

MANAGEMENT LED GRIEVANCE MECHANISM

A NEW IDB INVEST TOOL TO
ADDRESS ENVIRONMENTAL
AND SOCIAL GRIEVANCES
FROM PROJECTS

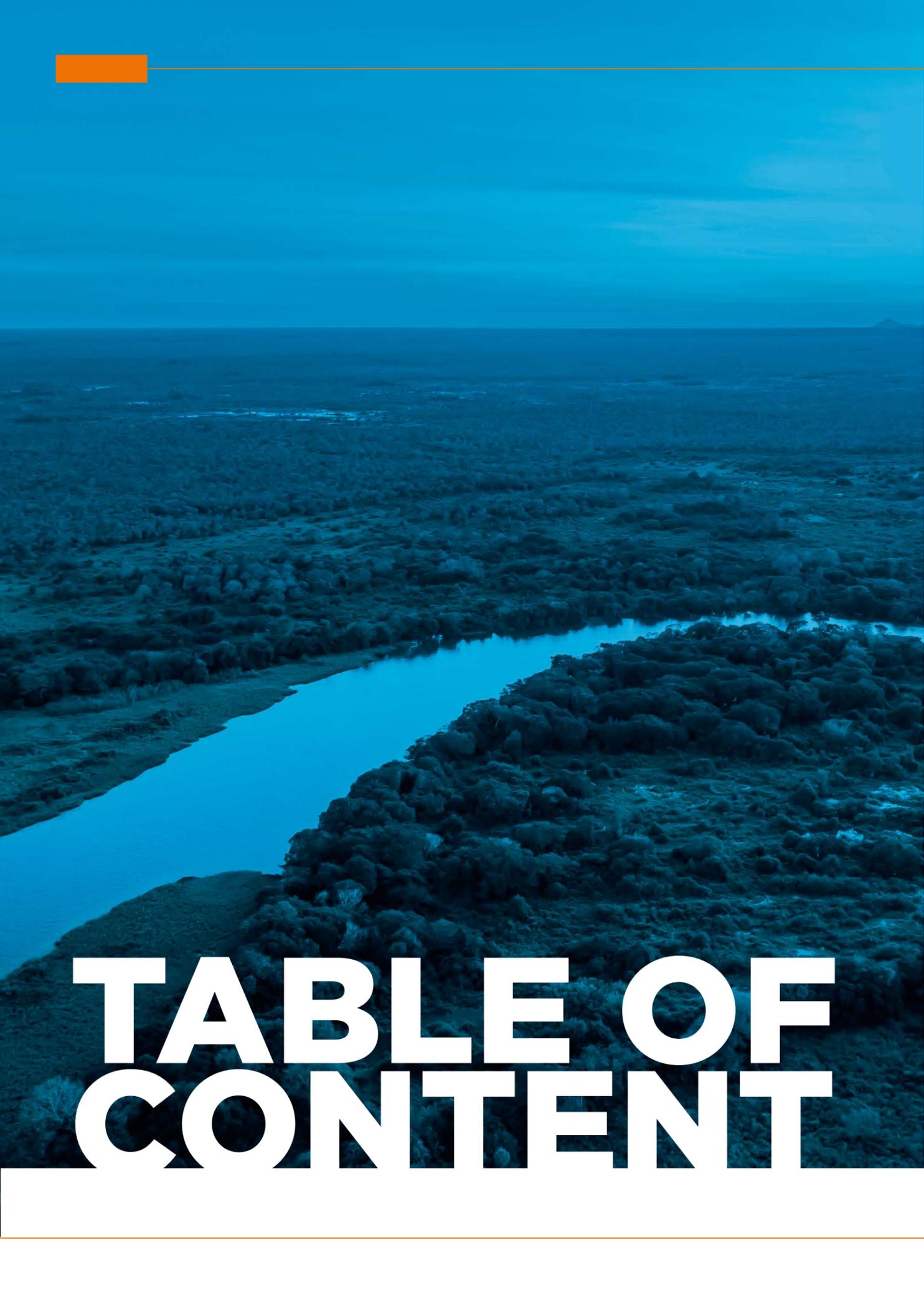


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LETTER FROM THE CHIEF RISK OFFICER



Rachel Robboy

Social inclusion, stakeholder engagement and accountability are the cornerstone of IDB Invest's projects. Since IDB Invest was instituted seven years ago, we have sought to further ways for key stakeholders to take part in part of project development and implementation. It gives me great pleasure to share one of the biggest steps in IDB Invest project inclusivity and stakeholder engagement to-date – the launch of IDB Invest's first-ever Management-led Grievance Mechanism (MGM).

This new tool for addressing social and environmental grievances complements IDB Invest's broader transparency and accountability agenda. It brings multiple benefits to projects and communities.

First, it serves as a direct channel to hear from communities and external stakeholders, seeking to accelerate the resolution of issues by liaising directly with clients for timely solutions. This allows risks to be discussed and mitigated before they escalate.

Second, the tool showcases a significant capacity-building component. IDB Invest clients must build out their in-house grievance mechanism capabilities to participate in IDB Invest projects. This strengthens their environmental and social knowledge and performance while mitigating the likelihood for unexpected risks throughout the project cycle.

Lastly, a focus on dialogue and trust underscore IDB Invest's new tool and its implementation. The MGM offers an intentional space for listening to project stakeholders, allowing IDB Invest and clients to understand our project beneficiaries' experience and context as well as broader trends and systemic issues in and beyond the project area. This allows for continuous learning and improvement to happen all the time, which is folded back into the project cycle and higher-level decision-making.

I want to thank project stakeholders, IDB Invest clients and MGM staff for taking on this new frontier with us. Change may not always be easy, yet with strong internal and external partners, it can foster progress and sustainability. We are proud to make more space for tools like the MGM that take us closer to our long-term vision of scaling up sustainable impact.

Thank you,
Rachel Robboy

The MGM brings multiple benefits to projects and communities

INTRODUCTION

The Management Grievance Mechanism (MGM) was created in December 2020 as part of IDB Invest's Sustainability Policy, becoming fully operational in May 2021 to serve individuals, communities and/or groups to submit **complaints and concerns** related to **environmental, social, or corporate governance issues related to projects** financed or being considered for financing by IDB Invest.

Between May 2021 and December 2022, the MGM has received ten grievances.

This report provides an overview of the MGM process and statistics, insights into the grievances received and handled, and the outreach activities conducted.

What is the MGM?

The MGM is a **channel for IDB Invest to manage complaints and concerns** received and to **propose timely solutions to address the concerns of stakeholders**. Solutions are reflected in action plans implemented by IDB clients and monitored by the MGM. Action plans will **address the issues of the grievance** and also represent an opportunity to **strengthen ESG sustainability** of clients.

INTRODUCTION

The MGM has received
10 grievances

Our objectives



Address grievances received by project affected people and communities



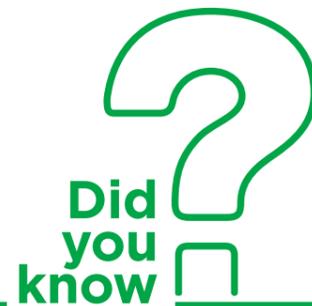
Strengthen ESG sustainability of clients

Who can file a complaint?

Anyone who is concerned about environmental, social and/or governance issues of a project financed or to be financed by IDB Invest. The MGM accepts grievances in all languages and formats.

What can be expected from the MGM?

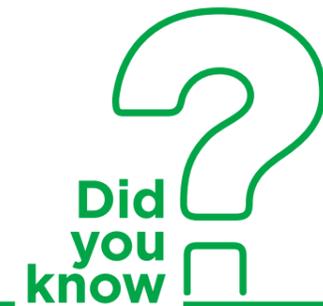
- We will reach out to you via your preferred means of communication.
- We will maintain your identity confidential if you fear retaliation for voicing your concerns.
- We will look for solutions to address your concerns in the context of the project and monitor agreed actions.
- We will guide you through the process and clarify any questions.



The MGM does not manage complaints regarding issues of fraud, corruption, ethics or similar issues. These are managed by other units within the IDB Group.

What information do you need to include in the complaint?

- The location of the project and the name, if known.
- The concerns you have related to the project, and your views on how it will impact the environment or social aspects.
- The best way to reach you.
- Supporting documentation and evidence is not necessary but may be helpful in reviewing and resolving the complaint.



The IDB Invest publishes information on all financed projects.

[YOU CAN FIND THIS HERE](#)

You can also make use of the online form to file your grievance.

[ACCESS IT HERE](#)

Outcomes of an MGM process



Grievance addressed



ESG sustainability strengthened



ESG client performance enhanced



Project level grievance mechanism strengthened

You can find more information on our process

[HERE](#)

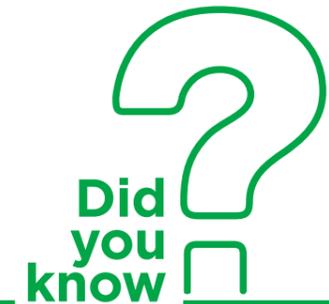


2022 A YEAR OF GROWTH

2022 - A YEAR OF GROWTH

The MGM celebrated its first anniversary in 2022. As the first grievance mechanism managed by IDB Invest, 2022 was a year of hard work focused on developing processes and procedures, starting outreach activities and consolidating the team, in order to strengthen the Mechanism's capacities to respond to project related grievances.

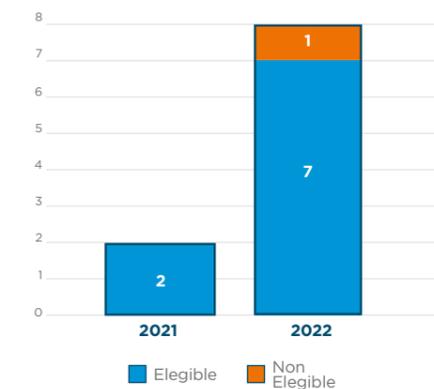
The MGM serves as a centralized channel within IDB Invest to receive and manage complaints about environmental, social and governance issues. As such, it provides valuable input regarding project-level issues that will enrich IDB Invest ESG risk management.



The MGM is part of an integral accountability system. Communities and project affected stakeholders have three options to submit complaints:

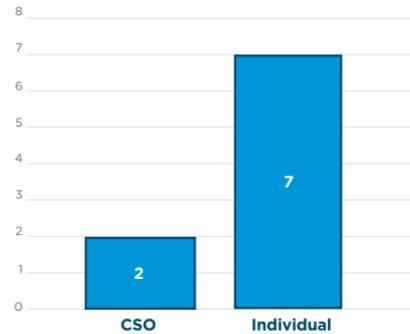
1. At project level, directly with the client
2. At Management level, with the MGM, and
3. At an independent level, through the Independent Consultation and Investigation Mechanism.

MGM statistics



Complaints received by the MGM

The number of complaints received since the inception of the MGM grew significantly. In FY21, the MGM received two grievances compared to eight in 2022. Nine cases were eligible.

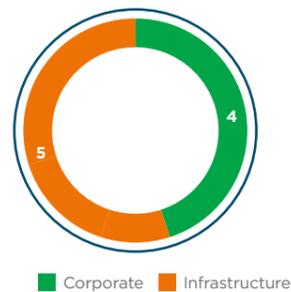


Number of Grievances by Stakeholder Affiliation

Of the nine eligible complaints received by the MGM in 2021 and 2022, seven were submitted directly by complainants and two were submitted by civil society organizations.

Cases by Location

Of the nine cases that were eligible, 33% were located in Brazil, and 22% in Uruguay. Four cases were related to high-risk projects¹.

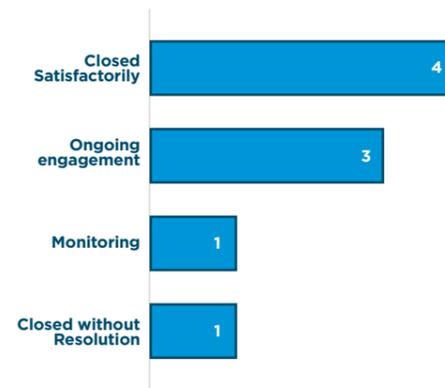


Cases by Sector

Five of the cases that were eligible were from projects from the infrastructure sector, and four were from the corporate sector.

Number of Grievances by Status

Four complaints were solved satisfactorily. One complaint was not satisfied with the results and filed a grievance to the MICI. The actions to solve the issues of one grievance are being monitored by MGM and three are currently under ongoing engagement, a process of active interaction to address concerns and issues presented in the grievance.



Number of Grievances by IFC Performance Standard

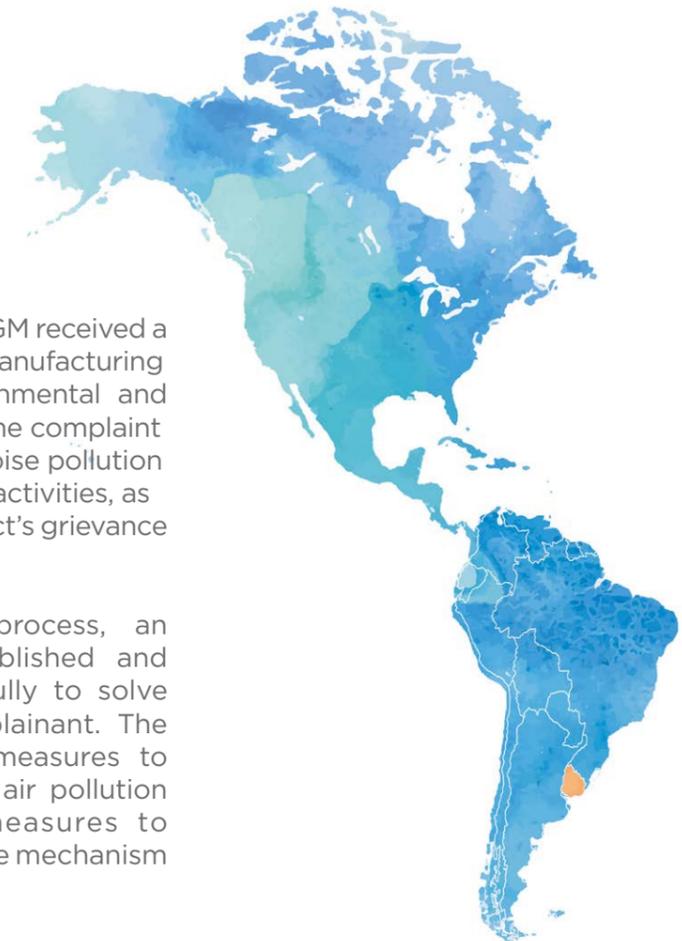
Five of the complaints received were related to issues with IFC's Performance Standard 1 on Assessment and Management of Environmental and Social Risks and Impacts, followed by four complaints related to Performance Standard 2 on labor and working conditions.

PS1 (Risk Management) PS2 (Labor) PS3 (Resource Efficiency) PS4 (Community) Others

Case example

In February 2022, the MGM received a grievance related to a manufacturing project with an environmental and social risk category B. The complaint was related to air and noise pollution caused by the project's activities, as well as flaws in the project's grievance mechanism.

Through the MGM process, an action plan was established and implemented successfully to solve issues raised by complainant. The Plan included direct measures to address the noise and air pollution issues, as well as measures to strengthen the grievance mechanism at project level.



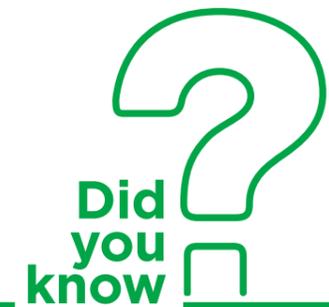
¹Classification according to IDB Invest Sustainability Policy

SOME INITIAL LESSONS

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Even though the MGM handled a small number of grievances so far, three initial lessons were identified:

- 1. Effective Grievance Mechanisms** established by clients (companies) are important tools to manage reputational and operational risks, ensure engagement with internal and external stakeholders and identify areas of improvement regarding environmental
- 2. Timely, accessible and complete disclosure of project information** are essential for a comprehensive risk assessment
- 3. Ongoing engagement processes** with stakeholders are key during the assessment of environmental and social impacts of a project, as they can ensure a more in-depth perspective of impacts on affected communities and actions needed to address them.



IDB Invest Sustainability Policy requires clients to establish project level grievance mechanisms. They need to be accessible to communities and workers.

The MGM fosters sustainable solutions to grievances received



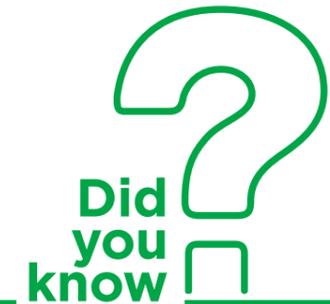
REACHING OUT TO YOU

REACHING OUT TO YOU

Creating awareness about the existence of MGM is paramount.

Several awareness raising measures were created for staff to be informed about the MGM and its potential to support resolutions of ESG concerns brought by external communities. The MGM disseminated the procedures to IDB Invest staff to raise awareness about the new function and role of the MGM to channel and to support the resolution of ESG related issues in projects.

In December 2022, the MGM conducted outreach with civil society organizations jointly with the grievance function of IDB and the Independent Consultation and Investigation Mechanism. The MGM team also produced an outreach video in English and Spanish, which was showcased during IDB Invest's Sustainability Week in June, and is now available via the MGM's website.



IDB Invest abides by robust environmental, social and governance standards as reflected in our Sustainability Policy. The policy Implementation Manual brings more details on the ESG standards.

[ACCESS IT HERE](#)

Check out the MGM material here



The MGM is managed by a team of seasoned environmental and social experts that believe in the importance of sustainable development and respect of human rights. The MGM team is available to explain the process and clarify any questions, as well as to receive concerns and complaints about projects financed – or to be financed – by IDB Invest. You can reach out to the MGM team by:



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