



ENVIRONMENTAL AND SOCIAL GRIEVANCE REDRESS MECHANISM ESGRM

ANNUAL REPORT 2023
CORPORATE RISK DEPARTMENT (GCR)
ENVIRONMENTAL, SOCIAL, AND CLIMATE RISK UNIT (URASC)

CAF DEVELOPMENT BANK
OF LATIN AMERICA
AND THE CARIBBEAN

Executive Summary

The Environmental and Social Grievance Redress Mechanism (ESGRM) serves as a non-judicial platform providing individuals and communities with an accessible and supplementary resource for raising concerns with CAF—development bank of Latin America and the Caribbean—about environmental and social issues related to operations funded by the bank.

Launched in April 2023, it offers affected individuals and communities a dependable and accessible channel for voicing their concerns. Moreover, it has proven to be an effective tool for enhancing transparency and accountability in CAF-funded operations.

As part of its outreach strategy, ESGRM has a web-based sub-portal in Spanish, Portuguese, and English, hosted on CAF's institutional homepage. The sub-portal provides detailed graphic information in all three languages, seeking to allow stakeholders to explore ESGRM's conceptual framework, scope, and operations in greater depth and better understand all of its aspects. It also includes an online form for filing a complaint. To date, the portal has attracted over 2,656 visits, reflecting significant interest from the public.

During 2023, ESGRM received five (5) complaints, one of which was confidential. Complaints were handled through a case management system that ensured timeliness, efficiency, and transparency. However, none of these

five (5) complaints progressed beyond the eligibility review, as they either lacked the minimum required information for analysis or fell under one of the exclusions established by the rules that regulate the mechanism.

The progress achieved in 2023 with the implementation of this mechanism and the training of the team responsible has laid the foundation to expand its scope in 2024. ESGRM's growth will be achieved through: (i) an increased dissemination and training efforts to raise awareness of ESGRM across all CAF-financed operations, and (ii) the development of a guide to implement similar mechanisms at the project level, which will strengthen the capabilities of project executors and thus, ensure both the success and sustainability of the implemented mechanisms.



INTRODUCTION

As part of implementing the Access to Information and Institutional Transparency Policy (PAITI), CAF designed and launched the Environmental and Social Grievance Redress Mechanism (ESGRM) in April 2023. ESGRM aims to address and manage the complaints or concerns from individuals or communities about potential negative impacts of CAF's operations on them or the environment, while also fostering mutual trust with communities and other stakeholders involved or affected by the course of the Bank's projects.

This Annual Report marks ESGRM's first year of operations, reflecting the positive reception this initiative has received. In 2024, the focus will remain on outreach efforts to disseminate the nature, scope, and procedures of the mechanism. This is expected to lead to greater awareness and wider use at the operational level.

Within the framework of a continuous improvement program, we expect to identify shortcomings and areas for further development. We will make the necessary adjustments to increase awareness of the mechanism and optimize its effectiveness, in an effort to open up a lasting channel for dialogue with the people and communities impacted by CAF's operations. Additionally, we see it as a

source of information for constructive feedback and refining environmental and social management processes regarding our operations.

In summary, ESGRM stands as a key instrument to:

- Strengthen CAF's transparency and accountability;
- Improve relations with communities potentially impacted by CAF-financed projects;
- Increase trust among investors and society in CAF's capacity for sustainable management;
- Contribute to the achievement of the sustainable development goals (SDGs).

With ESGRM fully implemented, CAF reaffirms its commitment to becoming the green bank of Latin America and the Caribbean.

Corporate Risk Department

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INTRODUCING ESGRM

Through ESGRM, CAF provides citizens and stakeholders with a communication and participation channel to address and manage concerns or complaints about potential adverse environmental and social impacts caused or that could be caused to individuals, communities, or the environment during the implementation of operations financed by our institution.

ESGRM is free of charge and confidential. It addresses the issues of gender, inclusion, and diversity, together with traditional environmental and social considerations, in a cross-cutting manner, with the support of experts in these areas. This approach ensures that complaints on these issues are handled confidentially and with the comprehensive attention they require.

Through ESGRM, CAF seeks to reinforce its commitment

to sustainability and equity, fostering a fairer, inclusive, and diverse work environment within the scope of our projects.

ESGRM's functions include:

- Receiving, assessing, managing, and responding to complaints about environmental and social impacts caused by our financed operations;
- Promptly identifying, preventing, and mitigating any tensions that may arise or escalate in connection with these complaints; and
- Strengthening the management of environmental, social, and gender risks in operations.

Complaints filed with ESGRM are handled in three (3) stages:



The issues under a complaint can be approached from two perspectives: (i) conflict resolution, aimed at promoting a process of rapprochement and voluntary dialogue between the parties, leading to a satisfactory resolution for them; (ii) compliance verification, designed to conduct a process for verifying compliance with the requirements under CAF's Environmental and Social Safeguards, the country's environmental and social standards, and any agreements that may have been reached along the process.



ESGRM IN 2023

ESGRM was launched in April 2023. Throughout the year, efforts focused on designing, implementing, and reinforcing the mechanism. Key developments included designing robust methodology approaches, establishing a dedicated team, and creating effective channels for communication and raising awareness. These initiatives have been instrumental in ensuring that ESGRM operates efficiently and meets its objectives.

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In its first year, the website was well received, with more than 2,656 sessions and 1,826 unique users, averaging nine daily users. These metrics highlight the growing community interest in ESGRM, confirming its effectiveness as a direct communication channel.

The ESGRM website, available in Spanish, Portuguese, and English, has been the cornerstone of our outreach strategy. With its intuitive design and clear content, the platform provides detailed information about the mechanism, including an online form for filing complaints.





In addition, a Motion Design explanatory video was produced in Spanish, Portuguese, and English, providing a clear and concise explanation of ESGRM's scope and objectives. This audiovisual material has been widely shared through the web page.

During 2023, the ESGRM team's capabilities were strengthened through virtual courses delivered by institutions with extensive experience in managing such mechanisms. This specialized training has been instrumental in ensuring relevant, comprehensive, timely, and effective handling of complaints.

In parallel, an online case management system was implemented that enables detailed tracking of each complaint from receipt to resolution. This system has optimized internal processes and increased transparency in complaint management.

The combination of specialized training and the introduction of a case management system has significantly improved ESGRM's capacity to address complaints efficiently and equitably, thereby reinforcing trust among communities and stakeholders.

MANAGEMENT OF COMPLAINTS FILED IN 2023

In 2023, the ESGRM's case management system handled five (5) complaints, with four (4) complainants waiving their right to confidentiality. After a thorough eligibility assessment, it was concluded that the complaints did not meet the established criteria and/or triggered one of the exclusions outlined in the ESGRM's operating manual.

ESGRM record 001

Operation name	Implementation of the Lujan river basin integral management plan project - Phase II	Location	Municipality of Lujan. Province of Buenos Aires. Argentina.
Date of registration	May 1, 2023	Status	Ended on June 20, 2023
Complainant	A representative of a civil association		
Complaint	Alleged violation of the complainant's property rights		
Mechanism actions	<p>After a review of the documentation filed by the complainant, the case was determined to be ineligible under ESGRM, as it fell under one of the exclusions defined by the mechanism:</p> <p>(i) The issue raised in the complaint was already under review within the framework of a judicial/administrative process in the country where the operation was conducted.</p> <p>Furthermore, the complaint did not meet one of the requirements for filing:</p> <p>(ii) The complainants had not contacted the project's Complaints and Grievances Mechanism (CCM)</p> <p>The Complainant requested that ESGRM reconsider the case. However, according to the ESGRM's manual, it was determined that the decision would not be revisited and that it was inappropriate to redirect the complaint to another mechanism within the Institution.</p>		

ESGRM record 002

Operation name	Implementation of the Lujan river basin integral management plan project – Phase II	Location	Municipality of Lujan. Province of Buenos Aires. Argentina.
Date of registration	May 1, 2023	Status	Ended on June 20, 2023
Complainant	Natural person		
Complaint	Alleged violation of the complainant's property rights		
Mechanism actions	<p>After a review of the documentation filed by the complainant, the case was determined to be ineligible under ESGRM, as it fell under one of the exclusions defined by the mechanism:</p> <p>(iii) The issue raised in the complaint was already under review within the framework of a judicial/administrative process in the country where the operation was conducted.</p> <p>Furthermore, the complaint did not meet one of the requirements for filing:</p> <p>(iv) The complainant had not contacted the project's Complaints and Grievances Mechanism (CCM)</p>		

ESGRM record 004

Operation name	Construction of the Santa Cruz – Las Cruces – Buena Vista highway	Location	Municipalities of La Guardia and Porongo in the Province of Andrés Ibáñez and Municipality of Buena Vista in the Province of Ichilo. Department of Santa Cruz
Date of registration	September 11, 2023	Estado	Finalizado el 10/11/2023
Complaint	Project impact on the Natural Heritage Conservation Unit (UCPN), Güendá – Urubó.		

Mechanism actions	<p>After a review of the documentation submitted by the complainant, the case was determined to be ineligible under ESGRM, as it failed to meet one of the preliminary requirements necessary for submitting a complaint:</p> <p>(i) The complaint lacked the minimum or relevant technical information necessary to enable a viable analysis.</p> <p>ESGRM asked the complainant to send additional documents to reassess the eligibility of the complaint. Since there was no response, the complaint could not be processed. Therefore, ESGRM considered the matter concluded and the case closed.</p>
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ESGRM record 005

Operation name	Construction of the Santa Cruz - Las Cruces - Buena Vista highway	Location	Municipalities of La Guardia and Porongo in the Province of Andrés Ibáñez and Municipality of Buena Vista in the Province of Ichilo. Department of Santa Cruz
Date of registration	October 6, 2023	Status	Ended on November 10, 2023
Complaint	Filing of a timeline of events leading to social protest in the Department of Santa Cruz de la Sierra against the construction of the Santa Cruz - Las Cruces - Buena Vista highway project.		
Mechanism actions	<p>After a review of the documentation submitted by the complainant, the case was determined to be ineligible under ESGRM, as it failed to meet one of the requirements for filing a complaint:</p> <p>(i) The complaint did not include the minimum or relevant technical information necessary to enable a viable analysis. No formal claims, complaints, or demands were presented within the narrative of the situations described.</p> <p>ESGRM asked the complainant to send additional documents to reassess the eligibility of the complaint, along with a clear description of the concerns or demands related to the project's environmental and social impacts.</p> <p>Since there was no response, the complaint could not be processed. Therefore, ESGRM considered the matter concluded and the case closed.</p>		

Additionally, in 2023, ESGRM received only one complaint with a request for confidentiality. After review, the complaint was determined to be ineligible, as it was unrelated to the operation's environmental and social impacts. It is worth highlighting that ESGRM guarantees confidentiality for all complainants.

CONCLUSIONS

While most cases did not qualify for formal handling by ESGRM, the information submitted by complainants enabled the creation of analysis and feedback spaces to gain insights into potential causes behind each complaint and identify opportunities to work proactively to prevent the recurrence of similar situations..

Looking ahead, when the volume of cases grows, we will leverage these reflections to inform and improve our approach to managing environmental and social risks in operations. This, in turn, will enhance the quality of our project design and implementation and foster more transparent and harmonious relationships with communities.

This initial design and implementation phase helped improve CAF's internal culture by reinforcing ESGRM as a key communication channel with stakeholder communities and as a tool to:

- Fulfill the principles and commitments under the Access to Information and Institutional Transparency Policy (PAITI);
- Channel community concerns in a transparent, fair, and equitable manner;
- Streamline technical, administrative, and strategic criteria for complaint management;
- Prevent fragmentation and duplication of efforts, ensuring that complaints are handled consistently and effectively.

As for ESGRM's evolution in 2024, the external outreach strategy will continue to be implemented. Financing contracts will now include a requirement to raise awareness of ESGRM in all CAF-funded operations. In addition, efforts will be made to support clients and executing agencies in developing project-level mechanisms to address claims and complaints. This initiative will focus not only on producing guidelines but also on strengthening and building the capabilities needed to ensure these mechanisms are effective and sustainable.

Additionally, the development of materials and resources is planned to enhance knowledge on conflict management and resolution, as well as the handling of cases related to gender-based violence and discrimination.

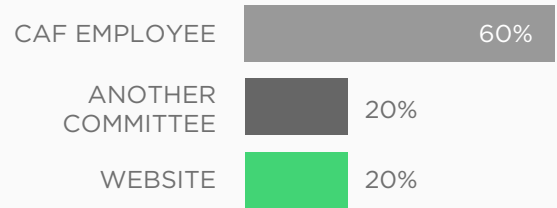
PERFORMANCE INDICATORS

The complaints recorded in 2023 were submitted to ESGRM through various channels: three were referred by CAF employees who were approached by complainants in different settings, one was forwarded by the Committee on Prohibited Practices, and the remaining complaint was submitted directly by the complainant via the online platform.

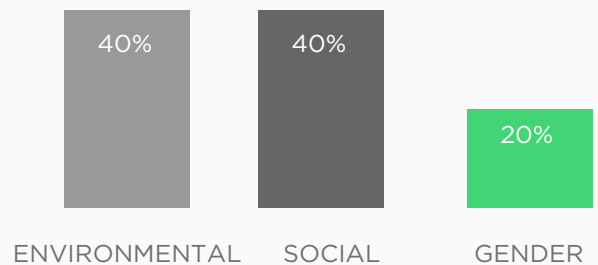
In terms of content, two complaints were about the impact on quality of life from alleged adverse environmental effects, two concerned social impacts, and one was originally filed as a gender violence case. However, after thorough analysis, it was determined that the case did not meet the eligibility criteria.

To measure ESGRM's efficiency, the time elapsed from the receipt of a complaint to the issuance of a response is compared with the maximum timeframes outlined in the manual for each stage of the process. ESGRM has consistently met the efficiency standards set in the manual, showing response times that have consistently remained below the established maximum deadlines.

CHANNEL FOR FILING THE COMPLAINT



TYPE OF IMPACT



EFFICIENCY TO RESPOND

