

Independent Complaints Mechanism Proparco

Table of Contents

Table of Contents.....	2
1. Background Information.....	4
1.1 Introduction.....	4
1.2 Institutional framework	5
2. Principles.....	6
2.1 Definitions.....	3
2.2 Purpose	6
2.3 Guiding Principles	7
2.4 Applicable Standards	8
3. Rules of Procedure	9
3.1 Complaint and admissibility.....	9
3.2 Description of the procedure	10
<i>Dispute Resolution Process</i>	11
<i>Compliance Review Process</i>	11
3.3 Methods of Inquiry.....	12
3.4 Resources	13
3.5 Reporting & Transparency	13
3.6 Evaluation.....	13
Appendix 1: Process flow of the Independent Complaints Mechanism.....	15

Definitions

Definitions used in this Document:

Admissible Complaint	A Complaint for which the Panel has decided that it fulfills the Admissibility Criteria.
Admissibility Criteria:	Characteristics of a Complaint as set out in 3.1.4 which have to be met, before a Complaint can be processed.
Client	The entity that is financed by Proparco and responsible for carrying out and implementing all or part of the Proparco-Financed Operation.
Complainant:	The External Party that is filing the Complaint.
Complaint:	A written communication of an External Party addressed to Proparco which claims that it has been or will be affected by a Proparco-Financed Operation.
Complaints Office:	Function performed by employee's in Proparco Risk Department, which registers and acknowledges receipt of Complaints, coordinates adequate fulfilment of the Complaints process and provides practical support to the Independent Expert Panel.
Compliance Review	The process to determine whether Proparco have complied with the policies (as further specified) that are relevant to the issues underlying an admissible Complaint.
Dispute Resolution	The process to assist in finding a resolution of the issues underlying an admissible Complaint. This process may include information sharing, fact-finding, dialogue and mediation. A pre-condition for Dispute Resolution is that all relevant parties are willing to participate in such a process.
External Party:	Any natural or legal person that is not a party to the financing agreements between Proparco and the Client (non-exhaustive examples: customers of the Client, individual persons or groups, workers, non-governmental organizations representing affected persons).
ICM	Independent Complaints Mechanism
IEP	Independent Expert Panel
Independent Complaints Mechanism	DEG's FMO's and Proparco's joint accountability mechanism as presented in this document
Independent Expert Panel:	One component of the Independent Complaints Mechanism, consisting of a group of three persons with environmental, social, legal and financial expertise. The Panel is fully independent of Proparco.
Mechanism	Independent Complaints Mechanism
Panel	Independent Expert Panel
Preliminary Review	The process to assess the relevant information in order to get a good understanding of the issues underlying an admissible Complaint and determining the most appropriate next step – i.e. a Dispute Resolution process and/or Compliance Review process – to address the issues underlying the admissible Complaint.
Proparco-Financed Operation	Any activity or any asset of the Client that is or is going to be financed by Proparco funds or from funds administered by Proparco in whole or in part, regardless of the nature of the financial instrument (loans, equity, project financing, grants, technical cooperation assistance and guarantees).
Receipt Items	Information characteristics of a Complaint as set out in 3.1.2 which have to be met, before a Complaint can be processed.

1. Background Information

1.1 Introduction

1.1.1 With this document, Proparco introduces its Independent Complaints Mechanism (hereafter also: the 'Mechanism' or 'ICM') and accompanying Procedure. This document describes the structure and governance of the Complaints Procedure, which allows External Parties to file a Complaint concerning a Proparco-Financed Operation. In this way Proparco strives to implement a robust and independent procedure and to communicate transparently about it to stakeholders.

1.1.2 The Mechanism provides stakeholders a tool, enabling alternative and pre-emptive resolution of disputes. At the same time the Mechanism assists Proparco in implementing and adhering to its own policies and procedures and as such is a learning-by-doing process.

1.1.3 The Mechanism, including the Independent Expert Panel (hereafter also the 'Panel'), is a joint initiative with the Deutsche Investitions- und Entwicklungsgesellschaft (DEG) and the Netherlands Development Finance Company (FMO). All information in this document, except for references to Proparco policies and procedures, is relevant for DEG and FMO as well. Both institutions use the same Panel and have a joint approach when Complaints for co-financed Clients are received.

1.1.4 This Mechanism is aimed to align with other Proparco policies and procedures based on international standards:

- Beyond its contribution to economic development, through the creation of wealth and jobs, the construction of infrastructure and the integration of countries into world trade, the private sector has a broader societal responsibility: sustainable and inclusive development requires the commitment of companies and financial institutions to act responsibly. Proparco is committed to work on each financed project to promote best practices and E&S standards
- Proparco operates in line with AFD Group's strategies and commitments. Proparco's guideline for environmental and social sustainability encompasses the IFC Performance Standards and the stipulations of the Environmental, Health and Safety Sector Guidelines of the World Bank Group in their latest version as well as the conventions of the International Labour Organisation (ILO).

1.1.5 As part of this responsibility Proparco supports its clients in addressing environmental, social and related issues arising from their business activities by requiring them to establish and administer appropriate mechanisms to address complaints from communities affected by Proparco-Financed Operations. In addition to these mechanisms and procedures, the role of administrative and/or legal procedures available in the host country should also be considered. When applicable, an information request or resolution can be sought with the Client. Nonetheless, there may be cases where Complaints from those affected by Proparco-financed business activities are not fully resolved at the business activity level. For these cases the Independent Complaints Mechanism may be another route to address and resolve issues at hand.

1.2 Institutional framework

1.2.1 The Independent Complaints Mechanism is not a legal enforcement mechanism. It offers an effective avenue for addressing concerns and it promotes a mutually constructive relationship between Proparco and External Parties.

1.2.2. Consequently this document shall not be deemed to confer any additional rights of access to justice to the persons lodging a Complaint under the procedure set forth therein.

1.2.3 The Mechanism consists of the Independent Expert Panel and the relevant Complaints Office of Proparco, DEG and/or FMO.

1.2.4 Proparco's Complaints Office function is performed by the Risk Department. Operational procedures are put in place to enable the Proparco Complaints Office to perform their work independently.

1.2.5 Proparco makes every effort to ensure that its own operations respect national and EU policies and international standards.

1.2.6 Proparco has a close relationship with other financial institutions such as other EDFI members and multilateral financial institutions. It maintains a frequent dialogue with these institutions and aims at alignment and coordination with other EDFI members.

1.2.7 The ICM is member of the global network of Independent Accountability Mechanisms (IAM). The IAM network consists of several international financial institutions that have established similar mechanisms.

2. Principles

2.1 Purpose

2.1.1 The Independent Complaints Mechanism serves the following functions with respect to Admissible Complaints:

- Attempt, whilst acting as a problem solving function, to resolve concerns raised by the Complainant(s) through a consensual process with the Complainant, Client and other relevant stakeholders (as appropriate);
- Evaluate and report compliance with Proparco policies and other applicable standards;
- Provide advice and recommendations to Proparco management; and
- Follow-up and report on efforts to take corrective actions whenever applicable.

2.1.2 In order to ensure proper corporate responsibility and accountability of Proparco towards all its stakeholders, the Mechanism offers Dispute Resolution (if possible) and Compliance Review.

2.1.3 The Mechanism applies to Proparco-Financed Operations. Proparco, FMO and DEG are governed by national law and thus have to comply with legal restrictions and safeguards pertaining to disclosure and protection of personal and Client data. This means that Proparco, FMO and DEG have to treat all Client-related details and documents as confidential, unless the Client has consented to Proparco, FMO and/or DEG sharing information with the Panel and with the broader public in relation to (i) any future admissible Complaint, and/or (ii) subsequent reports, findings and/or recommendations following such a complaint.

In 2019 - in order to enable the functioning of the ICM - Proparco commenced to introduce necessary contractual arrangements into its Client agreements. These arrangements expand to the Panel and persons instructed on their behalf, the enforceability and benefit of the contractual arrangements between Proparco and its Clients, notably those covering access to Client's information, its premises and senior management.

If a Complaint relates to a case in which the necessary contractual arrangements are missing, these have to be agreed before the ICM can effectively address the Complaint. This will require additional time and, depending on the scope of the actual contractual arrangements, might restrict the Mechanism as set out in the ICM Policy. In the event that the Complaint requires an approach, which deviates from the ICM Policy, the Complainants will be informed on a regular basis on the approach and the process that will be followed.

2.1.4 Decisions concerning the investment mandate, its credit policy guidelines or other generic aspects (e.g. Proparco's business model) fall outside the scope of the Mechanism.

2.2 Guiding Principles

2.2.1 Subject to applicable legal constraints, the Independent Complaints Mechanism shall be transparent in its operations and outputs.

2.2.2 The Proparco Complaints Office is independent from operational activities and of the services, which are responsible for the activities challenged by the Complainant(s). The Mechanism ensures that each Complaint is dealt with by the highest standards of objectiveness and commitment whilst safeguarding the interest of all the internal and external stakeholders of Proparco.

2.2.3 The Independent Complaints Mechanism shall be accessible to affected people and/or their representatives and be effective in responding in a timely manner to concerns expressed by people being or feeling affected by Proparco decisions.

2.2.4 If the Complaint concerns aspects like fraud, bribery, corruption and/or money laundering, the ICM will consult with Proparco's Compliance Unit to determine the appropriate channel(s) for processing the Complaint.

2.3 Applicable Standards

2.3.1 One element of the Mechanism is to review compliance of Proparco's financing activities with Proparco policies. In particular:

- a. Exclusion List of AFD Group,
- b. E&S principles of AFD Group

2.3.2 All are (amongst others) based upon relevant laws, principles and guidelines, such as the IFC Performance Standards, the Equator Principles, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

3. Rules of Procedure

3.1 Complaint and admissibility

3.1.1 The communication by letter, e-mail and/or web form should be written in English or in an official language of the country of the Complainant or the Proparco-Financed Operation responsible for the alleged harm. The response by letter and/or e-mail will be in English with – if applicable – a translation in the language of the Complaint. Processing of Complaints not submitted in English may require additional response time due to the need for translation. The Complaints Office and/or Panel will timely notify the Complainant of any delays required for translation.

3.1.2 The External Party who sends a Complaint is requested to submit the following (the “Receipt Items”), which determines the course of and time for providing a response:

- Description of the Complaint;
- Where appropriate, an indication which of its policies Proparco has allegedly breached;
- A clear description of the Proparco-Financed Operation and location to which the Complaint is related;
- Name and full address, telephone number and if possible e-mail address;
- Name of Proparco employee whom the Complainant had contact with (if applicable);
- A copy of information related to - or relevant for - the Complaint, including an overview of actions (e.g. legal, contacts with Client) that have already been taken to solve the issue.

3.1.3 Any person or group, including civil society organizations representing affected people, may lodge a Complaint.

3.1.4 The following specific criteria are applicable for admissibility of Complaints:

- The “Receipt Items” (as defined above) should be made available to Proparco;
- The External Party must be affected or likely to be affected by an Proparco-Financed Operation;
- If an External Party is representing others, it must identify the people it represents and explicit evidence of the representative authority must be provided;
- Proparco must have or will have an active financial relationship with the Client;
- There must be an indication of a relationship between the Proparco-Financed Operation and the alleged impacts;
- The Complaint must contain allegations with substantial, (in)direct and adverse impacts or risks;
- If applicable, other actions and consultations with relevant responsible parties have already been taken place. This applicability will be determined by the Independent Expert Panel.

3.1.5 If the Proparco-Financed Operation at issue in the Complaint is co-financed by another institution, the Complaints Office may notify the complaints mechanism(s) of the co-financing institution(s) of the receipt of the Complaint and may communicate and cooperate with the complaints mechanism(s) of such institution(s) so as to avoid duplication of efforts and/or disruption or disturbance to common parties, provided that this is in compliance with all relevant legal and

contractual requirements. Where appropriate, a cooperation agreement, addressing issues such as confidentiality and sharing of information, with the complaints mechanism(s) of the respective co-financing institution(s) will be established.

3.1.6 The Independent Complaints Mechanism cannot investigate:

- Complaints with the objective of gaining a competitive economic advantage or that are excessive, repetitive (i.e. covering the same aspects), clearly frivolous or malicious in nature;
- Identical Complaints aimed at Dispute Resolution that already are being handled by other high standard administrative mechanisms (being member of the network of Independent Accountability Mechanisms) or judicial review mechanisms or which have been settled by the latter. Identical Complaints that have been lodged with other mechanisms can be admissible for Compliance Review, but may be suspended while being under review by another mechanism. As indicated in paragraph 3.1.5 coordination and cooperation with other mechanisms will be aimed for;

3.1.7 Anonymous Complaints are not accepted. Nevertheless, without prejudice a Complainant has the right of confidential treatment of the Complaint. Once a Complaint has been deemed admissible, other affected stakeholders typically will be notified about the Complaint. The Mechanism will strictly respect and safeguard a party's request for confidentiality (if applicable), including confidentiality of entities. The Mechanism will indicate publicly when it has restricted disclosure of information in response to such a request from an External Party.

3.2 Description of the procedure

3.2.1 After receipt of a Complaint, the Complaints Office will ensure that an acknowledgement of receipt is sent to the Complainant(s) within five working days. Complaints submitted in another language may require additional time for translation. The acknowledgement informs the Complainant(s) of the date by which the Mechanism's official reply to the Complainant can be expected.

3.2.2 The Complaint is forwarded to the Independent Expert Panel by the Complaints Office. Based on criteria, as defined in paragraph 3.1, the Independent Expert Panel decides within 25 working days on the admissibility of the Complaint. During this phase, the Panel can request further information from the Complainant and Proparco to clarify the Complaint. In case of partial or total inadmissibility of the Complaint, the Panel will endeavour to provide, if possible, the Complainant with an advice on which measures could be taken and/or to which institution the concerns may be addressed.

3.2.3 Once a Complaint has been declared admissible, the Independent Expert Panel will launch a Preliminary Review into the issue(s) raised by the Complainant; it will review the relevant documentation and records; ensure coordination of the different Proparco services involved and whenever deemed necessary will hold in-country meetings with the appropriate internal and external stakeholders, including the Complainant and Client, in order to gather the required information. The Panel will aim to finish the Preliminary Review within a reasonable timeframe, however the number of days to finish the Preliminary Review will depend on the complexity of the case and will be communicated to all parties involved.

3.2.4 Based on the Preliminary Review and in consultation with the External Parties, the Independent Expert Panel will either conduct a Compliance Review or, when all parties are willing to participate in such a process, facilitate a Dispute Resolution process. These activities are the core phases of the Independent Complaints Mechanism.

3.2.5 The Independent Complaints Mechanism offers the flexibility of conducting a Compliance Review after the Dispute Resolution and vice versa. Refer to the scheme in Annex 1.

Dispute Resolution Process

3.2.6 In the Dispute Resolution phase, a Complaint may be handled by the Independent Expert Panel or mediators selected by the Panel, as long as all parties agree on the selected mediator. Activities of this dispute resolution process can include information sharing, fact-finding, dialogue and mediation. The mediation process can continue as long as needed and all participants in the mediation process are committed to moving the process forward.

3.2.7 After the Dispute Resolution phase the Panel prepares a report on the outcome of the process

3.2.8 The Complaints Office ensures that the final report is published at Proparco's website.

Compliance Review Process

3.2.9 Once a Complaint has been declared admissible for Compliance Review, the Independent Expert Panel will launch a full inquiry into the issue(s) raised by the Complainant; it will review the relevant documentation and records; ensure coordination of the different Proparco services involved and whenever deemed necessary will hold meetings with the appropriate internal and external stakeholders and make an in-country visit in order to gather all the required information.

3.2.10 After the Compliance Review is closed, the Panel prepares a draft report that includes the allegations, findings and conclusions. The report may contain recommendations, if any, such as operational corrective actions and / or improvements to existing policies and/or procedures. The Panel sends the draft report to the concerned Proparco services for opinion and comments for factual checks (to be received within 15 working days).

3.2.11 After receiving the comments for factual checks, the Panel will update the draft report as it deems appropriate.

3.2.12 Subsequently the Panel sends the (updated) draft report to the Complainant and to the Client for opinion and comments for factual checks (to be received within 15 working days). Nonetheless, it is up to the Independent Expert Panel to decide upon the final text.

3.2.13 The Panel will prepare a final report for disclosure to the attention of the Management Board and Supervisory Board of Proparco.

3.2.14 The Proparco Management Board will provide a Management Response to the final report within 5 working days. This response should include any agreed corrective actions which require an implementation plan as well as a detailed timeframe for implementation.

3.2.15 The Complaints Office sends the final Compliance Review Report to the Complainant(s) and informs the Complainant about the Proparco Management Board's response.

3.2.16 The Complaints Office ensures that the final report and Management Response are published at Proparco's website.

3.2.17 Effective and timely implementation of corrective actions will be strictly monitored by the Complaints Office. This follow-up on corrective actions will be conducted within 12 months after issuing the final Compliance Review Report.

3.3 Methods of Inquiry

3.3.1 The Independent Expert Panel may, taking into account the nature of the particular Complaint, use a variety of additional investigatory methods, including but not limited to:

- Contacts with the Complainant, affected people, Client, government officials and other authorities in the country where the Proparco-Financed Operation is located, and representatives of local and international non-governmental organizations;
- Visiting project sites;
- Requesting written or oral submissions on specific issues from the Complainant, affected people, Client, independent experts, government or other officials, Proparco staff, or local or international non-governmental organizations; and
- Hiring independent experts to facilitate Mediation or to research specific issues relating to the Complaint.

3.3.2 Proparco strives to conduct all phases within predefined time constraints. The response time can however be extended if the case is complex or the workload on the process is extensive. In those cases, Proparco will inform the External Party duly within the predefined timelines. The following time constraints apply:

- An acknowledgement of receipt by Proparco should be sent within five (5) working days after receipt of the Complaint;
- The Mechanism strives to decide on admissibility within 25 working days after acknowledgement of receipt;
- Reasonable timelines for the Preliminary Review, Dispute Resolution and/or Compliance Review will be decided upon and communicated on a case-by-case basis after consultation with the stakeholders.

3.4 Resources

3.4.1 Adequate budgetary support will be provided to the Mechanism so that it can be effective and independent in carrying out various activities in a timely manner.

3.4.2 The composition of the Panel will be such that collectively the Panel will have diverse expertise on e.g. environmental, social, legal and financial matters. Any vacancy for the Panel will be published online for which candidates can apply. The ICM will invite relevant stakeholders to share the vacancy and application procedure with candidates they deem suitable for the position. The appointment of members of the Panel will be approved by FMO's and DEG's Supervisory Boards, which consists of independent members.

3.4.3 The Panel will consist of three members and will be appointed for two years with an optional prolongation period of two years. It is intended to plan successive appointments in such a way, that adequate composition is continuously safeguarded.

3.4.4 The members of the Panel must be independent, i.e. they should not have had any involvement in activities related to Proparco-Financed Operations for at least a period of two consecutive years nor are they allowed to be employed by or perform activities for DEG, FMO or Proparco within two years after their term has ended.

3.4.5 The Panel is available for questions, information and advice. If needed, the Independent Expert Panel is authorized to hire experts. The Independent Expert Panel decides about the Complaint and responds to Proparco and the External Party.

3.5 Reporting & Transparency

3.5.1 It is important for Proparco to communicate effectively about the Mechanism. An introduction and description of the procedure will be provided on Proparco's website.

3.5.2 Proparco will publish a register of admissible Complaints with statuses and outcomes (including follow-up on actions and recommendations) on Proparco's website, taking into account privacy and confidentiality regulations and Proparco's Disclosure Policy.

3.5.3 The Independent Expert Panel (assisted by the Complaints Office) will report annually to Proparco's Supervisory Board on the Complaints. This report will be published on Proparco's website.

3.6 Evaluation

3.6.1 This Independent Complaints Mechanism will be reviewed in case of e.g. new (international) laws, regulations or Proparco Policies and may be updated accordingly in due course. It will be revised immediately when needed and will at least be evaluated once every four years.

3.6.2 The Independent Complaints Mechanism was and will be developed in consultation with Proparco's various stakeholders.

Appendix 1: Process flow of the Independent Complaints Mechanism

