

Environmental and Social Grievance Redress Mechanism (ESGRM)

2024 ANNUAL REPORT



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 channel to raise concerns with CAF – development bank of Latin America and the Caribbean – regarding environmental and social issues related to operations financed by the bank.

Launched in April 2023, the [ESGRM](#) offers a reliable and user-friendly channel for expressing concerns, serving as an effective tool to enhance transparency and accountability in CAF-funded operations.

In 2024, the ESGRM saw an increase in the number of complaints received. The case management system recorded 13 cases, with seven complainants waiving their right to confidentiality. Each complaint was evaluated in accordance with the procedures outlined in the mechanism's governing rules.

As part of CAF's continuous improvement and outreach efforts, several initiatives were implemented to strengthen the ESGRM:

- Upgrades were made to the ESGRM microsite on CAF's website, and informational materials – including publications and videos – were developed for potential users to deepen awareness of the mechanism's features and functionality.
 - As part of the broader strategy to build and strengthen the capacity of executing agencies to manage complaints and grievances, CAF developed a [Guide to support the design and implementation of a Grievance and Complaint Mechanism \(GCM\) at the project level for CAF operations](#).
- CAF is strongly committed to improving, expanding, and effectively implementing the ESGRM as a robust channel for communication and accountability in the environmental and social management of its operations. In 2025, the mechanism will be broadly promoted across all programs and projects financed by the bank throughout the region.
- Approximately 153 professionals from across CAF took part in a training program aimed at strengthening understanding and implementation of the ESGRM. The initiative was complemented by a general awareness-raising campaign delivered through internal communications channels.

INTRODUCTION

As part of the implementation of the Access to Information and Institutional Transparency Policy (PAITI), CAF designed and launched the Environmental and Social Grievance Redress Mechanism (ESGRM) in April 2023. The ESGRM was established to address and manage complaints or concerns from individuals or communities about the potential negative impacts of CAF operations on them or the environment, and to build effective, trust-based relationships with communities and other stakeholders involved in or affected by the course of the bank's projects.

In 2024, the ESGRM made significant progress, consolidating its role as a key tool for supporting the management of environmental and social risks in the bank's lending operations. The mechanism not only gained greater visibility among civil society and saw an increase in the volume of complaints, but CAF also integrated it into other project evaluation and monitoring processes—reflecting the bank's commitment to transparency, accountability, and public participation.

Two key areas were identified in 2024 as priorities for strengthening the ESGRM. First, technological upgrades and improvements were made to the ESGRM microsite. Second, a process was undertaken to build internal

capacity to ensure the mechanism's effectiveness and extend its reach. As CAF gains more experience in implementing the ESGRM, it will draw on the knowledge and best practices developed to reinforce and standardize the capacity of its staff members to prevent and manage environmental and social grievances.

By the end of 2025, the lessons learned through the ESGRM will be used to drive continuous improvements and to optimize the design and implementation of operations from an environmental and social standpoint. In addition, internal and external communication with stakeholders and civil society organizations will be strengthened to ensure they are well-informed about the channels and procedures available for raising concerns related to CAF-financed operations.

This report provides a detailed account of the ESGRM's performance and achievements in 2024, highlighting the actions taken, the results obtained, and the areas for improvement identified in the ongoing effort to establish the mechanism as an effective channel for citizen participation and accountability in the environmental and social management of CAF operations.

Corporate Risk Management

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OVERVIEW

Through the ESGRM, CAF provides citizens and stakeholders with a channel for communication and participation to address and manage concerns or complaints related to actual or potential adverse environmental and social impacts caused to individuals, communities, or the environment during the implementation of a bank-financed operation.

The ESGRM is free of charge and confidential. In addition to traditional environmental and social considerations, it takes a cross-cutting approach that incorporates gender, inclusion, and diversity issues, with the support of experts in these areas. This approach ensures that complaints involving such matters are handled with the confidentiality and comprehensive attention they require.

With this mechanism, CAF seeks to reinforce its commitment to transparency, sustainability, and equity by fostering a fairer, more inclusive, and diverse environment for the projects it finances.

ESGRM's functions include:

- Receiving, assessing, managing, and responding to complaints related to the environmental and social impacts of CAF-financed operations;
- Identifying, preventing, and mitigating any tensions that may arise or escalate in connection with such complaints; and
- Strengthening the management of environmental, social, and gender-related risks in operations by applying lessons learned to improve CAF's conceptual framework, regulatory standards, and internal processes.

Complaints submitted to ESGRM are handled in three stages:



The issues raised in a complaint may be addressed through two complementary approaches: (i) conflict resolution, which seeks to promote voluntary engagement and dialogue between parties with the goal of reaching a mutually beneficial solution; and (ii) compliance verification, which involves reviewing adherence to CAF's Environmental and Social Safeguards, the environmental and social regulations of the relevant country, and any agreements reached during the project cycle.

The ESGRM operates according to the principles of transparency, accessibility, legitimacy, and independence. These principles ensure that complaints are handled fairly, objectively, and in a culturally appropriate manner, without discrimination based on age, gender, ethnicity, sexual orientation, or disability. In addition, the mechanism promotes timely responses to minimize risks for complainants, affected communities, and the environment.



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MANAGEMENT OF RECEIVED COMPLAINTS

In 2024, the ESGRM's case management system recorded 13 cases, seven of which involved complainants who waived their right to confidentiality. Each complaint was assessed in accordance with the procedures established under the rules governing the mechanism, ensuring efficiency, timeliness, and transparency.

Regardless of whether a complaint was deemed eligible for processing under the mechanism, the ESGRM's operating rules establish that if the partial documentation submitted by the complainant contains information or indications of a possible omission or failure in the environmental, social, or gender-related management of

the operation, the ESGRM coordination team must inform the internal units responsible for that operation. Accordingly, all registered complaints underwent a documentary review aimed at identifying the underlying cause of the concern.

Following an analysis of systemic, transactional, and administrative aspects of the operations in question, the ESGRM coordination team issued a series of recommendations to business executives. Based on the precautionary principle, these recommendations aimed to support the adoption of preventive and corrective measures to strengthen the environmental, social, and gender-related management of the operations involved.

Breakdown of the complaints registered in 2024

ESGRM record 006

Operation name	Integrated Urban and Social Development Program (Camaçari)
Location	Camaçari Municipality, State de Bahia, Brazil.
Date of registration	March 4, 2024
Status	Closed on April 17, 2024

Subject of the complaint

"The Municipal Administration failed to promote public debate or consult the population, also excluding the commercial and business sectors. The works began immediately after a single meeting with the sector, unexpectedly and without democratic participation."

Mechanism actions

After reviewing the documentation submitted by the complainant, it was concluded that the case could not be deemed eligible by the ESGRM, as it did not meet one of the preliminary requirements for filing: it lacked the minimum or relevant information necessary to enable analysis.

To reconsider eligibility, the mechanism requested additional documentation from the complainant.

In the absence of a response, the complaint could not be processed. The mechanism ended the procedure, and the case was formally closed.

ESGRM record 007

Operation name	Implementation of the Integrated Management Plan for the Luján River Basin – Phase II
Location	Municipality of Luján, Province of Buenos Aires, Argentina.
Date of registration	June 24, 2024
Complainant	Natural person

Subject of the complaint

“The disposal of surplus materials generated by the works poses a high risk to the infrastructure of the hazardous waste storage area, including cells, vents, and geomembranes, potentially compromising its stability. In addition, there is a risk of contamination of the groundwater due to soil contaminated with chromium, lead, and other hazardous materials.”

Mechanism actions

After reviewing the documentation submitted by the complainant, it was concluded that the complaint could not be considered eligible, as it fell under one of the ESGRM’s exclusions: the matter was already being addressed within the framework of a judicial or administrative process in the country where the operation was taking place.

The complaint could not be processed, the mechanism ended the procedure, and the case was formally closed.

ESGRM record 008

Operation name	Cuenca se Transforma Program — Phase I
Location	Municipality of Cuenca, Province of Azuay, Ecuador.
Date of registration	August 31, 2024
Status	Closed on September 24, 2024

Subject of the complaint

“The municipal corporation has failed to fulfill its constitutional and regulatory obligation to update the municipal property registry, leading to the irregular application of administrative procedures for declaring public use and immediate occupation. Because no just compensation was established, citizens have been forced to pursue legal action to claim an appropriate price and avoid a confiscatory action by the municipality.”

Mechanism actions

After reviewing the documentation submitted by the complainant, it was concluded that the complaint could not be considered eligible, as it fell under one of the ESGRM’s exclusions: the matter was already being addressed within the framework of a judicial or administrative process in the country where the operation was taking place.

The complaint could not be processed, the mechanism ended the procedure, and the case was formally closed.

ESGRM record 009

Operation name	Implementation of the Integrated Management Plan for the Luján River Basin – Phase II
Location	Municipality of Luján, Province of Buenos Aires, Argentina.
Date of registration	September 06, 2024
Status	Closed on September 27, 2024

Subject of the complaint

“The construction of a wastewater treatment plant in Jáuregui, Partido de Luján, Buenos Aires, is planned for a flood-prone site, posing serious health risks in the event of river flooding. In addition, hydrological and environmental impact studies are lacking, and no meaningful public participation was guaranteed, violating the Escazú Agreement on access to information and environmental decision-making.”

Mechanism actions

After reviewing the documentation submitted by the complainant, it was concluded that the case could not be deemed eligible by the ESGRM, as it did not meet one of the preliminary requirements: the complaint referred to programs, projects, works, activities, or initiatives not financed by CAF.

The complaint could not be processed, the mechanism ended the procedure, and the case was formally closed.

ESGRM Record 011

Operation name	Not specified
Location	Province of Jujuy, Argentina.
Date of registration	October 7, 2024
Status	Closed on October 9, 2024

Subject of the complaint

“The Quebrada Solar Train was built on private land, isolating neighborhoods, communities, and producers without adequate socio-environmental impact studies or safety measures. It has left residents without access to basic services, blocked emergency vehicle routes, disrupted the operation of inns and hotels, and given rise to multiple alleged crimes reported to federal authorities. In addition, complainants have faced judicial harassment and threats from the construction company and public officials, in a context of alleged complicity by the provincial judiciary.”

Mechanism actions

After reviewing the documentation submitted by the complainant, it was concluded that the case could not be deemed eligible by the ESGRM, as it did not meet one of the preliminary requirements: the complaint referred to programs, projects, works, activities, or initiatives not financed by CAF.

The complaint could not be processed, the mechanism ended the procedure, and the case was formally closed.

ESGRM Record 012

Operation name	Road Connectivity Infrastructure Program in the Province of Córdoba — Alternative Highway to National Route No. 38
Location	Province of Córdoba, Argentina.
Date of registration	October 29, 2024
Status	Closed on November 25, 2024

Subject of the complaint

“Blasting, water contamination, deforestation, and uncontrolled urbanization.”

Mechanism actions

After reviewing the documentation submitted by the complainant, it was concluded that the case could not be deemed eligible by the ESGRM, as it fell under one of the mechanism’s exclusions: it was filed more than 12 months after the complainants became aware of the alleged adverse impacts on which the complaint was based.

The complaint could not be processed, the mechanism ended the procedure, and the case was formally closed.

ESGRM Record 014

Operation name	Sustainable Urban Development Program of the Autonomous City of Buenos Aires
Location	Autonomous City of Buenos Aires, Argentina.
Date of registration	December 16, 2024
Status	Closed on December 16, 2024

Subject of the complaint

The demolition of CENARD would result in the loss of the National Mountaineering Wall, the only one of its kind in Latin America, affecting green spaces, Paralympic training, and safety drills. It also harms the academic programs of the Institute of High Mountain Studies and has social, environmental, and sports impacts. Although the Environmental Certificate does not mention demolition, access was restricted as of January 2025. The University of Buenos Aires has initiated legal action for environmental and social damages, while efforts are underway to have the wall declared a historic landmark. However, the government has prioritized real estate development, ignoring CENARD’s educational and environmental value.”

Mechanism actions

After reviewing the documentation submitted by the complainant, it was concluded that the case could not be deemed eligible by the ESGRM, as it did not meet one of the preliminary requirements: the complaint referred to programs, projects, works, activities, or initiatives not financed by CAF.

The complaint could not be processed, the mechanism ended the procedure, and the case was formally closed.

Confidential Cases

In 2024, the ESGRM received six complaints in which the complainants did not waive their right to confidentiality. All six complaints referred to the same issue raised in ESGRM record 014. Upon review, it was concluded that they did not meet the eligibility criteria, as the alleged impacts were related to programs, projects, works, activities, or initiatives not financed by CAF. It is important to note that the ESGRM guarantees the confidentiality of all complainants.

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THE ESGRM IN 2024

In 2024, the ESGRM experienced an increase in the number of complaints received, with 13 complaints registered. This reflects the growing visibility of the mechanism and its contribution to the consolidation of CAF's environmental and social risk management system.

(a) Capacity building program

The program was developed to strengthen awareness and operational capacity among CAF staff for managing environmental and social complaints arising from the bank's operations. The initiative aimed to ensure that staff understood the scope and functioning of the ESGRM, supporting more effective implementation aligned with the institution's transparency and risk management policies.

Training sessions covered topics such as the ESGRM's structure, methodological approaches to complaint evaluation and resolution, the governance framework, safeguards for independence, and the overall complaint management process.

The target audience included executives from various business units and country offices. To maximize the program's effectiveness, a segmentation strategy was implemented to tailor the content to the specific characteristics of each area, ensuring the training addressed the interests and challenges relevant to different groups within the organization.

A total of 153 staff members participated in the training sessions. Of these, 43% belonged to business areas, 22% to the risk division, and 35% to the finance department. This helped ensure that the mechanism

—and more broadly, the institution's commitment to transparency and accountability—remains integral to CAF's vision as a driver of sustainable development in the region.

The participation of business executives—those directly involved in the structuring, implementation, and supervision of both sovereign and non-sovereign lending operations—reinforced the importance of integrating both the ESGRM and project-level grievance and complaint mechanisms (GCMs) into operations to ensure that community concerns are addressed promptly and appropriately.

Likewise, the involvement of the finance team helped position the ESGRM within CAF's resource mobilization strategies, meeting the expectations of financial partners and aligning with international best practices in the field.

(b) Improvements to the ESGRM microsite

As part of the continuous improvement process, the [ESGRM](#) microsite was updated to make it more versatile, accessible, and user-friendly. This initiative is intended to facilitate interaction between users and the platform and to improve information management, making access to the mechanism more intuitive and efficient.

In addition, various awareness-raising campaigns—such as publications and videos—were carried out to explain how the ESGRM works in a clear and simple way. These efforts helped strengthen understanding of the mechanism, expand its visibility across operations, and reinforce executives' commitment to CAF's institutional transparency policy.

(c) Guide to support the design and implementation of a Grievance and Complaint Mechanism (GCM) at the project level for CAF operations

In 2024, CAF developed the [Guide to support the design and implementation of a Grievance and Complaint Mechanism \(GCM\) at the project level for CAF operations](#) (the ESGRM operates at the institutional level), with the aim of supporting borrowers and executing agencies in meeting the requirement outlined in CAF's Environmental and Social Safeguards. This requirement mandates that all CAF-financed operations must include a mechanism to manage concerns raised by communities affected by potential adverse environmental and social impacts in a timely and effective manner.

The guide provides conceptual and methodological guidance to borrowers, executing agencies, and contractors for the design and management of grievance mechanisms aligned with international standards on accountability, transparency, and retaliation prevention. It incorporates principles of participation, gender equity, and performance monitoring. It also addresses how to design and implement GCMs that are culturally appropriate and attentive to gender-based concerns, recognizing that women and vulnerable groups are often disproportionately affected.

The guide further includes guidance on ensuring broad community participation in the design of the mechanisms, impact monitoring, retaliation prevention, the development of performance indicators, and coordination with local and national conflict resolution systems—including institutions specialized in addressing gender-based violence.

Effective implementation of GCMs will help strengthen the environmental and social governance of CAF-financed projects, minimize risk, and foster stronger relationships with the communities involved.

To support the guide's development, CAF's Corporate Risk Management Division, through the Environmental, Social, and Climate Risk Unit (URASC), hosted an in-person workshop in November 2024. The event created a space for dialogue and exchange among CAF staff, executing agencies, and representatives from multilateral development banks to strengthen the implementation of GCMs in CAF-financed operations. The workshop included a review of prior consultancy findings used to develop the guide and covered topics such as strategic guidelines for designing effective mechanisms; allocation of responsibilities among borrowers, contractors, and supervisors; handling sensitive complaints (e.g., those related to gender-based violence, Indigenous Peoples, and resettlement); and the available channels for ensuring transparency and accessibility for affected communities.

Following the workshop, an action plan was defined to support the dissemination and implementation of the guide across all CAF-financed projects. It includes specialized training for borrowers, contractors, and supervisors, as well as the promotion of partnerships with international organizations to help strengthen grievance management standards. The plan also identified the need to establish protocols for retaliation prevention, develop accessible and linguistically appropriate communication channels, and create performance indicators to evaluate GCM effectiveness.

(d) Integration with risk management

Regardless of their admissibility under the mechanism, in 2024, the information contained in the complaints was evaluated to inform and strengthen the environmental and social risk management processes of CAF operations. Analyzing complaints to identify the root

causes of the concerns raised by communities provides valuable insights into the challenges, gaps, or potential inconsistencies in the environmental and social management of operations. This, in turn, allows for adjustments or improvements to CAF's conceptual and procedural frameworks.



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OUTLOOK FOR 2025

The year ahead will bring new challenges in firmly establishing the ESGRM. CAF will continue to strengthen the mechanism's implementation through internal training, as well as strategies and resources to raise awareness of its existence across operations.

In the same vein, a dissemination and training strategy will be developed for the [Guide to support the design and implementation of a Grievance and Complaint Mechanism \(GCM\) at the project level for CAF operations](#), targeting executing agencies. The goal is for GCMs to be managed autonomously by borrowers, in alignment with the principles of transparency, access to information, and citizen participation.

CAF will also seek to promote dialogue spaces with affected communities to increase awareness of their rights and improve access to both project-level mechanisms (GCM) and the institutional mechanism (ESGRM). Additional engagement efforts will focus on beneficiary and executing entities to ensure effective implementation and outreach, and on collaboration with independent experts and CAF's operational teams to build capacity for effective grievance management.

These efforts will not only improve the management of complaints but also help create more inclusive and responsible working environments around CAF-financed operations and identify opportunities to enhance project implementation.



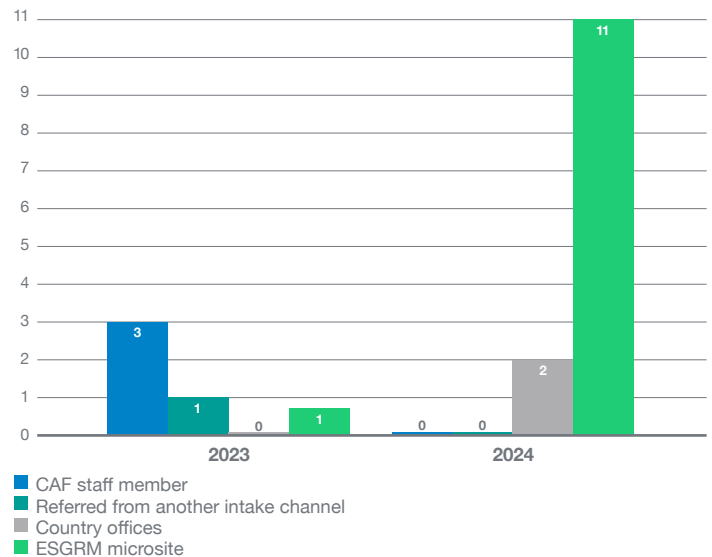
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PERFORMANCE INDICATORS

• Complaints received by type of intake channel

The graph below shows the number of complaints classified by the channel through which they were submitted: via a CAF staff member, referred from another intake channel, presented at a country office, or submitted directly through the [ESGRM](#) microsite. In 2024, compared to 2023, there was an increase in complaints received through the [ESGRM](#) microsite. This confirms that outreach efforts have been effective in encouraging greater use of the mechanism.

Complaints by type of submission channel



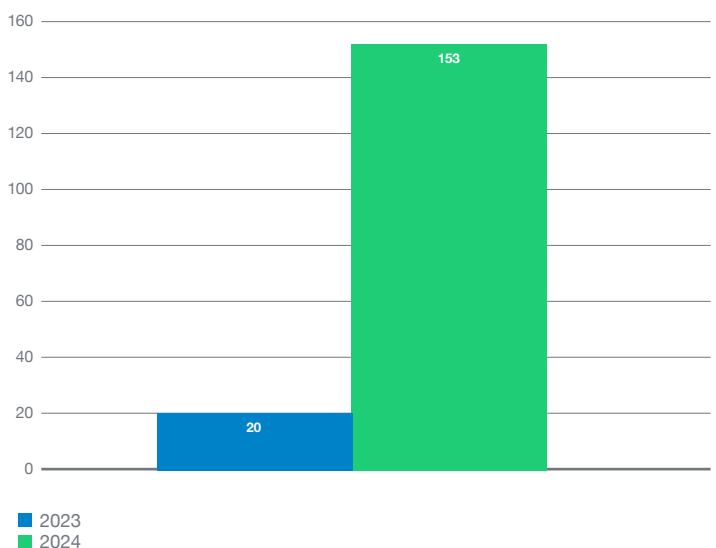
• Training

This indicator refers to the number of CAF staff trained in 2023 and 2024. A significant increase was observed in the number of staff trained in 2024.

This increase aligns with the outreach and training strategy implemented in 2024, which aimed to position CAF staff as the primary channel for disseminating ESGRM information to the communities involved in projects and to executing agencies.

A total of 153 staff members participated in the training sessions. Of these, 43% were from business areas, 22% from the risk division, and 35% from the finance division.

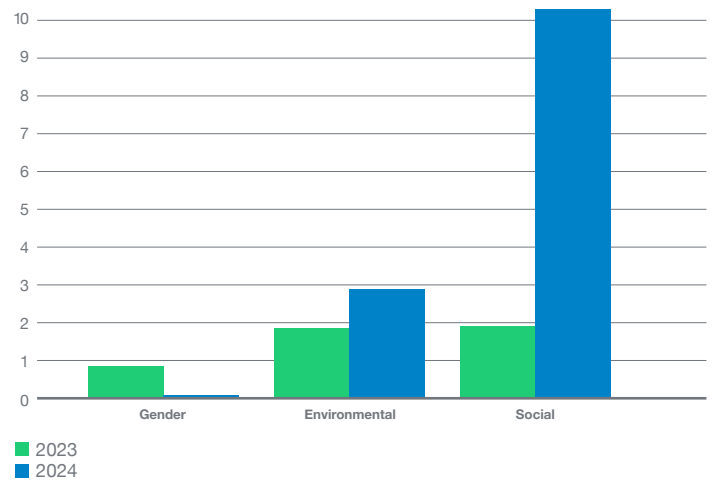
Staff trained



• Subject of the complaints

The graph shows a comparison of complaints based on the main issue underlying each case (gender, environmental, or social) for the years 2023 (green) and 2024 (blue). A rise in social and environmental complaints is evident in 2024, while no complaints related to gender were recorded that year. The primary concerns raised in these complaints were linked to impacts on quality of life and expropriation processes.

Complaints by topic



• Compliance with response times

A summary table outlines the ESGRM's performance by comparing actual response times against the maximum timeframes set out in the mechanism's operating rules.

It shows that the ESGRM has consistently met institutional standards by responding to complainants in a timely manner.

Response times



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CONCLUSIONS

Last year—the first full year since the ESGRM’s launch in April 2023—marked a period of consolidation. It was characterized by training strategies to strengthen and expand staff knowledge of the mechanism, the development of technical tools, improvements to the [ESGRM](#) microsite, and the systematization of complaint-handling procedures. All complaints received through the various intake channels were addressed appropriately and in a timely manner, with a notable increase in volume compared to 2023.

The ongoing integration of the ESGRM into CAF’s environmental and social risk management processes contributed in two key ways: (i) it helped identify opportunities to improve the institution’s conceptual and procedural frameworks, as the analysis of complaints—focused on understanding the root causes of community concerns—provided valuable insights into challenges, gaps, or potential inconsistencies in the management of environmental and social issues in operations; and (ii) it helped inform and strengthen the environmental and social management of the specific operations involved, regardless of whether the complaints were deemed eligible under the mechanism.

A key milestone in 2024 was the development of the [Guide to support the design and implementation of a Grievance and Complaint Mechanism \(GCM\) at the project level for CAF operations](#), aimed at supporting borrowers and executing agencies in complying with CAF’s Environmental and Social Safeguards. These safeguards require that all CAF-financed operations include a mechanism for managing concerns from affected communities in a timely and effective manner. The effective implementation of GCMs will help strengthen the environmental and social governance of CAF-financed projects, minimize risk, and foster stronger relationships with involved communities.

The year ahead will bring new challenges in firmly establishing the ESGRM. CAF will continue to strengthen the mechanism’s implementation through internal training, as well as strategies and resources to raise awareness of the ESGRM at the operational level.

Along the same lines, a dissemination and training strategy will be developed for the [Guide to support the design and implementation of a Grievance and Complaint Mechanism \(GCM\) at the project level for CAF operations](#), targeted at executing agencies. The goal is for GCMs to be managed autonomously by borrowers, in alignment with principles of transparency, access to information, and citizen participation.

CAF will also seek to promote engagement spaces with affected communities to strengthen awareness of their rights and access to both project-level (GCM) and institutional (ESGRM) mechanisms. These efforts will also extend to beneficiary and executing entities to ensure effective implementation and outreach, as well as to independent experts and CAF’s operational teams to build institutional capacity for effective grievance management.

These efforts will contribute not only to improved complaint handling but also to the creation of more inclusive and accountable working environments around operations, while identifying opportunities for improving project implementation.

The management of complex cases—such as those involving gender-based violence and discrimination—as well as the prevention of retaliation, remain key areas for improvement that will be addressed in 2025.

