be offered jobs that are created by the project. If the aim of a project is to build infrastructure that will provide basic services, affected people could receive those services for free or at an affordable price. For example, if a dam is being built to generate electricity, people who are being displaced for the dam could be given free or subsidized access to the electricity at their new homes. The community could also be provided with a small share of the profits generated from the sale of electricity.

All of these entitlements and the options that affected people will be offered should be set out in a **Resettlement Action Plan** and a **Livelihood Restoration Plan**.

The company that owns the project must comply with all national laws, too.

6 People must be consulted

People who will be affected by an IFC-supported project must be provided with all important information and be consulted about compensation, resettlement and livelihood assistance plans. They must be given options to choose from.

The Performance Standards say that people must be “effectively consulted”. Effective consultation is a two-way process that should:

- **Begin early on** when displacement and other impacts are being identified **and continue** throughout the process of compensation, resettlement and livelihood assistance.
- First ensure that people have **access to all relevant information**, such as the Resettlement Action Plan, and that it is presented to them in

a culturally appropriate way and in a language and format that they understand.

- Ensure that people are not intimidated or pressured in any way and can **freely express their views**.
- Ensure that both **men and women** can effectively participate.
- Ensure that **disadvantaged or marginalized groups** can effectively participate.
- Ensure that **affected peoples views** on resettlement, compensation and livelihood assistance and other matters that directly affect them are **incorporated into the company’s decision-making**.

The company is also required to report to the affected people about the progress of implementation of Resettlement Action Plans and Livelihood Restoration Plans, as well as problems that arise.



Here, company representatives have come to the villages to inform and consult communities who will be affected by a project

4 Indigenous Peoples: Performance Standard 7

1 The objectives of Performance Standard 7

Performance Standard 7 aims to do four main things:

1. Ensure respect for the human rights, culture and livelihoods of Indigenous Peoples.
2. Avoid negative impacts to indigenous communities.
3. Promote culturally appropriate sustainable development for Indigenous Peoples.
4. Ensure informed consultation and participation by Indigenous Peoples affected by projects and, in some situations, free prior and informed consent (FPIC).

How is Indigenous Peoples Defined by the IFC?

Performance Standard 7 says that “Indigenous Peoples” may be referred to differently in different countries, including “ethnic minorities”, “aboriginals” or “hill tribes”. It says that the term “Indigenous Peoples” refers to a distinct social and cultural group with some of the following characteristics:

- Self-identification as indigenous and recognition of this identity by others.
- Collective attachment to land, territories and natural resources.
- Customary laws, decision making processes and cultural practices.
- Their own language.



An indigenous community in Cambodia

2 Avoiding harms and addressing impacts

When the company is planning the project, it has a duty to think about how to avoid negative impacts on indigenous communities. First the company must try to design the project in a way that does not affect the communities to the extent possible. If the project will cause negative impacts on the community, the company has to develop a plan so that the community does not suffer harms. The company is also required to look for

opportunities for the community to benefit from the project in a way that is culturally appropriate.

The company must develop a plan, called an Indigenous Peoples Plan, with the informed participation of the indigenous community. This means that representatives of the affected community as well as elders, village councils or other customary representatives must have an opportunity to participate in decision-making. These decisions should be about how to minimize and address negative impacts and how the community can benefit from the project.

3 Free, Prior and Informed Consent

In three types of situations, companies cannot implement a planned project unless the affected indigenous communities give their free, prior and informed consent (FPIC). These situations are:

1. **When the project will impact on the customary lands and natural resources of Indigenous Peoples, whether or not they have legal title.** The company must offer affected communities replacement land and natural resources, and if that is not possible, cash compensation and alternative livelihood opportunities. It must also offer culturally appropriate development benefits from the project. The company should also allow the community to continue to access and use the affected land, unless there are real health and safety reasons not to allow access. The community has the right to reject the offer made by the company.
2. **When the project will require the relocation of Indigenous Peoples from their lands and natural resources.** The company must offer resettlement sites with adequate housing, compensation and livelihood assistance as required by Performance Standard 5 on Involuntary Resettlement. The company must obtain the FPIC of the community before it implements the project. The community has the right to say no.
3. **When the project will have significant impacts on important cultural, spiritual or religious sites.** This includes sacred rocks, mountains, forests or water as well as burial sites and places where communities conduct ceremonies. The company must obtain the FPIC of the community.

How is FPIC defined by the IFC?

Performance Standard 7 says that there must be **good faith negotiation** between the company and the indigenous community through a process that the community agrees with.

Free: The community must feel **free to express their views** without any intimidation or pressure.

Prior: The negotiation must happen **before** the project and impacts begin and before decisions are made.

Informed: The community must be provided with **all relevant information** in a form and language that they understand, and

Consent: The community must **freely decide whether they agree or disagree** with the activity. The community has **the right to say no**. However, if most of the community agrees with the outcome, including through their customary decision making process, but some individuals or groups within the community do not agree, the IFC still considers this to be enough to obtain FPIC. This means that not everyone in the community may agree to a project or an offer to address impacts, but it can still go ahead.



5 Seeking Redress

1 What if the IFC Performance Standards are not respected?

Although the IFC has standards that should protect people from being harmed by an IFC-supported project, sometimes the standards are not properly followed and communities face negative impacts.

In some cases, people who are displaced are not given proper compensation or resettlement even

though they are entitled to it. In some cases, they are not supported by good programs to ensure that their livelihoods are improved or at least restored. In many cases, people are not informed or consulted meaningfully about the project, its impact and their entitlements and options.

In other cases, Indigenous People's right to give or withhold their free, prior and informed consent is not respected and their lands and natural resources are taken or destroyed for the project without any prior discussion with local communities.

What your community can do

If your community is facing negative impacts from an IFC-supported project, you should consider whether you want to challenge the project and seek redress for harms.

There are several different advocacy strategies that your community may want to use, including advocacy directed at the government or, if it's possible in your country, using the courts.

Here we discuss using the company grievance mechanism, raising the issues with the IFC, and using the IFC's independent complaints mechanism, called the Compliance Advisor Ombudsman (CAO).

Your community should consider any risks the community may face in using these strategies, including risks to personal security, and make sure there is a plan for dealing these risks if they occur.

2 Collecting evidence

Effective advocacy requires evidence about the project's impacts. It is not enough to simply say that you have concerns or that there have been harms to your community and the environment. It is important to show evidence of the types of harms that you are concerned about or the harms that have actually occurred.

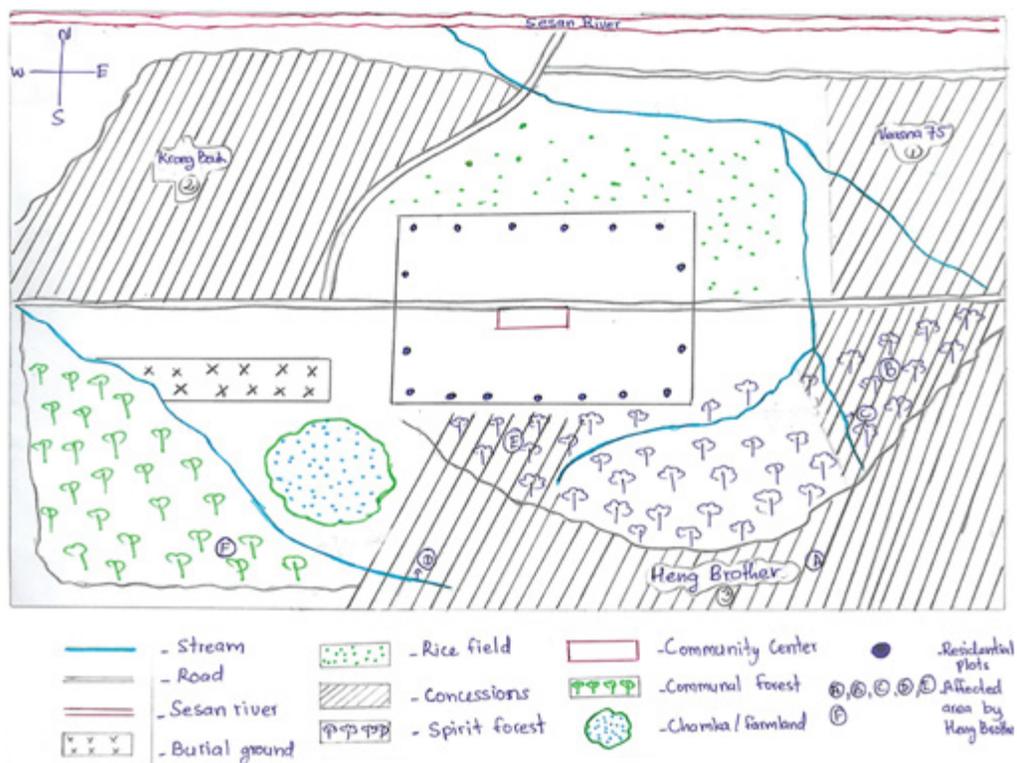
There are many different ways to collect evidence, including the following:

- Holding community meetings to discuss the impacts and making a list of all the different impacts the project has caused.
- Selecting community interviewers to meet with individual households and groups, such

as women, children and minority groups to discuss and write down the impacts that they have faced.

- Carefully watching the things that happen because of the project and recording all the important information, for example, by writing it down and taking photos or a video.
- Community mapping, by drawing the community's village, land and resources and the way the community uses the different areas, and then marking the areas that have been affected by the project.

The more of this type of evidence you collect, the stronger your advocacy will be. You can include the evidence in complaint letters, when you talk to journalists, and in meetings with the company, government and the IFC.



Example of a community map showing the village and the areas where the company's three concessions are affecting their land and resources

3 Company grievance mechanisms

The IFC's Performance Standard 1 says that companies that receive support from the IFC must establish a grievance mechanism. The company must inform affected people from the beginning so that affected people know that if they have concerns or face negative impacts, they can communicate with the company through the grievance mechanism. The mechanism should be easy for affected people to use and the company should respond quickly to people's concerns.

If the company has established a grievance mechanism, the affected community should first

consider whether it is worth trying to use it to resolve the problems they are facing. This may involve writing a letter to the company clearly setting out all the concerns and negative impacts. You should keep a copy of the letter with the date that it is sent to the company. If the company does not respond adequately, the letter can be used in advocacy with the IFC or a complaint to the CAO, discussed below.

If the company has not established a grievance mechanism, or has not informed the community about it, or how to use it, it is failing to follow the IFC Performance Standards. This should be added to the list of problems with the project to use in advocacy with the IFC or a complaint to the CAO.

Grievance mechanisms and financial intermediaries

If the community is affected by a project that received financial support by a financial intermediary client of the IFC, such as a bank or a fund, the financial intermediary may be required to establish a grievance mechanism.

Even though the bank or fund does not own or manage the project affecting the community, it does provide the money needed to make the project possible. That means that the affected community should be able to send a complaint letter to the bank or fund and expect to get a quick and adequate response.

In the case of financial intermediaries, the complaint letter should also explain the links between the IFC, the bank or fund and the company that owns or manages the project on the ground. The bank or fund should use its influence with the company to ensure that the concerns and problems facing the community are resolved.

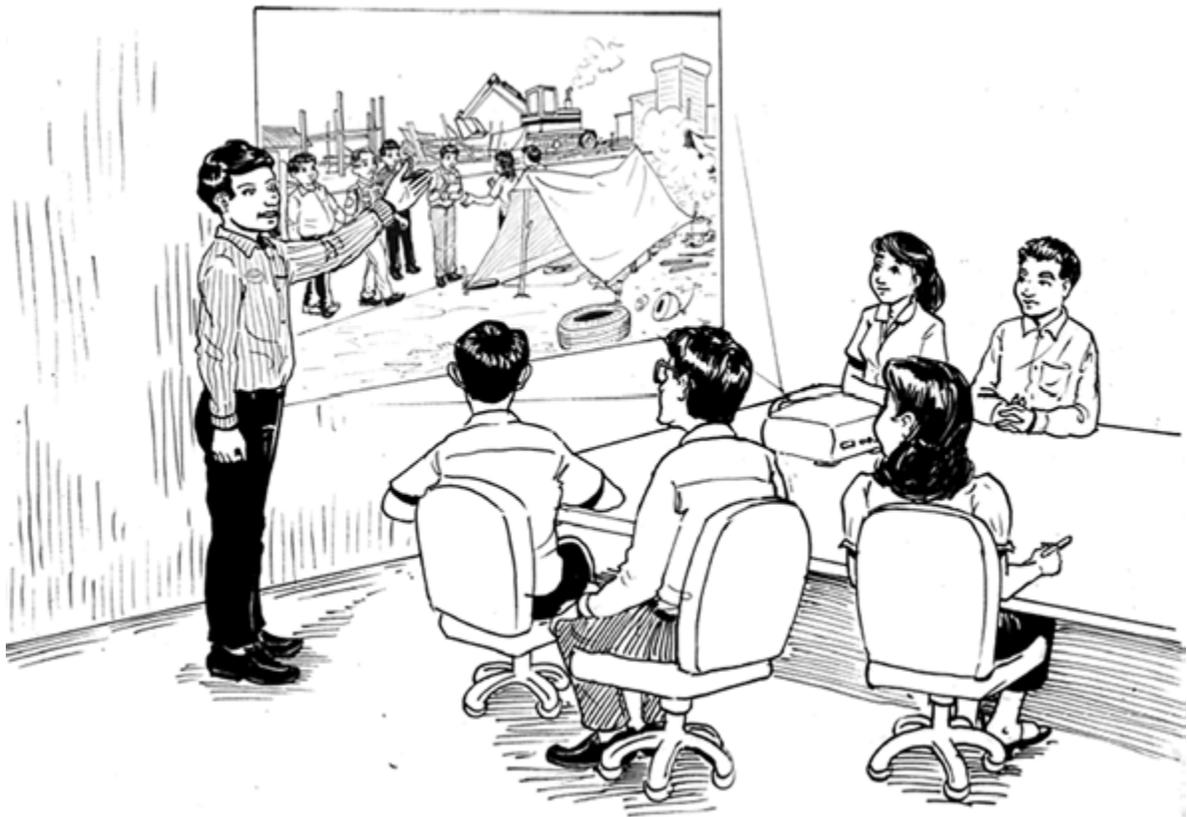
If the IFC financial intermediary client has not established a grievance mechanism and has not informed the affected community about it, it may be failing to respect the IFC Performance Standards. This is very common and should also be added to the list of problems.

4 Communicating directly with the IFC

The IFC has a responsibility to ensure that the companies it invests in are complying with the Performance Standards. It may therefore be a good idea to let the IFC know about the problems at the same time as you communicate with the company. If you inform the IFC, it may contact its client and let it know that it is monitoring the situation, which can be helpful. You can inform the IFC about the situation by sending a copy of the complaint letter for the grievance mechanism to the IFC, too. The IFC is likely to have an office in the capital city of your country and you can find the addresses and other contact details on the IFC

website. You can also send letters to the IFC headquarters in Washington D.C, USA. If it is difficult for you to send letters to the IFC office, you can ask a supportive NGO to help.

If you have tried to use the company grievance mechanism but your problem has not been solved adequately or quickly, you may want to write to the IFC and let them know you have not received an adequate response. You can ask them to ensure that the Performance Standards are respected by the company receiving IFC financial support. Your community may also decide to request a meeting with the IFC to discuss the situation in more detail. It can be helpful for IFC staff to meet community representatives face to face and listen to the experiences in person. This can be much more powerful than just a letter.



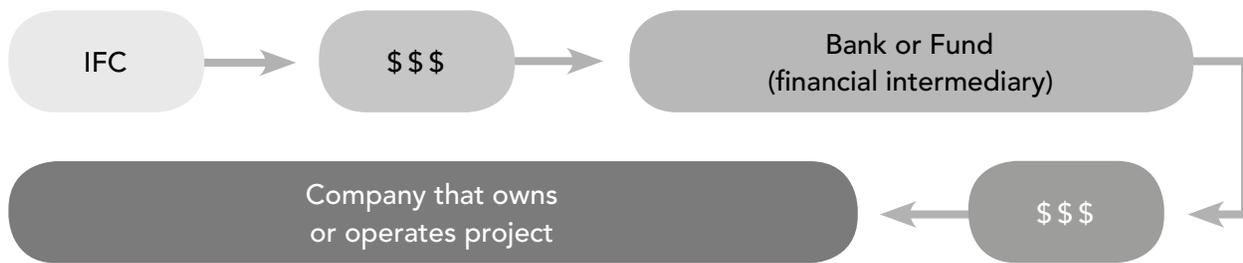
Here, a community representative is presenting the problems faced by his community to the IFC

If it is too dangerous or difficult to meet with the IFC in your country, you can ask for support from an international NGO that specializes in IFC advocacy to help you raise the problems with the project at IFC headquarters in Washington D.C.

The IFC sometimes plays a constructive role in helping communities. Other times, the IFC does not do enough. It may argue that it does not have

any responsibilities for the project or does not have much influence over the project. It is more likely to make these types of arguments if its financial support to the project is indirect, through a financial intermediary.

If this is the case, stronger advocacy will be required, including filing a formal complaint to the CAO.



5 The Compliance Advisor Ombudsman (CAO)

The IFC has an independent complaints mechanism called the Compliance Advisor Ombudsman. People who believe they have been harmed or will be harmed by an IFC-supported project can submit a formal complaint to the CAO.

The CAO is independent from the IFC. It reports directly to the President of the World Bank Group and its staff are not managed or supervised by the IFC. They do their job and make decisions about complaints without direction from the IFC. Therefore, even if the IFC has not responded adequately to your requests, the CAO may play a more constructive role in resolving the problems.

The offices of the CAO are based in a separate and secure area at the IFC headquarters in Washington, DC, USA. Complaints are usually submitted by email (CAO@worldbankgroup.org). Complaints can be written in any language and should clearly set out:

- Who the complainants are.
- The name and location of the project and the name of the company, if it is known.
- When the project is indirectly financed by the IFC through a financial intermediary, the complaint should also state who the financial intermediary is.
- The negative impacts the community is facing.
- The outcome the community wants.
- Whether you want your identity to be kept confidential by the CAO.

Preparing a complaint to the CAO

The CAO is very accessible. Complaint letters can be simple and the CAO does not require supporting evidence to be submitted along with the complaint.

However, if you submit a detailed and strong complaint with supporting evidence about the impacts your community is facing, and the IFC policies and Performance Standards that have not been respected, you are more likely to be successful for several reasons:

First, your community is more likely to be prepared to engage in the process with clear information about the facts and the impacts.

Second, if you give the people working at the CAO clear detailed information, they can do a better job of trying to resolve the problems or assess compliance with IFC policies.

Third, if you decide to use the compliance review function, the IFC tends to write defensive responses to complaints and deny that there are problems or that the impacts are their responsibility. It is harder for the IFC to do this if you write a strong clear complaint, supported by evidence.

You may decide it would be helpful to have an NGO with experience writing complaints help you draft yours. The CAO will accept complaints submitted by NGOs on an affected community's behalf, as long as there is proof of authorization of the community.

The CAO has two ways of dealing with a complaint, dispute resolution and compliance review.

5.1 Dispute Resolution

The CAO's Ombudsman is responsible for trying to help the complainants and the company resolve complaints through a jointly agreed process. This often involves negotiations between communities and companies with the assistance of a mediator.

A mediator is trained to facilitate discussions between the community and company and help them try to reach an agreement. Mediators must be neutral, meaning that they act fairly and do not favor any party to the negotiations.

Gaining power for negotiations

If the complainants decide to try negotiations, it is very important for them to prepare before the negotiation meetings begin. There is almost always a very big power imbalance between the affected community and the company, and negotiations will only be successful if the community is organized and strong and finds a way to gain more power in the negotiations.

The community can gain more power by:

- Getting organized and staying united, through regular meetings and selecting trusted representatives for the negotiation meetings.
- Agreeing on a strategy and goals for the negotiations.
- Doing other forms of advocacy if the company does not negotiate fairly.
- Identifying the best alternative strategy to use if negotiations fail, including transferring the complaint to compliance review, going to court, or media advocacy.
- Getting support from civil society organizations and networks.

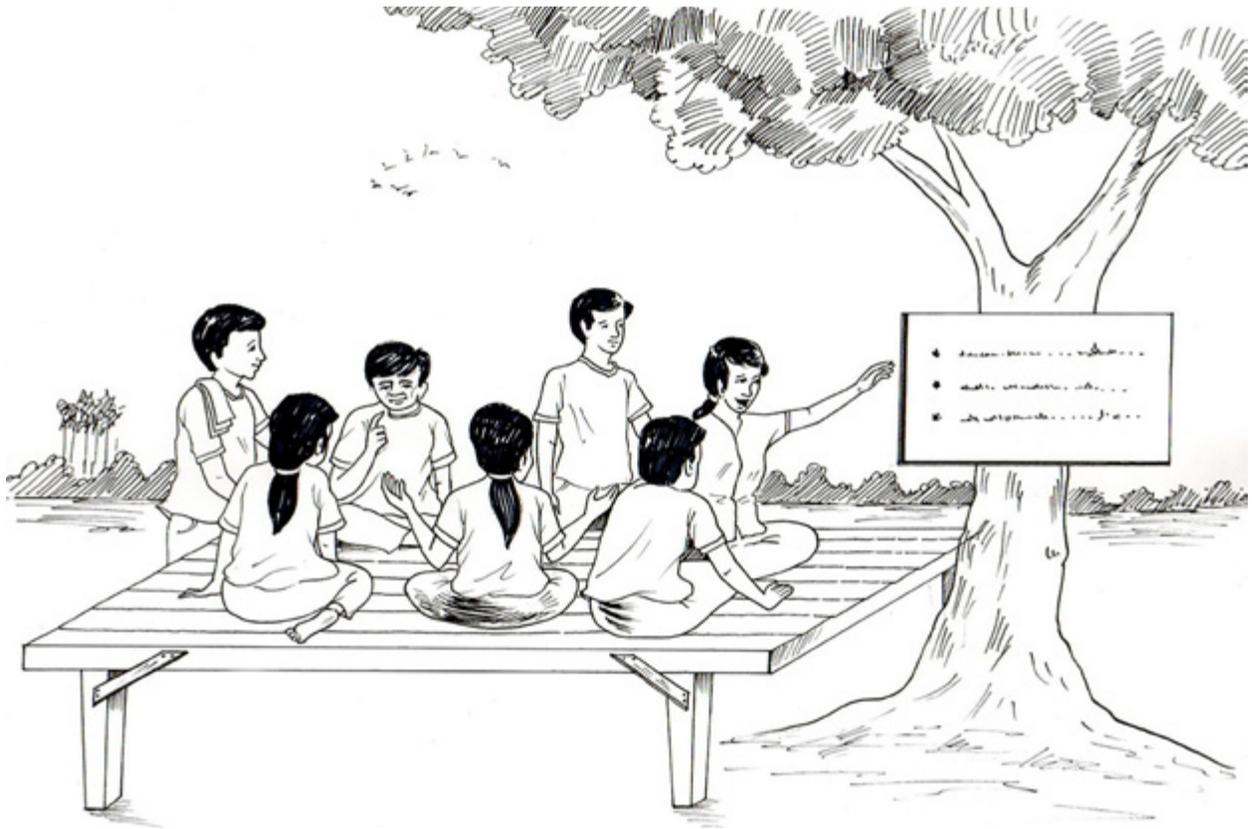
It is also important for the community to be aware that if there are many impacts and they are serious, negotiations usually take a long time, sometimes several years. The community needs to be prepared for this.

Negotiations and other forms of dispute resolution are only possible if the complainants and the company, and any other key parties involved in the case, agree to participate. The Ombudsman cannot force the parties to negotiate or reach an agreement.

The complainants can decide at the beginning or at any stage that they do not want to try dispute

resolution. This may be because they do not believe that the company will negotiate fairly or because they will not be able to negotiate freely without facing threats and intimidation.

If the Ombudsman decides that a voluntary dispute resolution process is not possible, including because the complainants do not agree to participate, it will transfer the case to Compliance Review.



Here, members of a community are discussing their negotiation strategy and goals

5.2 Compliance Review

The CAO's Compliance staff are responsible for assessing whether the harms that the complainants allege are caused by a failure of the IFC to ensure that its client company respects the Performance Standards, national laws or other requirements.

The first step in the process is to decide whether the concerns or impacts in the complaint are real and serious. If they are, the CAO will begin a full investigation. The CAO will try to verify the evidence of negative impacts, including by visiting the community as well as the company and its

project. It will also look at the policies of the IFC and whether they were followed.

When the CAO finishes its investigation, which can take more than one year, it releases a report. In the report, the CAO explains whether or not the IFC followed its own policies properly.

If the CAO finds the IFC did not comply with its policies, the IFC is supposed to prepare an action plan to fix the problems. The CAO monitors the situation until the action plan is implemented and the project respects the Performance Standards or other requirements.

Getting the IFC to prepare strong action plans to fix the harms

The CAO cannot force the IFC to prepare and implement a good action plan. Even if the CAO makes very strong findings that the IFC did not follow its policies and that this caused harm to the community, the IFC does not always prepare a good action plan that will fix the harms.

It is important to send letters and try to meet with the IFC, and the IFC's board of directors (which represent countries) to let them know about your case and what you expect from an action plan to fix the problems. You should explain clearly what the IFC-supported company must do to provide redress for the harms your community has suffered. This may include things like improving resettlement sites, returning land, replanting forests, repairing water sources and providing compensation.

It may also be a good idea to do media advocacy about the case and what the IFC and the company must do to redress the harms. The IFC is more likely to develop a good action plan, and the company is more likely to work with the IFC to implement the action plan, if you communicate clearly with them and place pressure on them through advocacy. It may be a good idea to ask an NGO with experience doing this sort of work to help you lobby the IFC and use the media.

The community should consider what other forms of advocacy may be effective in getting the IFC and the company to fix the harms, including local advocacy involving the government.



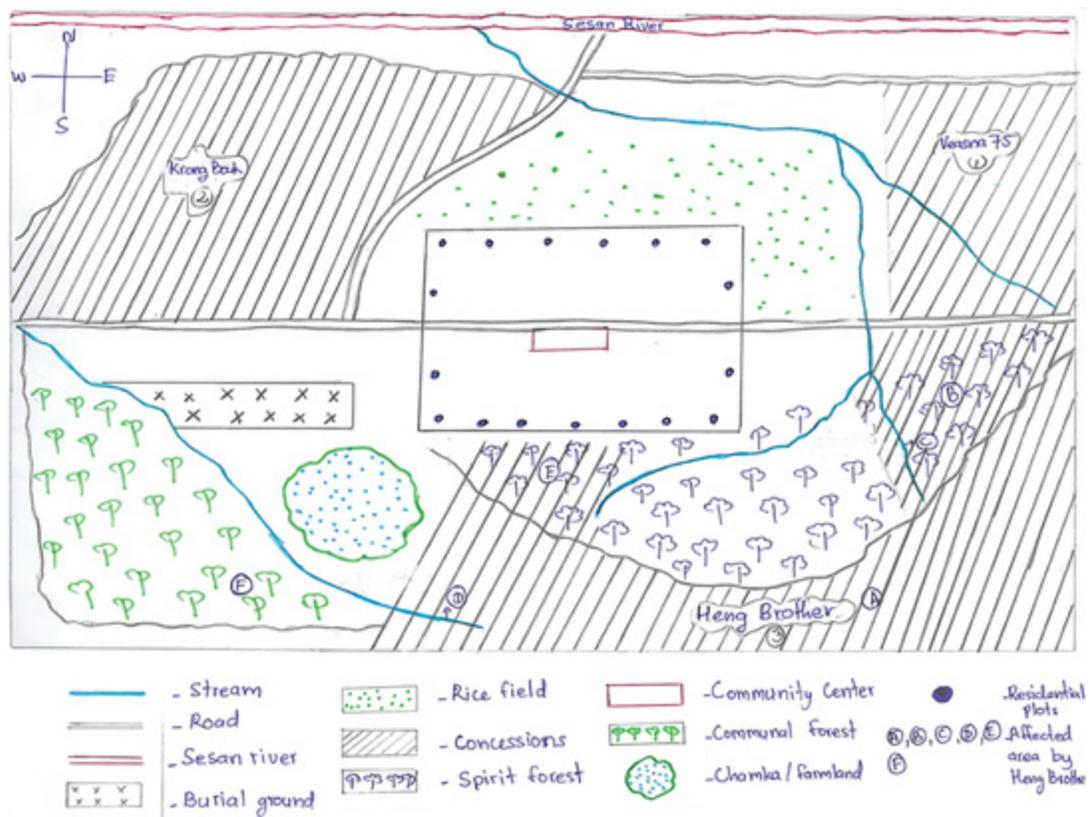
Here, a community is telling journalists what happened to their community

Handout – Lesson 5

Collecting evidence

There are many different ways to collect evidence of the impacts of the project on your community. For example:

- Holding community meetings to discuss the impacts and making a list of all the different impacts the project has caused.
- Selecting community interviewers to meet with individual households and groups, such as women, children and minority groups to discuss and write down the impacts that they have faced.
- Carefully watching the things that happen because of the project, and making a note of these.
- Recording all the important information, for example, by writing it down and taking photos or a video.
- Community mapping, by drawing the community's village, land and resources and the way the community uses the different areas, and then marking the areas that have been affected by the project.



Example of a community map showing the village and the areas where the company's three concessions are affecting their land and resources



The guide is an action resource for communities affected by projects funded by the International Finance Corporation of the World Bank Group.

The guide explains what the IFC Environmental and Social Performance Standards are and who is responsible for implementing them and making sure they are respected on the ground. Two of the Performance Standards, covering Involuntary Resettlement and Indigenous Peoples, are described in more detail, including their objectives, and the main protections and entitlements affected communities are supposed to receive. Lastly, the guide explains what affected communities can do if an IFC-supported project does not comply with the Performance Standards and causes harm. It discusses company complaint mechanisms, raising the issues directly with the IFC, and using the IFC's independent complaint mechanism, the Compliance Advisor Ombudsman (CAO).