



Board of Executive Directors

For information

GN-1830-41
21 March 2008
Original: English

To: The Board of Executive Directors
From: The Secretary
Subject: Independent Investigation Mechanism. 2007 Annual Report

Inquiries to: Ms. Ana-Mita Betancourt (extension 2712)

Remarks: Complying with the regulations underlying the functioning of the Independent Investigation Mechanism (document GN-1830-11, section 8.3), attached please find the 2007 Annual Report.

Reference: GN-1830-11(8/00)



INTER-AMERICAN DEVELOPMENT BANK

Independent Investigation Mechanism

Annual Report for
January 1, 2007 – December 31, 2007

Inter-American Development Bank
Independent Investigation Mechanism
1300 New York Ave., N.W.
Stop E-1205
Washington, D.C.
Phone: (202) 623-2712
Fax: (202) 312-4057
E-mail: sec-iim@iadb.org



Inter-American Development Bank

INDEPENDENT INVESTIGATION MECHANISM

ANNUAL REPORT

FOR THE PERIOD JANUARY 1, 2007 – DECEMBER 31, 2007

DATE OF REPORT: MARCH 13, 2008

1. Background

The operational guidelines for the Independent Investigation Mechanism of the Inter-American Development Bank (IIM) (GN-1830-11) stipulate the following reporting requirements in paragraph 8.3: *“In cooperation with the members of Panels, the Coordinator shall issue in the first trimester of each calendar year an annual report concerning any requests received and investigations undertaken and their results. The report will be transmitted to the President and to the Board of Executive Directors through the Secretary of the Bank. It will also be available to interested outside parties on request.”*

This report is being submitted to fulfill that provision. It covers the period from 1 January to 31 December 2007, and is updated as of 13 March 2008.

2. Processing of complaints under the Independent Investigation Mechanism

As of the date of this Report, no cases are pending under the IIM. The following matters were considered during 2007, but are not currently active.

Argentina Reconstruction of the Las Lomitas-Posta Cambio Zalazar section of the Provincial Route 28 (1118-OC-AR)

The 2006 Annual Report of the IIM states that, on February 12, 2007, the Office of the IIM received a complaint regarding the completion of certain works in the indigenous community of Pilaga de Campos del Cielo and that discussions with Management are ongoing in this regard. Shortly thereafter, the Bank received a copy of the minutes of a meeting, dated March 6, 2007, held among a group of community leaders and representatives from the Bank, the construction company and the provincial government. The duly signed minutes clarify that there is agreement regarding that the works have been 100% completed and that the complaint should be regarded as a misunderstanding. Therefore, the matter is deemed closed.

Daule Peripa Project (493/OC-EC) and Hydroelectric Baba Project (L1026)

As reported in the 2006 Annual Report, on January 9, 2007 the IIM received a copy of a letter addressed to IDB President Mr. Luis Alberto Moreno asking for the activation of the IIM for the Daule Peripa Project (493/OC-EC) and suspension of the financing for Hydroelectric Baba Project (L1026). The letter, signed by representatives from COORDENAGUA, Centro Agrícola Quevedo, UOCO and Comisión Diocesana de DDHH de los Ríos, alleges that the Daule Peripa Project, which has been fully disbursed, has had negative environmental, ecological and social impacts. The letter also states that the Hydroelectric Baba Project, which at the time was under preparation, will result in the violation of the affected community's right to have access to water and land.

On March 15, 2007, the Office of the IIM advised the representative of Coordinagua that, as provided in section 1.5(d) of the IIM policy, the IIM does not cover requests filed after the loan financing for the project has been fully disbursed, which is defined as when 95 percent of the loan proceeds have been disbursed.

On May 2, 2007, the IDB Board of Executive Directors approved a loan for the construction of a dam, the "Baba dam" at the confluence of the Baba and Toachi rivers. The project consisted of the construction, operation and maintenance of the Baba dam and the construction of an 8-km diverter from the reservoir formed by the Baba dam to the Daule Peripa reservoir and the Marcel Laniado de Wind generation plant. However, the project ultimately was not financed with Bank funds and thus is not covered by the IIM.

PRODETUR II – Northeast Region (1392/OC-BR) – Tamandaré Water Treatment Plant

A letter was received on August 11, 2006 from Ms. Geny Cleide S. M. Azevedo from the Área de Proteção Ambiental (APA) Guadalupe, Pernambuco. The letter raises issues with respect to the environmental impact of the construction of the Tamandaré Water Treatment Plant, a project eligible for financing under the PRODETUR II – Northeast Region, loan 1392/OC-BR. The IIM responded by asking for the complaint's original documents. Subsequently, the Bank helped organize a meeting among the executing agency and the claimants. Public hearings were also held. Since August 2007, there has been no further activity with respect to claims involving the Bank, for which the IIM deems the case inactive.

3. *Review of the operational guidelines for the IIM*

The Bank's experience with investigations under the IIM and the development of similar accountability mechanisms at other multilateral and bilateral institutions prompted the Bank to commence a review process to enhance its IIM. The process included a review of the mechanisms of the Bank's peer institutions and a round of public consultations. The public consultation process for revisions to the IIM began on February 3, 2005, when a document describing the proposed revisions, the Draft Policy and Operating Guidelines

for the Consultation and Compliance Review Mechanism (the “Draft Policy”), was disclosed to the public for 90 days. Public consultations were held in Brasilia, Mexico City, and Washington D.C., where Management presented the new proposal to the civil society, including members of the NGO community, academics, private sector, representatives of accountability mechanisms and government officials. Written submissions via the Bank’s website also were considered. As a result, a record of all comments to the Draft Policy was compiled in a document made available to the public in July 2005.¹

Since then and as of July 2007, the Bank has also implemented a new organizational model, which aims to increase the development effectiveness of Bank activities by means of a greater country focus, deeper sector expertise and improved management based on risk management and attainment of results, and to increase organizational efficiency through better corporate integration of operations and strengthening of various functions. The design of any enhancements to the Bank's IIM will need to reflect the Bank's new organizational model and strategic focus, raising technical issues regarding the most effective organization and structure of the IIM function within the realigned Bank. These questions will need to be considered during 2008.

Accordingly, the IIM procedures remain set forth in the Bank’s website at http://www.iadb.org/aboutus/iii/independent_invest/independent_invest.cfm?language=english; remain in effect.

A full time IIM Coordinator was appointed by the Bank President as of January 14, 2008, to support the review process of the operational guidelines for the IIM and coordinate IIM matters.

4. *Budget execution*

To meet the needs of the Mechanism in 2007, a budget of US\$257,253 was allocated, and US\$4,770.28 was expended.

5. *Other activities*

During June 21-22, 2007, the IIM participated in the Fourth Meeting of Principals of Independent Accountability Mechanism in IFIs and Related Institutions. These meetings allow principals of accountability mechanisms in multilateral, bilateral and other international financial institutions to informally exchange views on matters of mutual interest and promote harmonization and collaboration. The meeting was hosted in London by the European Bank for Reconstruction and Development (EBRD) and representatives attended from the African Development Bank, Asian Development Bank, EBRD, European Investment Bank, International Finance Corporation, Japan Bank for International Cooperation, Export Development Canada, Nippon Export and Investment Insurance, North American Commission for Environmental Cooperation, the U.S.

¹ See http://www.iadb.org/aboutus/iii/independent_invest/independent_invest.cfm?language=english.

Overseas Private Investment Corporation, and the World Bank. The next meeting is scheduled for summer 2008 and will be hosted by the African Development Bank.