

PUENTES

Building Bridges between the IDB and Civil Society

Special Edition ICIM



Why should we be accountable? The Mechanism within a Development Effectiveness Framework

Ana María Linares, Office of Strategic Planning and Development Effectiveness

The new Independent Consultation and Investigation Mechanism (ICIM) is a central component of the Bank's efforts to commit itself to more effective involvement in Latin America and the Caribbean. This commitment, which stems from the beginning of the Bank's activities 50 years ago, was renewed explicitly with the adoption of the Paris Declaration on Aid Effectiveness in 2005.

What is the Paris Declaration?

The Paris Declaration was agreed to by more than 100 participants from developing countries, developed countries and international development agencies, including the IDB. It commits member countries and international agencies to adopting measures that will make aid more effective by better coordinating foreign assistance with countries' needs and priorities, putting management by results systems into practice and strengthening accountability. The action plan with progress indicators, as agreed in the Paris Declaration, will be reviewed in 2010.

What does it mean to increase effectiveness of development involvement?

The Bank supports its member countries with financing, technical assistance and knowledge products. The effectiveness of these activities has to do with the degree to which they meet the objectives originally laid out. The Bank is always seeking mechanisms that will strengthen the effectiveness of its development activities.

How is the Mechanism related to the Bank's commitment under the Paris Declaration?

The Mechanism offers communities that feel they are affected by a Bank-financed project a means of presenting their concerns to the Board of Executive Directors. Once the Mechanism is invoked, the Bank must account for its action in terms of whether it has complied—or not—with its operating policies. The Mechanism thus acts as an accountability system that will, it is hoped, make the Bank's development activities more effective.

Listening to the Voice of the Communities

On Monday, June 1, 2009, the IDB began the consultation process of the Independent Consultation and Investigation Mechanism.



2 Letter to Readers

3 Santiago Levy Interview:
"The challenge for the IDB is to create more value added for countries."

4 Listening to the voice of the communities

5 Proposal to Create the Independent Consultation and Investigation Mechanism (ICIM)

6 Oiling the IDB's Machinery. Schedule of Meetings and Consultations (2009)

7 Public Consultation for the Camisea Project

8 Projects Approved in the Last Three Months.

Letter to Readers



As you may recall, the Montevideo agreements included a section concerning the Independent Consultation and Investigation Mechanism (ICIM). As was reported in Medellín, the draft proposal for the new Mechanism was submitted to the Bank's Board of Executive Directors on March 2, 2009. Now a new stage of the process begins: public consultation of civil society organizations.

With the public consultation process for the proposal of the ICIM, an opportunity once again opens up for nongovernmental organizations, movements of indigenous groups, foundations and organizations from various sectors of civil society to participate in the process and get people to listen to their opinions and comments. Given the Mechanism's importance, this is an opportunity that these organizations should not pass up.

Although agreements help to build bridges, constructive disagreements help to make them stronger. Thus, it is important that this process, as well as those in other spaces and at other times, include voices that are critical of the bank as well as those that agree, and that they participate actively with proposals and suggestions that the Bank can review and consider.

This issue of *PUENTES* is therefore devoted largely to the ICIM and to the public consultation process related to it. It also provides information about projects and issues such as strategic environmental assessments, which are of interest to many civil society organizations.

Fulfilling the Agreements... Medellín



As part of the agreements signed in Montevideo in October 1998, more than 40 civil society representatives met with authorities of the Inter-American Development Bank (IDB) this past March 26 in Medellín, Colombia, in order to continue a dialogue about topics and matters of interest that the participating organizations proposed.

The agenda for the meeting was prepared by the civil society organizations and coordinated by Argentina's Center for Human Rights and Environment (CEDHA, its initials in Spanish). IDB president Luis Alberto Moreno and members of the Bank's management held discussions with the participants, committing themselves to continued support for communications processes, as well as support for efforts to comply with previously established agreements.

Various civil society representatives were able to make their concerns known to President Moreno, especially those related to the Bank's role in the current world economic crisis, aspects that concern capital increase and civil society's participation in that process. IDB authorities and members of civil society extensively evaluated the agreements that have been fulfilled, as well as those still pending. The next meeting between the IDB and civil society representatives will be held in Honduras in October 2009.

Santiago Levy Interview: “The challenge for the IDB is to create more value added for countries.”



“To pretend that you’re not going to make a mistake is a bit naïve. You have to have a mechanism for detecting these errors promptly, and for being able to prevent them.”

How did your interest in development issues arise?

The same way it did for anyone in the first years of University study in Latin America in the 1970s: I read about problems everywhere, coups d’etat, great inequalities. It was our daily bread. The question was very simple: Why? But the answer was very difficult. I decided to study economics so that I could answer that question. After a long career as an academic and 15 years as a public official in Mexico, I joined the Bank’s team.

What are the three highest-priority issues on the agenda of the Vice President for Sectors and Knowledge?

They can all be summarized in just one word: quality. The priority is to improve the quality with which funds are lent. Lending money is easy. Lending money well is very difficult. The IDB can help countries in a more profound way if it has high-quality projects. The challenge for the Bank is to create value added for countries. Not just to give them financial resources, but to give them knowledge, experience and policy suggestions—and that can be as valuable as funding. If the Bank succeeds in combining financial resources with quality in everything it produces, it will become a very powerful institution that can drive development in Latin America.

“Lending money is easy. Lending money well is very difficult.”

What key actions are being taken to improve the quality of the IDB’s work?

With the realignment and such critical projects as effectiveness in development, the idea is that the Bank’s members will absorb these approaches as more than an administrative measure. Rather, we hope there will be a real change in the culture of the organization. This means that all of us at the Bank would absorb these changes and give countries something more than financial resources. All of us must keep ourselves informed, we must debate, generate ideas, discuss all of the issues. But it is a continuous and ongoing process that never stops.

The issue of safeguard policies points to the issue of quality. What challenges do you think the Bank faces in order to implement them?

The IDB must take care that individual projects (access to water, highway construction, schools, hospitals, electricity plants, etc.) do not have a negative effect on communities. Even more, the Bank must help countries strengthen their institutions so that they can comply with environmental legislation—not only for IDB projects but for everything being done in each country. If the institutional framework is strengthened, environmental protection will be assured in the long term and in a more efficient way. Moreover, civil society is very interested in strengthening all public policies, and it is legitimately calling upon governments and multilateral institutions to

be more conscious of environmental issues. I think that this demand strengthens consultation processes and respect for the environment, not only in multilateral institutions but also in government policies in general.

What has been your experience when interacting with Civil Society?

Civil Society forces the authorities to see what they have overlooked. Sometimes governments have the problem of leaving what is important undone because they are doing what is urgent. Organized civil society is a legitimate instrument, which, through its participation, enriches public discussion and national life.

At this time, a public consultation process is being developed for the Independent Consultation and Investigation Mechanism. What does the importance of this process for the Bank’s work rest on?

On the one hand, it shows that the IDB is open to dialogue and to constructive participation with regard to these issues. On the other hand, there is recognition that we at the IDB can be wrong. All institutions make mistakes, so to pretend that you’re not going to make a mistake is a bit naïve. You have to have a mechanism for detecting these problems promptly, and for being able to avoid them. It means strengthening the dialogue with civil society and giving countries more resources to strengthen their institutions.



Who is Santiago Levy?

Santiago Levy, a citizen of Mexico, holds a doctorate in economics from Boston University and is the IDB’s Vice President for Sectors and Knowledge. He is the architect of the Mexican social program known as Oportunidades, which invests in education, health and nutrition for families in extreme poverty, and has inspired many countries interested in fighting poverty. In this program, the government provides funds to poor families on the condition that they keep their children in school and go to the doctor regularly. Santiago Levy’s earlier public positions include serving as General Director of the Mexican Social Security Institute, Deputy Minister of Finance and President of Mexico’s Federal Competition Commission. He has worked at the Inter-American Development Bank (IDB) as Vice President for Sectors and Knowledge for nearly two years.

Listening to the Voice of the Communities

Beginning the Independent Consultation and Investigation Mechanism (ICIM) public consultation Process

Ana-Mita Betancourt, Coordinator of the ICIM

The Independent Consultation and Investigation Mechanism (ICIM) is now 15 years old. In many countries, 15th birthdays are celebrated differently from other birthdays because of the transition period they mark for girls. And so it is with the Mechanism. This year begins a transition. Like adolescents who find their vocation and a focus over time, the Mechanism is strengthening its mission and refocusing on service to the Inter-American Development Bank (IDB) and civil society.



How does this Mechanism work? No other instrument in the IDB but the Mechanism has such a relationship to civil society. The Mechanism is a process that enables communities that believe they are being hurt by an IDB operation to bring their concerns to the IDB's Board of Executive Directors. (The Board of Executive Directors comprises representatives from all of the Bank's member countries, and its duties include establishing the Bank's policies, approving projects, setting interest rates on loans and approving the Bank's administrative budget.) This direct line of communication can trigger an investigation by a panel of independent experts, which then reports to the Board regarding whether the Bank has abided by its operating policies. The process allows people affected by a project to have a voice about its potential impacts and lets the Bank know how the project is being carried out.

The Mechanism was created in 1994. With it, the Board of Governors, which is the IDB's highest authority, established a process for increasing transparency, effectiveness and accountability. When the governors approved the Mechanism's policy that year, they announced that the Mechanism would provide a support network for people in the region's countries who might be affected by the IDB's operations.



After 15 years of experience, the critical question is: How do you strengthen this network? The IDB has announced a public consultation process that invites community ideas in response to this question, based on a new Independent Consultation and Investigation Mechanism (ICIM).

The new Mechanism will have a focused scope and apply to policies that cover areas of great importance to civil society, as well as to the most vulnerable populations. These include environmental policies, involuntary resettlement, disaster management, the role of women in development, and information disclosure. All of these areas are priorities for the IDB and for civil society, and the lessons learned from the Mechanism in these areas will help advance sustainable development in the region.

The ICIM will include an initial consultation phase enabling groups to deal with their concerns within a formal but flexible framework. The affected community and other principal participants will be able to sit down at the same table if they wish to do so. From that dialogue, and from the space for conflict resolution to be facilitated by the IDB, solutions will be devised to fit each individual case.

This project includes a second phase in which an independent panel of experts will be able to investigate whether the IDB has actually adhered to its policies. The panel will consult with the parties, look into what happened and report to the Board of Executive Directors.

The ICIM's activities will be transparent within the framework of the IDB's Information Disclosure Policy. People or groups filing complaints will receive information about the complaints filed, and the panel's conclusions will be public. The ICIM will function within time frames to be based on procedural efficiency.

A 15th birthday symbolizes growth and the potential held by the future. The Mechanism celebrates this milestone that offers such enormous potential for strengthening, as reflected in the proposal for the ICIM. With this proposal, the IDB seeks to reinforce this important support network and welcomes the comments and perspectives of civil society.

www.iadb.org/mecanismo

Proposal to Create the Independent Consultation and Investigation Mechanism (ICIM)



What is the Mechanism?

In 1994, the IDB's Board of Governors created the Independent Investigation Mechanism to "increase the transparency, accountability and effectiveness of the Bank's performance." The Mechanism establishes a process for the independent investigation of allegations of local populations claiming to be affected by IDB projects and assesses whether the IDB has correctly applied its operational policies. The Mechanism is a unique tool for handling external complaints and does not apply to fraud and corruption, personnel, and procurement issues.

Why should the Mechanism be enhanced?

The Mechanism has not been amended since its adoption and it is lagging behind other MDB accountability mechanisms. The IDB's experience reveals that processing cases has been complex and lengthy. The proposal takes into account the procedures of other MDB mechanisms, lessons learned from prior cases, and the inputs from the previous reform process.

Principal elements of the new Mechanism proposal

Targeted focus: The new Mechanism will focus on potential violations of the Bank's environmental and associated safeguards policies (i.e., disaster risk management, indigenous peoples, involuntary resettlement), women in development and information disclosure policies. It applies only to investment loans (excludes PBLs and emergency loans) and covers the entire project cycle. It neither suspends nor delays operations or disbursements.

Creates a consultation phase to respond with flexibility to allegations and strengthens the compliance review phase: The new Mechanism is an instrument of last resort and it will only be activated when Management's efforts have proven unsuccessful. It encompasses a consultation phase that may include mediation or other alternative dispute resolution methods if the parties so agree. The compliance review phase consists of a fact-finding investigation by an independent panel of experts that reports to the Board.

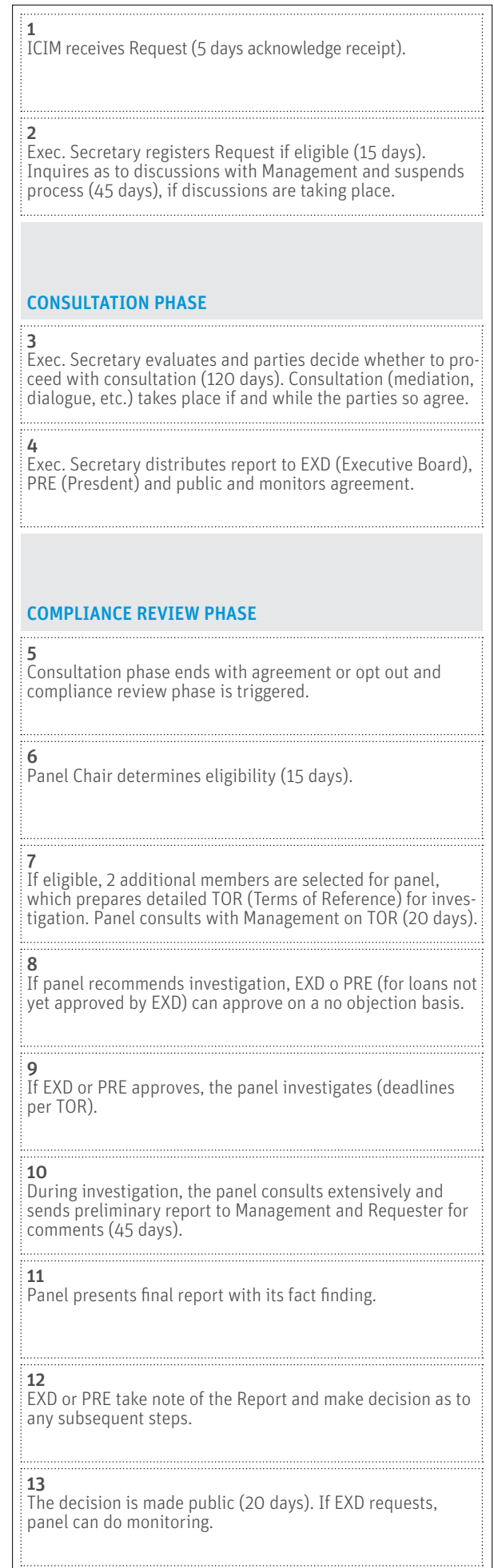
Organizational structure: The office of the new Mechanism will be administered by an Executive Secretary independent from operational units. The ICIM will be placed in the Office of the Secretary. The panel will report directly to the Board.

Improvements built into the new Mechanism

The new Mechanism is a three-year pilot program that:

- Updates and harmonizes the Mechanism with other MDB mechanisms
- Has a targeted policy and operational focus
- Adds a consultation phase that builds capacity in alternative dispute resolution methods
- Provides the panel with training, improving the information given to the Board and facilitating its oversight
- Promotes disclosure and transparency, adding credibility to the process
- Incorporates deadlines and simplifies processes, promoting efficiency

FLOWCHART FOR THE NEW MECHANISM



Oiling the IDB's Machinery



Karla Chaman, Civil Society Coordinator

Everyone understands that consultation processes that are well conducted, with clear objectives and access to pertinent information, provide valuable input for the development process. Consultation with civil society is like the oil that helps the machinery of an institution such as the IDB function smoothly, reducing the naturally occurring frictions between the pieces and preventing them from overheating and damaging an engine. But the oil must be suited to the type of engine, with the proper viscosity . . . in short, it must be good oil.

Oiling the IDB's machinery is not an easy task, especially for those aspects related to the Bank's accountability. That is why the public consultation process of the Independent Consultation and Investigation Mechanism (ICIM) takes on vital relevance both for the Bank and for all civil society organizations representing the interests of groups that—one way or another—are directly affected by our institution's financial activities.

The ICIM is important, and it is essential for the Bank to receive comments that make a contribution to its definition process. For this reason, the consultation process (unlike some others) has involved two stages. The first is a preparatory stage for the actual consultation phase, in which an effort is made to provide clear, precise information to civil society. Based on this information, the organizations will be able to present their suggestions and comments to the ICIM during the public consultation phase from June 1 through August 31, 2009.

We will therefore issue a call for participation in the process to all civil society organizations that work on such crucial issues as the environment, human rights, gender and equity, and indigenous and Afro-descended populations. But we will extend a special invitation to those organizations that are critical of the Bank, because this is the time for them to introduce and justify their positions vis-à-vis what will be one of the Bank's most important accountability mechanisms. These voices, and the voices of all those interested in this issue, are what will help oil the IDB's machinery, particularly the final decision-making process of the Bank's Board of Executive Directors with regard to the ICIM.

Schedule of Meetings and Consultations (2009)

Informational videoconferences:

Jamaica, Kingston – May 27
Honduras, Tegucigalpa – June 5

In-person public consultations:

United States, Washington, D.C. – June 23
Peru, Lima – July 9
Brazil, Brasilia – July 14
Dominican Republic, Santo Domingo – July 21

Public consultations through videoconference:

Mexico, Mexico City – June 25
Colombia, Bogota – July 24
Argentina, Buenos Aires – July 30
Bolivia, La Paz – August 4

For more information about how to participate, visit us at:

www.iadb.org/consultation

Public Consultation for the Camisea Project



Elizabeth Brito, Environmental Safeguards Unit

The Camisea Project is a central component of the Peruvian government's energy policy. By introducing natural gas as a fuel in the country's highest-density area of industrial and domestic consumption, Camisea has represented a profound transformation of Peru's energy matrix. The project comprises three components (production, transportation and distribution of gas), with a total cost of approximately \$1.7 billion. The Inter-American Development Bank (IDB) will finance part of the transportation component through a \$75 million loan to the company Transportadora de Gas del Perú (TgP) for construction and operation of natural and liquid gas pipelines.

Components of the Camisea Project

1. Production in Block 88 (located in Bajo Urubamba) of the Camisea gas fields, by the company Pluspetrol.
2. Transportation, which consists of building two main gas pipelines. One, approximately 700 kilometers, will transport natural gas from Las Malvinas to Lurín, outside Lima. The other, approximately 540 kilometers, will carry liquid natural gas from Las Malvinas to Pisco. TgP will head the project.
3. Gas distribution in Lima and Callao by Callida, which is part of France's Suez group.

After a project review in 2001, the IDB approved the loan to TgP in September 2003, and funds were disbursed in 2004. However, in December 2002 the Bank approved a \$5 million loan to support the Peruvian government in monitoring the project overall and in mitigating the indirect impacts over the medium and long term, which fell outside the scope of the companies involved in the project.

This IDB-financed project presented important environmental, social and engineering challenges. Pipelines had to be built in highly sensitive environmental and social areas of Peru's Amazon basin and in the rugged Andes. The project also involved exploring areas inhabited by indigenous peoples who had not been contacted. As a result, these areas were consolidated into the Reserve for the Nahua, Kagapakori and Nanti indigenous peoples and a liquefaction plant and marine terminal were built in a buffer zone of a marine national park in Pisco.

The public consultation process for the Camisea Project began in 2000 as part of the Environmental Impact Studies (EIS) for each of the three components, as Peruvian legislation requires. This process was considered one of the most extensive consultations for a single project in Peru; it involved local and international nongovernmental organizations (NGOs), as well as the population directly affected and the various organizations representing it, including indigenous associations and federations. In all, from September 2001 through March 2002, the government held 11 public consultation meetings. Then, from April 2002 through April 2003, the companies heading the components of the project held more than 400 meetings, presentations and workshops with local communities (166 in the jungle, 139 in the Andean region and 120 on the coast).

In addition, the Bank conducted its own public consultation in August 2002, holding 15 public consultation sessions with the native communities and campesinos of the Bajo and Alto Urubamba regions who lived closest to the project's activities in the jungle and the coast. The Bank also held a public meeting in Washington, D.C. that October.

At the IDB's request, the company project leaders developed and implemented Community Relations Plans and participatory programs in line with international best practices. A project Web site was created (www.camisea.pluspetrol.com.pe), constituting a principal source of information about Camisea. Pluspetrol and TgP implemented the Community Environmental Monitoring Program (PMAC, its initials in Spanish) in 2002, and the affected communities participated through representatives selected by native communities and rural settlements. During the seven years of implementation, the PMAC has become a mechanism for strengthening the communities, and today they have proposed to participate in the government's monitoring mechanism.

As part of the ongoing consultation process since the contract was finalized in August 2004, the Bank has held public meetings to report on the progress of the project, which began operations that same month. The meetings, which alternate between Lima and Washington, D.C., also enable the Bank to receive the information, opinions and concerns expressed by the people involved. The seventh meeting was held in Lima in March 2009, and the eighth is scheduled for the fourth quarter of the year. This most recent dialogue clearly showed that civil society concerns have moved from an initial focus on the Camisea Project to a concern about the commitments and behavior of public institutions. It was similarly clear that these types of meetings have been among the few opportunities for civil society participation in Peru. However, just as was stated in the meeting, civil society must not wait for the IDB to convene these meetings, because the country itself should create opportunities for people to gather. Aside from the various existing opinions, it is clear that these meetings will continue to be part of the IDB's commitment to maintaining a constructive dialogue with the various organizations participating in the Camisea Project and in the economic and social development associated with it.

Consultations carried out by the IDB

Washington, D.C., February 2005
Lima, August 2005
Washington, D.C., February 2006
Lima, September 2006
Washington, D.C., June 2007
Lima, September 2007
Lima, March 2009

Projects Approved in the Last Three Months:

- **Construction of Hospitals in Mexico: Puerta de Hierro Project (Mexico)** ME-L1066
- **Mobile Citizen: Empowering People through Mobile Services (Regional)** RG-T1648
- **Support to the Competitiveness of Quality Coffee Value Chain in Baptiste (Haiti)** HA-1022
- **Preparation of the Tourism National Program (Nicaragua)** NI-T1055
- **Environmental Conservation based on Pira-Paraná's Traditional Knowledge (Colombia)** CO-T1188
- **Culture and Development: Creative Economy for Employment Income Generation (Brazil)** BR-M1096

More information: www.iadb.org/projects

More Information on the Web...

IDB Updates Scorecard with CSO Inputs

Elizabeth Beall, Sustainable Energy and Climate Change Initiative

Following the launch of the IDB's Biofuels Sustainability Scorecard in September 2008, the Bank, in partnership with the Roundtable on Sustainable Biofuels (RSB), embarked on a six month consultation period to gather comments and feedback from civil society organizations, small farmers, governments, industry, and others.

The IDB chose to partner with the RSB given its transparent multi-stakeholder approach. As part of the RSB's process, 200 organizations from 30 countries are participating in open working group teleconferences, regional stakeholder meetings and online discussions to create standards to ensure that biofuels deliver on their promise of sustainability. In October in Montevideo, the Bank's Sustainable Energy and Climate Change Initiative (SECCI) committed to hosting three regional workshops for civil society participation with the RSB.

Over the last six months, SECCI has co-hosted a total of five workshops throughout the region, including civil society organizations from the Southern Cone, the Andean Region, Central America, and the Caribbean. The workshops included São Paulo, Brazil (November 2008), Guatemala City, Guatemala (December 2008), Bogota, Colombia (February 2009), Santo Domingo, Dominican Republic (March 2009), Buenos Aires, Argentina (March 2009).

Full article: www.iadb.org/puentes/biocombustibles

The Road to Strategic Environmental Assessment

Cristián Franz, Environmental Safeguards Unit

According to the Inter-American Development Bank's Environment and Safeguards Compliance Policy (2006), the environmental and social implications of credit operations relating to policies, plans or programs (PPP) classified as category A (which means they have significant impact) must be evaluated with the tool known as the Strategic Environmental Assessment (SEA).

Specialists agree that the SEA is beneficial, and that it must be understood and applied on a deeper level. However, the SEA does not reflect a single concept, nor does it have a standard methodology. Both of these aspects, combined with the fact that the SEA is still barely known at the decision-making level, explain why it continues to be used on a limited basis.

In order to promote the SEA, the Inter-American Development Bank (IDB)—convinced that better planning processes translate into better projects—recently finalized a guide to the process. The guide will be applied to strategic operations that demand clear and complete knowledge of environmental and sociocultural issues at the early stages of decision making.

Full article: www.iadb.org/puentes/EAE



Contact Information:

Inter-American Development Bank

1300 New York Ave, N.W.
Washington, D.C. 20577
soc_civil@iadb.org

