

IDB INVEST

MANAGEMENT GRIEVANCE

MECHANISM 2023

A YEAR IN REVIEW



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Chief Risk Officer**

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Letter from Chief Risk Officer



Rachel Robboy

The findings from our 2023 IDB Invest Management Led Grievance Mechanism (MGM) report are testament to the commitment that we have made to transparency and accountability in our organization. Since the MGM was established, the number of grievances it has managed has increased,

demonstrating the importance of having in place a channel through which to report concerns.

Our mission at IDB Invest is to improve the lives of people in Latin America and the Caribbean. As a member of the IDB Group, our comparative advantage lies in our ability to enable greater private sector participation in the development of our region. We play an important role in seizing opportunities and helping the region deal with challenges by connecting the significant and diverse development needs of each country with global impact investors.

To achieve this mission, we are making greater strides to ensure that our projects meet a set of criteria that do not negatively impact people and the communities in which they live. We are committed to supporting operations that can sustain their economic, social, and environmental performance. The overall aim is to generate benefits for the company, its investors, and the communities where they operate, with sustainability at its core.

At IDB Invest we rigorously apply the high standards outlined in our Sustainability Policy in all our partnerships. Before and during our operations, we request that our clients systemically identify environmental and social risks, and take concrete action to address them. We then continue to monitor compliance with these actions, supporting clients as needed in any remedial actions. Since 2021, we have put in place a channel to listen to and address concerns of people and communities on negative impacts associated with projects that IDB Invest is financing or considering for financing. The MGM seeks to propose timely solutions in partnership with external stakeholders.

In 2023, the MGM handled grievances from individuals and communities from seven countries and responded swiftly to support their resolution – always ensuring affected communities were at the center of the solution process. Complaints received in 2023 included concerns related to labor rights, compensation, and inadequate

stakeholder consultation. By drawing on its casework, the MGM served as an early warning tool for project teams and an effective instrument to strengthen environmental and social performance of projects.

Our MGM team has taken significant steps to increase outreach efforts and create awareness of the Mechanism among internal and external stakeholders. Our goal is to support greater awareness by investing in continued knowledge dissemination. Social inclusion, active stakeholder engagement and grievance redress are important components of our vision at IDB. They ensure the participation and involvement of affected and interested stakeholders in the development process. This second annual MGM report shows the power of collaboration between project stakeholders and IDB Invest clients in problem solving. It also highlights lessons in environmental and social risk management.

Rachel Robboy

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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. The MGM is a channel for individuals, communities, and groups to submit complaints and concerns around environmental or social issues related to projects financed or being considered for financing by IDB Invest. The MGM has three main objectives:

- A** | Provide effective and timely responses to grievances
- B** | Enhance project's environmental and social management systems
- C** | Generate lessons learned

The MGM works proactively and collaboratively with IDB Invest's project teams, complainants, clients, and other stakeholders to reach solutions to environmental and social issues. It also provides input to the institution to continue enhancing its environmental and social processes.

This report provides an overview of the MGM statistics, lessons resulting from the grievances received and managed in 2023, and outreach activities conducted.



Eligibility of complaints

Within 5 days, the MGM conducts a quick review to verify if the complaint is related to an existing or potential IDB Invest operation and if it refers to the environmental and social performance of the project.

When issues relate to ethics, corruption or integrity, the MGM forwards the grievance to the relevant office at the IDB Group. When issues are related to Access of Information, it will be forwarded to the Transparency Hub. Complainants will be informed about the results of the eligibility.

Did you know?

IDB Invest has a grievance ecosystem: It requires clients to establish a project level grievance channel. In addition, at management level it has the MGM and, as a last resort, the Independent Consultation, and Investigation Mechanism ([MICI](#)).



Assessment

When a complaint is considered eligible, the MGM team conducts an assessment to better understand the grievance, as well as contextual relevant information and the status of the project. During this phase, the MGM officer reaches out to the complainants and project teams and presents possible solutions that are presented for the parties for consideration and discussion.



Solution & Monitoring

A response with concrete actions is proposed to the Complainant. The solution is based on a dialogue with all relevant stakeholders and supported by the project team interactions with the client. If accepted by the Complainant, the action implementation will be monitored by the MGM for a specific time frame until closure.

When issues of the grievance cannot be addressed with concrete actions, the MGM can propose an ongoing engagement process with the complainant and keep an active dialogue around the concerns presented.

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2023 - A year in review

Grievances Managed

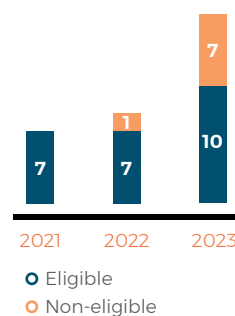
2023 marked the second year of operation of the MGM. Compared to the previous year, the number of grievances doubled. The increase of grievances seems to be connected to a rise in outreach and awareness activities presenting the MGM to external stakeholders and IDB Invest staff.

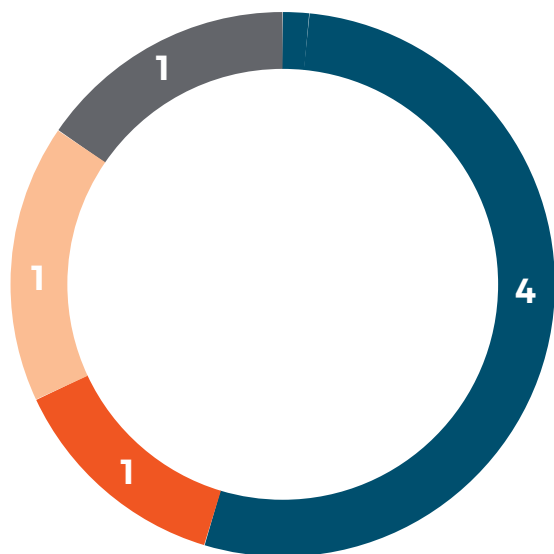
In 2023, the MGM managed a total of 21 complaints, 17 received during the year and 4 carried over from the previous year.

Out of 17 grievances received, 10 were eligible and 7 ineligible. The reasons for ineligibility are mainly related to projects not being financed by IDB Invest.

Of all eligible grievances received in 2023, seven were closed throughout the year. Four of them were closed satisfactorily after the completion of an Action Plan or a successful ongoing engagement process. One complainant was not satisfied with the resolution offered by the MGM and decided to file the grievance with MICI. One complaint was considered not actionable for the MGM, as it was related solely to access to information matters, so it was transferred to the Transparency Hub and addressed in the scope of the Access to Information Policy. One complainant decided not to continue the process and dropped the grievance.

Grievances received
by the MGM





- Closed satisfactorily
- Closed without resolution (went to MICI)
- Grievance dropped
- Not actionable

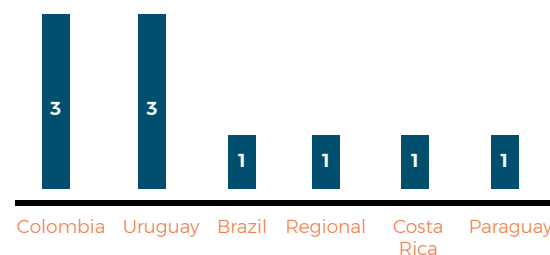
At the end of year 2023, seven cases remain active: three are being assessed, three are under monitoring and one is in ongoing engagement process.

Did you know?

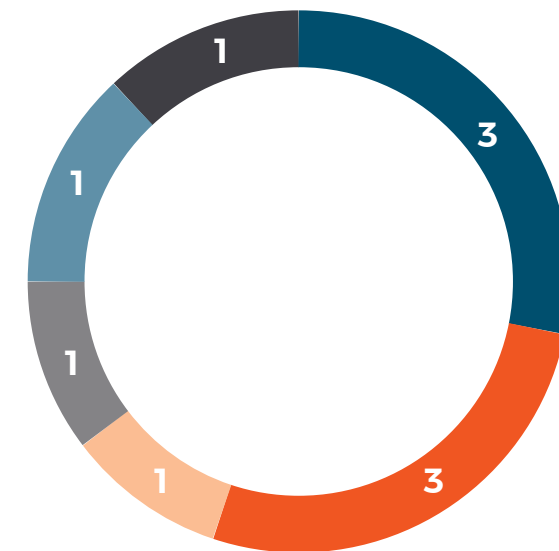
Ongoing engagement is an active dialogue process facilitated by the MGM for grievances where no concrete actions are feasible. For example, when projects have not yet been approved by the Board of Executive Directors but is being considered for financing. Ongoing engagement processes can involve informative meetings and updates, two-way dialogue and other actions, depending on the case at hand.

B. Cases by Geography and Sector

Eligible complaints received were mainly related to projects based in Colombia and Uruguay, and were mostly filed by individuals, rather than Civil Society Organizations (CSOs). No grievances were recorded in the Caribbean Region.



The majority (60%) of eligible grievances received during 2023 involved IDB Invest projects in energy and transportation. The remaining eligible complaints received where projects in the agribusiness, corporate, infrastructure and manufacturing sectors.



- Energy
- Transportation
- Agribusiness
- Corporate
- Infrastructure
- Manufacturing

In terms of ESG Category, half of the grievances received were Category B, followed by 43% of Category A and 7% of Category C.¹

¹ Category A: activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented. Category B: activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures. Category C: projects with minimal or no adverse environmental or social risks and/or impacts.

C. Key Topics and Emerging Trends

Client grievance mechanism

One recurring topic found in many grievances was the need to strengthen the project's own grievance mechanism. There should be channels to flag issues early on and allow the project team to address complaints directly. Institutional buy-in and adequate resources are needed to develop an effective and safe grievance channel that is accessible to the client's workers and other external stakeholders. Apart from flagging important reputational and operational risks, grievance channels help clients to strengthen E&S performance.

In 75% of the grievances closed successfully there was enhancement to the project grievance system, such as better accessibility, clearly disseminated procedures, and confidentiality protection. If problems are flagged early, the client can ensure systematic management that prevents escalation.

Land acquisition and compensation

Livelihood concerns, opposition from landowners and potential dissatisfaction with the compensation are common challenges in projects that involve land acquisition, commonly seen in transportation and energy projects. Differing interpretations around compensation entitlements under national, state, and local laws and IDB Invests requirements, as well as expectations by landowners and affected communities were elements of many grievances received by the MGM.

The MGM has been facilitating knowledge exchange between project teams and complainants and coordinating information sharing regarding local litigation around land compensation. Some complainants, unsatisfied with the proposed solutions, looked for IDB Invest last resort mechanism.

Labor and working conditions

Three grievances received during 2023 touched on concerns around labor and working conditions. One complainant felt that conditions for workers were not safe due to lack of access to medical care on the construction site. Another alleged unfair treatment by the supervisor, inadequate extended working hours and mistreatment. Finally, another complainant mentioned difficulties for workers to organize freely, and inadequate enforcement of labor standards.

In response, IDB Invest worked with its clients to enhance human resources policies and implementation measures (including better access to medical services for workers) and guide the project in developing grievance mechanisms that were accessible, confidential, and effective.

Retaliation risk

In three grievances, the complainants mentioned fear of retaliation for presenting the complaint. In such cases, the MGM verified if the complainants want to keep their identity confidential, and managed expectations around the scope of actions. Additionally, the MGM ensured that future interactions with project teams and clients is acceptable for the complainant. Finally, as a best practice, complainants were informed about institutions and organizations that work on directly supporting individuals and organizations with fear of retaliation. Clients are always reminded of the zero-tolerance principle of IDB Invest.

Did you know?

As presented in our [Sustainability Policy](#), IDB Invest does not tolerate retaliation, such as threats, intimidation, harassment, or violence, against those who voice their opinion or opposition to IDB Invest financed projects. IDB Invest takes seriously any credible allegations of reprisals. When complaints of this nature are raised, IDB Invest aims to address them within the scope of its mandate.

Other topics

Grievances were also related to specific impacts such as noise pollution from trucks required for the project's expansion, impact to the structure of a house due to the construction works and mosquito proliferation resulting from water management. These grievances required in-depth technical analysis and customized solutions.

Continuous monitoring of actions proposed by the MGM is fundamental to ensure that grievances are being effectively addressed.

Did you know?

IDB Invest, jointly with IFC, published a Good Practice Note for the Private Sector: Addressing the Risks of Retaliation Against Project Stakeholders to support the private sector in efforts to address the risks of retaliation against project-impacted stakeholders. You can access it [here](#).



Lessons learned & reflections for the year

1

Most complaints received by the MGM are filed by individuals.

The MGM seems to be an effective problem-solving tool for individuals, such as project neighbors, workers, family members who want timely responses to their concerns.

2

Ongoing engagement is a useful tool for projects in appraisal.

Grievances can also be received when a project is still being analyzed for approval, in which cases an ongoing engagement process is activated by the MGM. This process has shown itself to be useful for stakeholders who want to present their concerns which then feed into the analysis performed as part of environmental and social due diligence. Active dialogue with affected and interested parties is key for project enhancement, even when concrete actions are not possible prior to project approval.

3

All grievances point to the opportunity to improve project's grievance mechanisms.

In every grievance received through the MGM it was valuable to review the project's grievance mechanism. As established in IDB Invest's Sustainability Policy, all financed projects should have accessible, trustworthy, effective grievance channels available for workers and communities.

4

Personalized attention is key to understanding the complaint and providing solutions.

All grievances received by the MGM are assessed by the team with care and attention. The MGM actively engaged with complainants in the most accessible and safe manner. A thorough understanding of the issues being raised, as well as the context and the status/phase of the project provide valuable information to allow for effective solutions.

5

Most complaints are related to projects with high and substantial risk.

These projects are already being regularly supervised by project teams, which involve site visits and review of project related documentation. The MGM provides an additional venue to flag risks and address environmental and social concerns institutionally, in collaboration with project teams and clients.

Did you know?

IDB Invest has a [Transparency Hub](#) that gathers, in a single place all relevant information and links of our organization and projects. In accordance with the Access of Information Policy, the Transparency Hub provides a [channel](#) to request information or documents in our operations and activities.

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Reaching out to you

CSO Outreach

Creating awareness about the existence of MGM is paramount. In 2023, the MGM conducted a series of outreach activities with external stakeholders, including meeting with CSOs in Mexico and Chile, and attending the Regional Forum for Business and Human Rights. The MGM team took part in capacity building activities invited by the Independent Consultation and Investigation Mechanism (MICI) to clients in Peru and Ecuador, and held a dissemination virtual session (in Portuguese, Spanish and English) to interest stakeholders such as CSOs, academia, governmental agencies and indigenous leaders.

Knowledge sharing with multilateral institutions

In addition, the MGM worked closely with other multilateral organizations around Management-Led grievance mechanisms. Aiming at exchanging knowledge on best practices on grievance redress, the MGM partnered up with the International Finance Corporation (IFC) to host a two-day workshop with sister organizations from the World Bank, the Inter-American Development Bank (IADB), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA) about best practices for addressing environmental and social grievances.

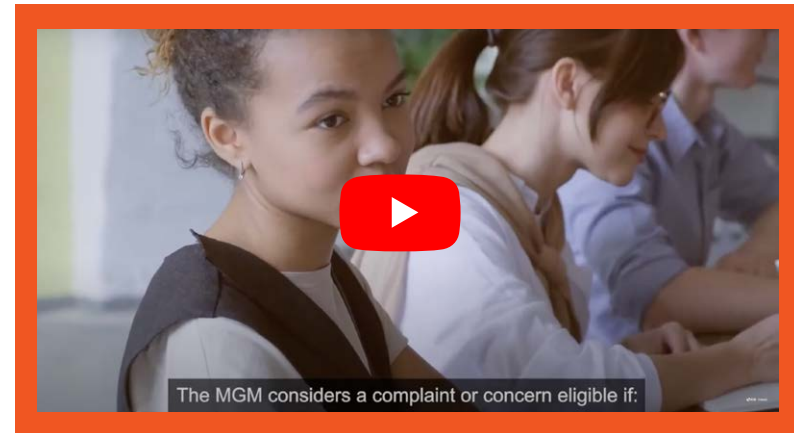
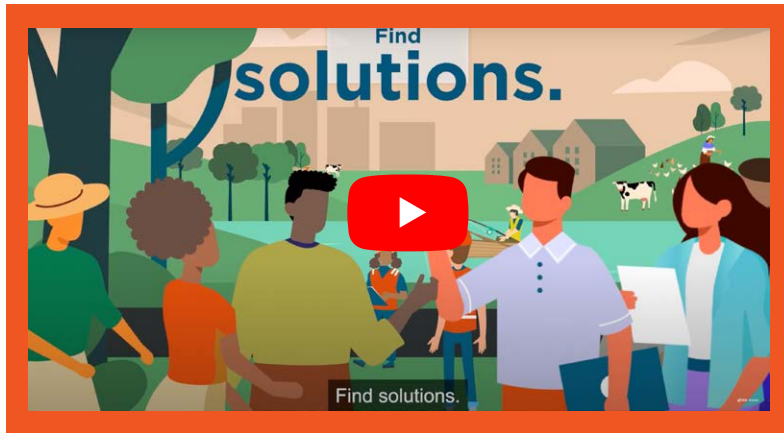
Staff outreach

Internal sessions to create awareness and strengthen the understanding of the grievance function were key to discuss the effectiveness of the MGM, which is a collaborative process involving staff from different areas within IDB Invest both in Headquarters and in the Region.

Check out our informative material [here](#).

Did you know?

The Interamerican Development Bank also has a grievance channel available for affected communities and individuals in regard to IDB financed projects. You can reach out to them [here](#).



<https://idbinvest.org/en/transparency-hub>



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