

Public Consultation Record for the 2024 Terms of Reference for the Independent Accountability Mechanism of the U.S. International Development Finance Corporation

December 4, 2024



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1. Purpose of this Report

U.S. International Development Finance Corporation ([DFC](#)) is America's Development Finance Institution. The Independent Accountability Mechanism ([IAM](#)), also known as the Office of Accountability, is an independent office within DFC that addresses concerns, complaints, or conflicts about environmental or social issues that may arise around DFC-supported projects. The IAM provides project-affected communities, workers, and project sponsors or clients an opportunity to have their concerns independently reviewed and addressed.

On September 9, 2020, the DFC Board of Directors (Board) approved the implementation document: [Independent Accountability Mechanism for the U.S. International Development Finance Corporation](#). It instructs the Director of the IAM to develop its Terms of Reference (TOR) for DFC Board approval.

This report contains a summary of the public consultation process completed as part of the development of the TOR. Associated records are annexed or can be accessed via links provided in the "[About Us](#)" section of the IAM's webpages.

2. Stakeholder Engagement

The IAM published a [Stakeholder Engagement Plan](#) (SEP), dated May 9, 2024. The SEP identifies the stakeholders to be engaged, describes how the outcomes of the consultation process will be utilized, highlights an approximate schedule of key activities, and provides contact details so interested stakeholders can submit comments.

In addition to DFC-internal stakeholders, key stakeholders identified in the SEP include:

- Affected Stakeholders: Members of project-affected communities and workers at DFC-supported Projects.
- Civil Society Organizations (CSOs) and other representatives: Individuals or organizations which follow DFC's activities, represent project-affected communities or workers, and/or promote accountability at development finance institutions (DFIs).
- Clients: Current or prospective recipients of DFC support, including Financial Intermediaries.
- Other IAMs: Independent accountability mechanisms of other DFIs active in DFC's countries of operation.

As requested by a coalition of CSOs, a 60-day public consultation process was adopted for the IAM TOR.

3. Public Consultation

3.1 Overview

Following the publication of the SEP (May 2024), the Draft TOR (May 2024), and Discussion Notes/Slide Deck (June 2024), the IAM delivered two externally-facilitated public webinars held on [June 20, 2024](#), and [June 21, 2024](#). These webinars were announced by the IAM in advance via targeted emails and [LinkedIn posts](#).

DFC's IAM also co-hosted a CSO outreach event along with eight independent accountability mechanisms from other DFIs from 12-13 June 2024 in Kenya. This provided an opportunity to inform the participating

31 CSO representatives from the eastern African region about the availability of the IAM's Draft TOR and on-going public consultation process.

The 60-day public consultation period for the Draft TOR ended on July 30, 2024. The key outcomes of the public consultation process are summarized in this report. In addition, the IAM also addressed public comments relating to the Office of Accountability which were submitted to DFC during its revision of the Environmental and Social Policy and Procedures and the Transparency Policy. The collection of all these public comments and how the IAM expects to approach them when engaging Management and/or in the TOR to be submitted to the Board are presented in Annex 1.

3.2 Comments from CSO Coalition

An international coalition of CSOs¹ submitted and published a [cover letter and red-lined comments](#) on the Draft TOR. The CSO coalition welcomes the IAM's approach to use the independent accountability mechanism policy of the IFC/MIGA as a model. However, several key concerns were identified in the CSOs' cover letter, which are summarized below:

- a. **Independence:** The CSO coalition requested the recusal of DFC's CEO, a voting member of DFC's Board of Directors, when the Board discusses IAM-related matters. – The IAM will inform Management and the Board about this concern identified by the CSOs. Ultimately, the Board manages its own governance approach relating to IAM matters.
- b. **Accessibility:** The CSO coalition highlighted concerns about accessibility barriers linked to ineffective outreach, ineligibility of projects pre-Board approval and post-DFC exit. – The IAM notes that the TOR and other initiatives, such as hiring more staff, are expected to improve outreach. The Draft TOR already allows for eligibility of certain requests up to two years post-DFC exit. Requests or concerns submitted to IAM about projects prior to their Board approval will be conveyed to the Board and Management and remain ineligible for IAM services (problem solving or compliance review). This does not bar submission of updated requests after Board approval of the same project.
- c. **Resources:** CSOs expressed concerns about procurement timelines and the need for the IAM to cover costs enabling invitational travelers to attend meetings, including those offered away from project sites, to mitigate risks of threats and reprisals. – The IAM concurs with these concerns. The IAM has successfully engaged with Management and identified solutions consistent with U.S. Government requirements to be able to cover the reasonable costs of invitational travelers for IAM's activities.
- d. **Remedy:** CSOs requested that the TOR language be amended to confirm that the IAM's mandate includes facilitating access to remedy. CSOs also requested that DFC develops remedy and

¹ The CSO coalition comprised Accountability Counsel – Global, African Law Foundation (AFRILAW) – Nigeria, Bank Information Center – United States, Buliisa Initiative for Rural Development (BIRUDO) – Uganda, Center for International Environmental Law – United States, Friends of the Earth U.S. – United States, Friends with Environment in Development – United States, Fundación CAUCE: Cultura Ambiental - Causa Ecologista – Argentina; Fundeps – Argentina; Global Labor Justice – United States; Inclusive Development International – United States; Instituto Maíra – Brazil; Jamaa Resource Initiatives – Kenya; Lumière Synergie pour le Développement – Senegal; MenaFem Movement for Economic Development and Ecological Justice – Morocco; Narasha Community Development Group – Kenya; Peace Point Development Foundation (PPDF) – Nigeria; Publish What You Fund – United Kingdom; Recourse – Netherlands; Sustentarse – Chile; Transparentem – United States; Witness Radio – Uganda

responsible exit frameworks. – Following discussions with management and the Board, the TOR will be amended to show that the IAM’s role includes recommending remedial actions to address non-compliance and Harm where appropriate. The IAM will convey the CSOs’ request for DFC to develop a remedy framework to Management.

Detailed IAM responses to issues raised by the CSO coalition in their redlined comments are presented in Annex 1, many of which have resulted in changes to the TOR.

3.3 Comments during Webinars

Supported by external facilitators, the IAM delivered two public webinars (in English) to present and discuss the Draft TOR. The IAM’s [Discussion Notes](#) – a PowerPoint slide deck - were made available before and used in part during the webinars. The webinars were held on 20 and 21 June 2024, were scheduled for up to two hours, and attracted a total of 37 participants. There was an overlap between the CSO coalition which submitted its comments (see above) and many of the individuals who participated in the webinars. Polling during the webinars showed that most participants self-identified as representing CSOs, some had a consulting background, and a few were students or DFC staff members. No participant self-identified as a DFC Client.

The two webinars were structured and delivered in a similar way. After welcoming all participants, the IAM Director introduced the external facilitators who explained the ground rules, including that the webinars were being recorded.

The participants’ questions and comments focused on eligibility criteria, mediation processes, compliance reviews, and outreach efforts. Participants expressed concerns about limiting eligibility to projects which have been Board approved and where DFC has not yet exited. Challenges to keep financial intermediary and private equity investments accountable, options to defer compliance investigations to allow DFC Management and DFC clients to solve issues faster and using external consultants for monitoring triggered most of the discussions. In addition, the IAM was encouraged to develop specific procedures to deal with the risk of threats and reprisals and improve disclosure both globally (website) and locally (community level).

After the webinars, the facilitators summarized all comments, which are incorporated in identifiable sections of Annex 1. The facilitator’s summary report is presented in Annex 2.

3.4 Engaging with the ‘Tuesday Group’

The monthly Tuesday Group meetings, which are hosted by the Bank Information Center and USAID, provide opportunities to discuss and coordinate policy around multilateral development banks (MDBs), as well as discuss MDB-related issues between NGOs and the US Government. Invited by this group, the IAM Director provided a brief presentation about the Draft TOR, plans to grow the capacity of the IAM, and answered questions. Themes of CSO representatives’ comments on the TOR were generally similar to those in the CSO coalition comments described above.

3.5 CSO Outreach in Kenya

Jointly with eight independent accountability mechanisms from other DFIs, the IAM Director co-hosted and attended a CSO outreach workshop on 12-13 June in Nairobi, Kenya. During the event, the IAM Director learned more about two important issues: First, that the 31 CSO representatives from Ethiopia, Kenya, Malawi, Rwanda, Tanzania, Uganda, and Zambia working in the accountability space related to DFIs

had very limited to no knowledge about DFC and its IAM. Second, the high prevalence of threats and reprisals experienced by complainants and their CSO supporters involved in projects financed by DFIs.

The event provided an opportunity to introduce DFC's IAM and invite participants to contribute their opinions and recommendations about the IAM's Draft TOR during the public consultation period. The results of a survey conducted by the IAM (which had a low response rate of n=10) showed that two or more respondents believed that DFC's IAM was unknown, not functional, not accessible, lacked capacity, and was unpredictable. Only two of ten respondents indicated that DFC's IAM would rank among the top three mechanisms they would consider when lodging a complaint (request) if a project was co-financed by DFC. Other feedback highlighted a need for more outreach by the IAM.

The TOR already speaks to the key issues discussed during the CSO outreach workshop in Kenya and the feedback provided in the IAM's survey. The IAM is engaging with Management and others to find options to cover the reasonable cost of invitational travelers to improve access to the IAM and its services, and mitigate the risk of threats and reprisals by conducting workshops/meetings away from project areas exhibiting such risks.

3.6 Comments collected during ESPP and Transparency Policy reviews

During the public consultation processes related to the DFC's emerging Transparency Policy (2023) and Environmental and Social Policy and Procedures (2024), CSOs also provided comments related to the Office of Accountability. These IAM-related comments are included in Annex 1. In summary, they requested that the IAM policy and procedures should be developed, that IAM services should remain available for projects located in countries which may no longer be eligible for DFC support (for example, high-income countries), and inform stakeholders and workers of DFC projects – including for financial intermediaries - about the IAM and how it can be accessed. The Draft or updated TOR addresses all these issues.

3.7 IAM Director's Comments

In the opinion of the IAM Director, the most significant issue which may undermine access to the IAM's services and elevate the risk of threats and reprisal relates to the IAM's need to cover the cost of invitational travelers – complainants and their representatives - to attend meetings away from the project area. Also, the IAM needs to find a way to cover reasonable travel costs, accommodation, and subsistence for invitational travelers from the CSO community to participate in regional outreach events which are co/hosted by DFC's IAM. The IAM has successfully engaged with Management and identified solutions consistent with U.S. Government requirements. The IAM Director also notes the recommendations designed to improve outreach, including through DFC clients, and to develop guidance on how to navigate and address the risk of threats and reprisals.

4. Outcome of Public Consultation

Using the feedback received by the IAM during the public consultation process, the Draft TOR will be updated, discussed with Management and the Board, and submitted to Board for final review and approval. The final and redlined versions of the TOR will be web posted in the "About Us" section of the IAM's webpages.

Appendix 1: Matrix of comments received and addressed by the IAM (includes IAM-related public comments related to 2023 Transparency and 2024 Policy and Environmental and Social Policy)

Appendix 1 is a spreadsheet that can be accessed via the [“About Us”](#) section of the IAM’s webpages.

Appendix 2: Facilitators' summary report of two public webinars delivered by the IAM to present and discuss the Draft TOR

Stakeholder Engagement Webinar Notes:

Dates: 2024-06-20 and 2024-06-21

Host: Mehrdad Nazari, Director, Office of Accountability, U.S. International Development Finance Corporation (DFC)

Objective: The objective of the stakeholder engagement activities is to facilitate consultation with groups whose interest in DFC's IAM activities is clear and demonstrated. The results of the consultation process will be summarized and published to help inform and improve the Terms of Reference (TOR).

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Stakeholder Engagement Webinar Overview

Notifications:

- IAM's [Draft TOR](#) was disclosed on IAM's webpage on May 31, 2024. Notifications were distributed via IAM's social media (LinkedIn) on the same day. The schedule for the planned webinars were announced in a [Stakeholder Engagement Plan](#), which was published on IAM's webpage on May 15, 2024, and invitations were also distributed via email and LinkedIn prior to the events.

Attendance :

- **6.20.24:** 17 registered, 1 canceled, 18 attended
- **6.21.24:** 16 registered, 1 canceled, 19 attended

Introduction:

- Mehrdad Nazari, Director of the Office of Accountability (Independent Accountability Mechanism) at DFC.
- Webinar planned for 2 hours, aiming to provide a high-level summary of the draft Terms of Reference (TOR), the development process, and to discuss key topics.
- External facilitators: John Riordan and John Mizerak, tasked with collecting comments and producing a matrix table to address feedback.

Mehrdad Nazari's Background:

- Joined DFC in February.
- 30 years of experience in impact assessment, audit, and assurance verifications.
- Served in a multilateral financial institution, on independent engineering teams reviewing DFI-financed projects and on environmental social expert panels of various multilateral accountability mechanisms.
- Experience in international arbitration.

DFC Overview:

- In FY 2023, DFC committed \$9.3 billion to about 130-140 projects.
- The DFC portfolio, including legacy projects from OPIC, is about \$40 billion.
- Investment priorities and further information available on the DFC website.

Office of Accountability (IAM):

- Independent office within DFC, also known as the Office of Accountability.
- Mission: Provide project-affected communities, project sponsors, and workers an opportunity to have their concerns independently reviewed and addressed.
- Rebranding to IAM to align with the BUILD ACT and Board-approved Implementation Document and the common meaning of "independent accountability mechanism" at development finance institutions.

Polling Participants:

- Participants were polled to highlight their affiliations (DFC staff/board, DFC clients, other IAMs, civil society organizations, academic sector, consultants, or other).
- Encouraged participants to provide specific roles and interests in the chat for better networking and understanding.

Policy Milestones and TOR Development:

- IAM (Office of Accountability) established in 2005, with the last policy from the 2014 (“OPIC handbook”).
- 2020: Board of DFC approved the Implementation Document outlining IAM's functions and limitations.
- Current phase: 60-day public consultation process, ending July 30, 2024, to gather feedback and incorporate into the final TOR, expected to be submitted to DFC Board for review/approval by September 2024.

Challenges and Opportunities:

- Addressing the lack of complaints and underutilization of IAM services.
- Increasing IAM capacity by hiring additional staff.
- Emphasizing the importance of broad outreach and stakeholder engagement to improve awareness and utilization of IAM services.

Modeled after IFC/MIGA CEO Policy:

- Modeled the TOR after the IFC/MIGA CAO policy for its tested and recognized procedures.
- Aiming to build stakeholder confidence by adopting a familiar and effective standard.

Q&A and Interactive Session:

- Participants were invited to ask questions and provide comments via chat or directly during the session.
- Specific questions about eligibility criteria, mediation processes, compliance reviews, and outreach efforts were addressed.

DFC IAM Stakeholder Webinar #1: Stakeholder Feedback Compilation

6.20.24 Registrants: 17 registered, 1 canceled, **18 attended**

Topic 1: Eligibility of Requests and Complaints

Time: 1:01:00 – 1:13:00

Opening Remarks:

- Mehrdad Nazari introduced the eligibility criteria for requests and complaints, adopting the criteria from IFC/MIGA's Compliance Advisor Ombudsman (CAO), and extending the exceptional eligibility from 15 to 24 months post DFC-exit.
- The floor was opened for comments, suggestions for improvements, and questions of clarity.

Stakeholder Comments and Concerns:

Pre-Approval Complaints:

- **Participant #1 - Webinar #1 Perspective:**
 - The restriction to only accept complaints post-board approval undermines the IAM's mandate to prevent harm.
 - There should be a process to handle complaints about potential harm before project approval.
 - Flexibility is needed to address issues that could prevent project approval if they clearly violate the ESPP.

Post-Exit Complaints:

- **Participant #1 - Webinar #1 Concern:**
 - The IAM should be able to hear complaints about closed projects.
 - Other accountability mechanisms, like the African Development Bank and the German International Climate Institute, have longer statutes of limitations, extending up to two to three years post-exit.
 - This allows for the discovery of downstream impacts and ensures the institution learns from these cases.

General Comments:

- **Participant #2 - Webinar #1 Comment (Chat):**
 - It would be helpful to define the range of E&S issues covered, ensuring they include health, labor, human rights, and gender issues.

Responses from Mehrdad Nazari:

- **Pre-Approval Complaints:**

- Complaints about projects pending board approval are summarized and passed on to the board before approval, but IAM services are not provided until the project is approved.
- This allows the board to consider stakeholder concerns before project approval.
- **Post-Exit Complaints:**
 - In general, IAMs struggles with post-exit complaints due to lack of leverage over clients.
 - Draft TOR allows for exceptional eligibility for up to 24 months post exit.
 - The policy aims to ensure learning and institutional improvement, but addressing remedy for post-exit projects remains challenging.
 - The board can request reviews of any project, regardless of age, to address issues that arise.
- **Environmental and Social Issues:**
 - The E&S issues covered include all the identified topics like health, labor, human rights, and gender issues.
 - General policy concerns or sectoral investments that do not pertain to specific projects are not eligible for IAM but are passed on to management.

Topic 2: Compliance Reviews

Time: 1:13:12 – 1:22:00

Opening Remarks by Mehrdad Nazari:

- The compliance review focuses on DFC's compliance with its policies and related harm associated with alleged non-compliance.
- Stakeholders were invited to express specific concerns regarding the compliance review process as described in the Draft Terms of Reference (TOR).

Stakeholder Comments and Concerns:

Deferral of Compliance Investigations:

- **Participant #3 - Webinar #1 Concern:**
 - Deferral of compliance investigations to give management an opportunity to address issues is seen as unnecessary and potentially harmful.
 - Communities often try to engage with management before filing complaints, making additional deferral redundant and potentially delaying necessary investigations.
 - Reference to a similar deferral process at the World Bank inspection panel, which led to unnecessary delays.
 - Suggestion: The existing provision allowing complainants to engage with management if they haven't previously should be sufficient.

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Judgment of Harm:

- **Participant #2 - Webinar #1 Comment (Chat):**
 - Harm is subjective and can be perceived differently by different stakeholders.
 - Clarification on how judgments are made with respect to harm and how it is defined.

Policy Framework Adequacy:

- **Participant #1 - Webinar #1 Concern:**
 - While complaints solely alleging inadequacy of the policy framework are excluded, the IAM should be able to conclude during a compliance investigation that the existing policy framework was inadequate to prevent harm.
 - Suggestion: Modify the language to allow the IAM to comment on the adequacy of the policy framework during compliance reviews.

Monitoring and Implementation of Recommendations:

- **Participant #4 - Webinar #1 Positive Feedback:**
 - Support for IAM's ability to monitor DFC's implementation of its recommendations and board approval of management action plans in response to IAM findings.

GBV Complaints:

- **Participant #4 - Webinar #1 Concern:**
 - Gender-based violence (GBV) complaints should never be handled through problem-solving processes.
 - Such cases should always go through compliance to avoid potentially harmful outcomes.

Extended Eligibility for Closed Projects:

- **Participant #4 - Webinar #1 Reiteration:**
 - Support for the IAM to accept complaints regarding closed projects.
 - Reference to the extended eligibility period used by the Canadian FinDev and African Development Bank's accountability mechanisms.

Zero Tolerance Policy on Reprisals:

- **Participant #4 - Webinar #1 Comment:**
 - Positive note on the zero-tolerance policy against reprisals.
 - Encouragement to develop specific procedures to prevent and respond to reprisals.

Choice of Process by Complainants:

- **Participant #4 - Webinar #1 Questions:**

- Whether the choice of process (compliance or problem-solving) made by complainants is honored.
- If complainants can switch from problem-solving to compliance at any time during the process.

Transparency and Disclosure:

- **Participant #5 - Webinar #1 Concerns:**
 - The need for better disclosure of the IAM's presence both globally (website) and locally (community level).
 - Current IAM presence on the DFC website is not intuitive and often not found on project pages or documents.
 - Questions about the IAM's role in ensuring these disclosures are implemented and verified.

Client Requests for IAM Services:

- **Participant #3 - Webinar #1 Comment:**
 - DFC's IAM allows clients to request its services, which is unique.
 - Suggestion to separate client procedures from community-centered procedures for clarity.

Responses from Mehrdad Nazari:

Deferral of Compliance Investigations:

- Deferral is seen as a valuable tool for addressing issues quickly on the ground.
- It incentivizes both management and clients to solve problems promptly.
- The IAM's role is to encourage management and clients to address complaints seriously/promptly.

Judgment of Harm:

- Harm is often subjective, and evidence from affected stakeholders is taken seriously.
- The IAM's threshold of evidence is lower than that required in a court.

Policy Framework Adequacy:

- The IAM can comment on the adequacy of the policy framework during compliance reviews if it arises as part of a complaint.

Monitoring and Implementation:

- Acknowledged the importance of monitoring DFC's implementation of recommendations and board-approved management action plans.

GBV Complaints:

- Agreed that the decision-making process should involve affected communities and that certain cases might inherently require compliance processes.

Extended Eligibility for Closed Projects:

- Recognized the suggestion for extended eligibility and indicated openness to considering it. Draft TOR allows for eligibility for up to 24 months post exits.

Zero Tolerance Policy on Reprisals:

- Agreed on the importance of specific procedures to prevent and respond to reprisals.

Choice of Process by Complainants:

- Confirmed that the IAM prioritizes the preferences of affected communities and allows for switching processes if necessary.

Transparency and Disclosure:

- Efforts are ongoing to improve the disclosure of IAM presence, both on the DFC website and at the community level.

Client Requests for IAM Services:

- Acknowledged the uniqueness of providing IAM services also to DFC clients.

Topic 3: Problem Solving

Time: 1:22:00 – 1:29:03

Stakeholder Comments and Concerns:

Routine Monitoring of Problem Solving Agreements:

- **Participant #6 - Webinar #1 Perspective:**
 - Suggested outsourcing routine monitoring to independent companies to avoid conflicts of interest.
 - Highlighted the need for clear separation between consultants developing management plans and those monitoring them.
 - Suggested using reputable firms for monitoring.

Mehrdad Nazari's Clarification:

- Proposed the idea of using independent engineers hired by financial institutions, not project developers' own consultants, to monitor agreements.

Participant #7 - Webinar #1 Perspective:

- Expressed concerns about potential conflicts of interest with consultants involved in both due diligence and monitoring.
- Highlighted the importance of impartiality in monitoring.

Participant #8 - Webinar #1 Perspective:

- Emphasized the importance of having dispute resolution specialists involved in monitoring to maintain trust and effectively manage agreements.
- Pointed out that monitoring often involves more complex issues than simple yes/no questions, requiring experienced specialists.

Participant #3 and #4 - Webinar #1 Positive Feedback on Adoption of CAO Policy:

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- Several CSO representatives, including **Participants #3 and #4**, praised the adoption of the CAO policy.
 - This step was viewed as increasing the confidence of stakeholders in using the IAM in the future.
 - The CAO policy is seen as a good and significant advancement for the IAM.

Open Forum: Additional Questions and Comments

Time: 1:29:03 – 1:38:01

Closing Remarks by Mehrdad Nazari:

- **Acknowledgment of Participation:**
 - Mehrdad Nazari expressed his gratitude to all participants for their valuable feedback and active engagement throughout the webinar sessions. He acknowledged the diversity of perspectives and the depth of insights shared by stakeholders.
- **Importance of Public Consultation:**
 - Emphasized the significance of the public consultation phase, which is set to conclude at the end of July. He encouraged all stakeholders to take advantage of this period to provide their comments and feedback, as it is a crucial opportunity for shaping the DFC IAM's policies and procedures.

Webinar #1 Chat Summary:

- **Introduction and Participant Greetings:**
 - Participants introduced themselves and their affiliations, including:
 - **Participant #9 - Webinar #1:** Involved in compliance issues at DFC.
 - **Participant #5 - Webinar #1:** Interested in transparency and disclosure aspects.
- **Key Points and Discussions:**
 - **Transparency and Utilization of IAM:**
 - **Participant #5 - Webinar #1:** Highlighted the need for better disclosure and awareness of IAM's role.
 - **Deferral of Compliance Investigations:**
 - **Participant #3 - Webinar #1:** Raised concerns about unnecessary delays and potential harm caused by deferring investigations.
 - **Judgment of Harm:**
 - **Participant #2 - Webinar #1:** Questioned how harm is judged and defined.

- **Policy Framework Adequacy:**
 - **Participant #1 - Webinar #1:** Emphasized the need for IAM to comment on policy adequacy during compliance reviews.
- **Monitoring and Implementation:**
 - **Participant #4 - Webinar #1:** Supported IAM's role in monitoring and implementation of recommendations.
- **GBV Complaints:**
 - **Participant #4 - Webinar #1:** Asserted that GBV complaints should always go through compliance.
- **Extended Eligibility for Closed Projects:**
 - **Participant #4 - Webinar #1:** Reiterated support for accepting complaints about closed projects.
- **Zero Tolerance Policy on Reprisals:**
 - **Participant #4 - Webinar #1:** Encouraged specific procedures to prevent and respond to reprisals.
- **Choice of Process by Complainants:**
 - **Participant #4 - Webinar #1:** Questioned whether complainants' choices of process are honored and if they can switch processes.
- **Client Requests for IAM Services:**
 - **Participant #3 - Webinar #1:** Suggested separating client and community procedures for clarity.

DFC IAM Stakeholder Webinar #2: Stakeholder Feedback Compilation

6.21.24 Registrants: 16 registered, 1 canceled, 19 attended

Topic 1: Eligibility of Requests and Complaints

Time: 52:02 – 1:02:51

Introduction by Mehrdad Nazari:

- Emphasized the importance of having the capacity for implementation and mentioned the recent expansion of his office to include 2.5 additional positions to better fulfill the office's mission and mandates.

Stakeholder Comments and Concerns:

Financial Intermediaries (FIs) Challenges:

- **Participant #1 - Webinar #2 Perspective:**
 - Highlighted the disconnect between local communities impacted by sub-projects and the awareness of IFI involvement.

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- Lack of disclosure requirements for FIs to publish accountability mechanisms.
- Difficulty for impacted communities to trace the source of financing for projects.
- Mentioned the need for clear guidance, outreach, and training for FIs, which is currently missing.
- Private equity transactions and market restrictions pose challenges for transparency and disclosure.
- Monitoring the compliance of FIs with accountability mechanisms is resource-intensive and challenging without proper capacity.

Pre-Approval and Post-Exit Complaints:

- **Participant #2 - Webinar #2 Perspective:**
 - Suggested allowing complaints before project approval to prevent harm and leverage the institution's power at an early stage.
 - Emphasized the missed opportunity for redesigning projects or deciding not to get involved if issues are detected early.
 - Advocated for broader eligibility for post-exit complaints due to the continuing remedy obligation of DFC.

Transparency and Disclosure for FIs:

- **Participant #2 - Webinar #2 Perspective:**
 - Note that the ring-fencing approach limits complaints and is often difficult for advocates to determine eligibility.
 - Suggested a more inclusive approach, where all FI-related projects should all adhere to performance standards across the portfolio, similar to DEG and Proparco.

Comments on Financial Intermediaries (FIs):

- **Mehrdad Nazari's Response:**
 - Noted the request/need for enhanced transparency and monitoring of FIs. Some of the concerns identified are better directed at other DFC policies, such as those related to transparency or environmental and social policies and procedures.
 - Mentioned that the IAM can inform the board about potential future project issues before they are approved but will not mobilize resources until the project is board-approved.

Participant #1 - Webinar #2 Comment on EFDIs:

- Emphasized the struggle in negotiating the application of performance standards across entire portfolios with banks.

Participant #2 - Webinar #2 Comment on FI Complaints:

- Pointed out the complexity and challenges of filing complaints about FI projects due to the lack of transparency.

Topic 2: Compliance Reviews

Time: 1:15:34 – 1:20:00

Stakeholder Comments and Concerns:

Opening Remarks:

- The compliance review focuses on how DFC complied with its own policies and the related harm associated with alleged non-compliance.

Mehrdad Nazari's Clarification on Technical Assistance Projects:

- Highlighted that DFC's environmental and social policy and procedures do not apply to technical assistance projects, and Draft IAM policy does not apply to TA projects

Participant #3 - Webinar #2 Experience with IDB:

- Shared experience with IDB where technical cooperation projects, including resettlement action plans, were subject to the IAM.

Topic 3: Problem Solving

Time: 1:20:03 – 1:29:03

Stakeholder Comments and Concerns:

Routine Monitoring of Problem Solving Agreements:

- **Participant #4 - Webinar #2 Perspective:**
 - Suggested outsourcing routine monitoring to independent companies to avoid conflicts of interest.
 - Highlighted the need for clear separation between consultants developing management plans and those monitoring them.
 - Suggested using reputable firms for monitoring.

Mehrdad Nazari's Clarification:

- Proposed the idea of using independent engineers hired by financial institutions, not project developers, to monitor agreements.

Participant #3 - Webinar #2 Perspective:

- Expressed concerns about potential conflicts of interest with consultants involved in both due diligence and monitoring.
- Highlighted the importance of impartiality in monitoring.

Participant #2 - Webinar #2 Perspective:

- Emphasized the importance of having dispute resolution specialists involved in monitoring to maintain trust and effectively manage agreements.
- Pointed out that monitoring often involves more complex issues than simple yes/no questions, requiring experienced specialists.

Positive Feedback on Adoption of CAO Policy:

- Several CSO representatives, including **Participant #2 - Webinar #2** and **Participant #5 - Webinar #2**, praised the adoption of the CAO policy.
 - This step was viewed as a significant advancement and increased the confidence of stakeholders in using the IAM in the future.
 - The CAO policy is seen as a strong and positive development for the IAM, reflecting best practices in accountability mechanisms and enhancing the credibility of the IAM's processes.

Open Forum: Additional Questions and Comments

Time: 1:29:03 – 1:38:01

Closing Remarks by Mehrdad Nazari:

- **Acknowledgment of Participation:**
 - Mehrdad Nazari expressed his gratitude to all participants for their valuable feedback and active engagement throughout the webinar sessions. He acknowledged the diversity of perspectives and the depth of insights shared by stakeholders.
- **Importance of Public Consultation:**
 - Emphasized the significance of the public consultation phase, which is set to conclude at the end of July. He encouraged all stakeholders to take advantage of this period to provide their comments and feedback, as it is a crucial opportunity for shaping the DFC IAM's policies and procedures.

Webinar #2 Chat Summary:

Introduction and Participant Greetings:

- Participants introduced themselves and their affiliations, including:
 - **Participant #6 - Webinar #2:** Consultant focusing on dialogue and reconciliation.
 - **Participant #3 - Webinar #2:** E&S Safeguards expert with experience at the Inter-American Development Bank.
 - **Participant #2 - Webinar #2:** Over a decade of experience with IAMs, previously at Accountability Counsel.

Key Points and Discussions:

- **Transparency and Utilization of IAM:**
 - **Participant #2 - Webinar #2:** Noted a preference for the CAO due to its established process and predictability.

- **Participant #6 - Webinar #2:** Discussed underutilization of IAM due to lack of knowledge and trust issues.
- **Participant #5 - Webinar #2:** Advocated for adopting best practices from other IAMs while addressing their shortcomings.
- **Compliance and Monitoring:**
 - **Participant #4 - Webinar #2:** Suggested outsourcing monitoring to avoid conflicts of interest.
 - **Participant #3 - Webinar #2:** Highlighted potential conflicts of interest with consultants involved in both due diligence and monitoring.
 - **Participant #2 - Webinar #2:** Emphasized the need for experienced dispute resolution specialists in monitoring processes.
- **Eligibility and Complaints:**
 - **Participant #2 - Webinar #2:** Suggested broader eligibility criteria for pre-approval and post-exit complaints.
 - **Participants:** Discussed the importance of including technical assistance projects in compliance reviews and the challenges associated with FI transparency.

Next Steps for Stakeholders:

1. **Submit Additional Comments:**
 - Email any further comments on the Terms of Reference to jr@johnriordan.com and/or mehrdad.nazari@dfc.gov by July 30th.
 - Use the subject line “IAM Terms of Reference Comments” and specify if you prefer to keep your identity confidential.
2. **Stay Engaged:**
 - Continue to provide feedback and engage with the DFC IAM beyond the public consultation phase.
 - Monitor updates and developments related to the IAM’s policies and procedures.
 - “Follow” IAM’s LinkedIn page to be notified of updates.
3. **Look Forward to Updated Terms of Reference:**
 - Anticipate the release of the updated Terms of Reference following the board’s approval in September or shortly thereafter.
 - Review the final document to understand the implemented changes and enhancements based on stakeholder feedback.