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**DOCUMENT OF THE INDEPENDENT CONSULTATION  
AND INVESTIGATION MECHANISM**

**2019 WORK PROGRAM AND PROPOSED BUDGET**

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**Independent Consultation and Investigation Mechanism**  
**2019 Work Program and Proposed Budget**

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- 2. [Criteria for Accessing the Contingency Fund \(confidential\)](#)
- 3. [Activity and Financial Quarterly Report - First Quarter 2018 \(confidential\)](#)
- 4. [Activity and Financial Quarterly Report - Second Quarter 2018 \(confidential\)](#)
- 5. [MICI-IDB Public Registry](#)
- 6. [MICI-IDB Invest Public Registry](#)

**GLOSSARY**

|                        |   |
|------------------------|---|
| <b>CLC</b>             | Complementary Labor Costs   |
| <b>COF</b>             | Country Office  |
| <b>Committee</b>       | Committee of the Executive Board of Directors of the IIC  |
| <b>CSOs</b>            | Civil Society Organizations   |
| <b>GCE</b>             | External Consultative Group of MICI   |
| <b>HC</b>              | Head Count, term used to identify staff hired as full-time employees  |
| <b>HRD</b>             | Human Resources Department  |
| <b>IAMs</b>            | Independent Accountability Mechanisms of International Financial Institutions   |
| <b>IDB</b>             | Inter-American Development Bank   |
| <b>IDB Group</b>       | Comprised by the IDB, IDB Invest, and MIF   |
| <b>IIC</b>             | Inter-American Investment Corporation, now IDB Invest   |
| <b>MICI</b>            | Independent Consultation and Investigation Mechanism  |
| <b>MICI-IDB Policy</b> | The Policy of the Independent Consultation and Investigation Mechanism of the IDB (document <a href="#">MI-47-6</a> ). The Policy, which was approved by the Board of Executive Directors on 17 December 2014, has been in force as of that date and was revised in December 2015 to ensure consistency with the MICI-IIC Policy. |
| <b>MICI-IIC Policy</b> | Policy of the Independent Consultation and Investigation Mechanism of the IIC. The Policy, which was approved on 15 December 2015, has been in force as of January 2016 (document <a href="#">CII/MI-1-1</a> ).   |
| <b>MIF</b>             | Multilateral Investment Fund  |
| <b>NLC</b>             | Non-Personnel Costs   |
| <b>OVE</b>             | Office of Evaluation and Oversight  |
| <b>PEC</b>             | Policy and Evaluation Committee of the IDB's Board of Executive Directors   |
| <b>SLC</b>             | Staff Labor Costs   |

## INTRODUCTION

This document presents the proposed 2019 Work Program and Budget for the IDB and IDB Invest to the consideration of the pertinent committees of both institutions. This proposal has been prepared in accordance with the MICI-IDB and MICI-IIC Policies (documents [MI-47-6](#) and [CII/MI-1-1](#), respectively).

The table below shows the scope of this proposal in numbers for Requests Management, Learning, External and Internal Outreach and Institutional Strengthening. It also presents the budget requirements for the implementation of the proposed program. The document offers details on the various proposed actions, as well as the rationale over the proposed program structure.

The 2019 Work Program and Proposed Budget is submitted for the consideration of the IDB and IIC Boards in the following aspects:

### **Action requested of the Board of Executive Directors of the IDB**

The IDB Board of Executive Directors is asked to consider and approve the Proposed 2019 Work Program and the corresponding Budget required for its implementation. Approval is also requested for the inclusion of an additional staff position (HC).

### **Action requested of the Board of Executive Directors of the IIC**

The Board of Executive Directors of the IIC is asked to approve the Proposed 2019 Work Program and the corresponding Budget required for its implementation.

In accordance with the provisions of the MICI-IDB and MICI-IIC Policies, the Mechanism will report on the execution of the approved budget through the Activity and Financial Reports it issues on a quarterly basis.

## The 2019 Work Program and Proposed Budget in Numbers

### Requests Management

**25** estimated requests to be managed during 2019

- **15** new requests to be received - (12 for IDB; 3 for IDB Invest)
- **10** active requests carried over from the previous year - (8 for IDB; 1 or 2 for IDB Invest)

### Learning

**2** new knowledge products

- Development of **2** new knowledge products
- Dissemination of **4** products created in 2018

### External and Internal Outreach

**22** external outreach activities

- **15** face-to-face activities with civil society. Initially identified: Argentina, Barbados, Ecuador, and Panama
- **7** virtual sessions with civil society

**12** internal outreach activities

- Participation in IDB and IDB Invest onboarding sessions
- Face-to-face sessions at COF with IDB and IDB Invest staff
- WebEx sessions

### Institutional Strengthening

- Request for approval of **1** additional HC to meet target set in 2017
- Independent Review of the Implementation of MICI-IDB and MICI-IIC Policies by OVE
- Update of the Administrative Manual

### Proposed IDB Budget

Total Budget: **US\$2,551,833** (nominal reduction of -3% with respect to 2018)

### Proposed IDB Invest Budget

Total Budget: **US\$591,303** (nominal increase of 155% with respect to 2018)

- Increase in Request Management and Contingency Fund reflecting the growing IDB Invest request management portfolio

## I. 2018 PROGRAM RESULTS TO DATE

- 1.1 2018 has been marked by intense work on the institutionalization of MICI, which will continue in 2019. Alongside this effort, significant results have been achieved so far this year in Management, Learning, and Outreach.
- 1.2 Regarding Request Management, to date five (5) of the six (6) active cases received under the 2010 MICI Policy have been closed, one (1) of them at the Consultation Phase and the other four (4) at the Compliance Review Phase. Additionally, an agreement has been reached for a case at the Consultation Phase related to the Reventazón Hydroelectric Project ([MICI-BID-CR-2017-0125](#)), and a second agreement is expected to be reached in the case concerning the Caracol Industrial Park Project ([MICI-BID-HA-2017-0114](#)). The investigation in the Alto Maipo Project has begun ([MICI-BID-CH-2017-0115](#)) in close coordination with the Office of the Compliance Advisor/Ombudsman (CAO) of the International Finance Corporation (IFC), and the findings have been presented in reference to the Metrobus Project in Asunción, Paraguay ([MICI-BID-PR-2016-0101](#)).
- 1.3 As of October 15<sup>th</sup>, nine (9) new Requests relating to IDB projects have been received (two (2) of which have been declared eligible), and it is anticipated that a total of eleven new requests will have been received by the end of 2018. It is estimated that eight active cases concerning IDB projects will be carried forward to 2019.
- 1.4 Two (2) Requests have been received for IDB Invest; one has already been declared eligible and will be one of the active cases transferred to 2019 for that institution. The second is currently under analysis to determine whether it is eligible. 2018 is the third year that MICI has provided services to IDB Invest, but it is the first year that a Request relating to this institution has been declared eligible.
- 1.5 With regards to Learning, as proposed in the 2018 Work Program, the *MICI Reflections Program* was launched this year, with the production of technical notes analyzing both quantitatively and qualitatively the portfolio of Requests received by MICI during the 2010-2017 period. Starting on November 12, 2018, the first reflection sessions will be held for staff at Headquarters and COFs, peer mechanisms, and civil society organizations, based on these knowledge products.
- 1.6 In the area of Outreach, the year was marked by the introduction of new strategies to promote access to potentially affected people and provide clearer and more useful information about MICI within the IDB Group. As a result, between internal and external audiences, MICI has informed more than 2,500 people of the Mechanism's mandate (over 40 internal and external events in over 14 countries of the Region, both virtually and in person).
- 1.7 As for the Institutional Strengthening of the Mechanism, in 2018 the Consultation Phase Guidelines were published and, based on them, the Roster of Facilitators was established to support the Consultation Phase. A call was also put out to update the Roster of Experts for the Compliance Review Phase under revised terms of reference with a focus on the expertise needs that MICI's investigations have shown to be a priority.

- 1.8 In the area of human resources, continuing with the institutionalization and strengthening of the Mechanism in the medium term, a purely administrative position was converted into a technical-administrative hybrid, taking advantage of the opportunity presented by the retirement of the staff member who used to hold that position.
- 1.9 Finally, among the main results to date, we must underscore the positive comments made about MICI's operation within the framework of the Safeguard Evaluation carried out by OVE. The report describes the added value that the Mechanism brings to the IDB Group. It also confirms, in a broader sample, findings and recommendations already pointed out by MICI in the compliance review reports presented in the last three years, which have resulted in the implementation of action plans by Management to address the weaknesses identified.
- 1.10 MICI's operation during 2018 marks the road map to be followed in the coming year, still under the principles of consolidation, efficiency, and continuous improvement in order to fully carry out the mandate it has been given.



## II. STRATEGIC VISION FOR 2019

- 2.1 Consistent with the priorities of the IDB Group<sup>1</sup> for 2019, the MICI Work Program is intended to contribute to the improvements in transparency and accountability proposed, working under the maxim of greater efficiency in the use of resources.
- 2.2 This coming year, in addition to its daily tasks, MICI will continue to work on the institutionalization of the Mechanism as an ongoing effort in four areas: human resources; structural institutionalization; knowledge sharing; and operational effectiveness. The goal is that by the end of 2020 (Vision 2020), the Mechanism will have a solid operational-procedural foundation that increases certainty, effectiveness, and efficiency. The following sections will detail the activities to be undertaken during 2019 to move toward that goal.
- 2.3 Furthermore, in keeping with the MICI-IDB and MICI-IIC Policies,<sup>2</sup> OVE is expected to conduct an evaluation of the implementation of both Policies in 2019, the results of which will serve as guidance to the IDB and IIC Boards of Executive Directors for any Policy revisions deemed necessary.
- 2.4 Finally, and in accordance with the provisions of the MICI-IDB Policy, the first five-year term of the Mechanism's current Director will be completed in 2020. Therefore, toward the second half of the year, the Board of Executive Directors of the IDB, in consultation with the Board of Executive Directors of the IIC, would be considering either the renewal of the current Director's term for a second five-year period<sup>3</sup> or instruct HRD to begin the recruitment process to identify a new Director.

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<sup>1</sup> Document 2019 Program and Budget Outlook Paper.

<sup>2</sup> According to paragraph 70 of the MICI-IDB Policy, it will be independently reviewed in the time and form determined by the Board, within the first five years following its entry into effect, which occurred in December 2014. In the case of the MICI-CII Policy, a period of three years was established from the date the Policy came into effect, which was January 2016.

<sup>3</sup> Paragraph 53 of the MICI-IDB Policy establishes that: a. The MICI Director will be appointed by the Board from a list of eligible candidates presented to it by a selection panel designated by the Board. A selection process will be conducted with the assistance of the Human Resources Department in accordance with the Bank's policies and procedures and the terms of reference attached to this Policy; b. The MICI Director will be a full-time employee of the IDB appointed for a five-year period, with the possibility of a single renewal for an equal period.

### III. PROPOSED 2019 WORK PROGRAM

3.1 The following MICI programmatic proposal for 2019 has been made based on the strategic vision presented in the previous section and includes activities to be carried out in four areas:

- A. Request Management
- B. Learning – MICI Reflections Program
- C. External and Internal Outreach
- D. Institutional Strengthening of MICI

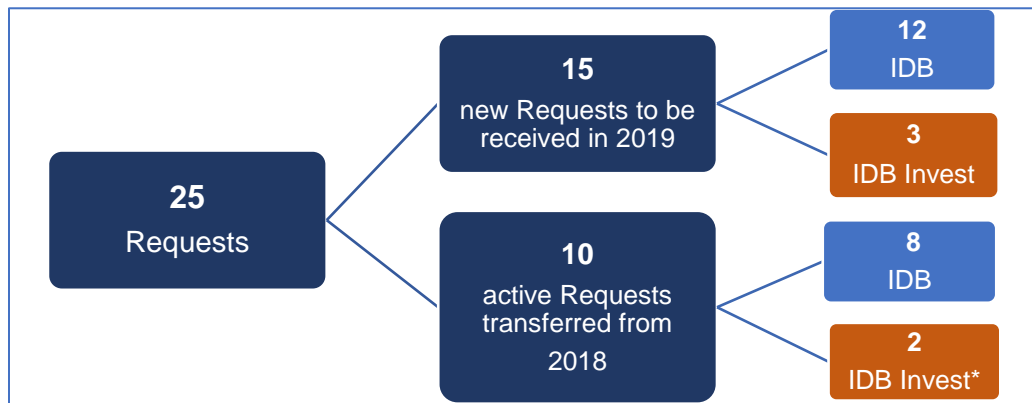
3.2 This Program covers all Group's institutions and includes joint activities as well as activities specific to each institution. This complementarity is also reflected in the proposed budget, which allocates resource requirements in two aspects: that of the IDB, which includes staff costs and costs associated with activities within the MICI mandate for the IDB and the MIF; and that of IDB Invest, which includes costs associated with the provision of services to this institution by MICI.

3.3 It is in this spirit that the following programmatic proposal, by functions, is submitted for consideration to the Board of Executive Directors of the IDB through its PEC and BUFIPOL Committees, and for consideration by the Board of Executive Directors of the IIC through the Board of Executive Directors Committee:

#### A. Request Management

3.4 The 2019 Proposed Work Program considers the management of an estimated total of **25 Requests**: 15 new ones to be received during 2019 and 10 transferred as active cases from 2018. Figure 1 below presents the breakdown by institution of the projected portfolio for 2019.

**Figure 1**  
**Expected Request Management in 2019**



**Note:** Light blue is used to identify IDB Requests and orange is used to identify IDB Invest Requests.

\* See footnote 4 for more detail on one of the IDB Invest Requests.

- 3.5 The estimate of 25 Requests to be managed in the year is based on the status of each 2018 active cases (Table 1 lists IDB and IDB Invest Requests expected to be transferred for management in 2019) and a conservative estimate of new Requests to be received (12 from IDB and 3 from IDB Invest) based on what has been observed by the Mechanism over the past four (4) years.

**Table 1**  
**Request Management Portfolio of Active Requests to be Transferred**

| Request No.                           | Project  | Anticipated status at year-end 2018 | Anticipated management in 2019 |
|---------------------------------------|--|-------------------------------------|--------------------------------|
| <b>ELIGIBILITY</b>                    |  |                                     |                                |
| <a href="#">MICI-CII-GU-2018-0136</a> | Generadora San Mateo S.A. y Generadora San Andres S.A. (GU3794A-01 & GU3798A-01)   | Pending determination <sup>4</sup>  | Pending determination          |
| <b>CONSULTATION PHASE</b>             |  |                                     |                                |
| <a href="#">BR-MICI004-2011</a>       | Neighborhood Improvement Inhabit Brazil (1126/OC-BR)   | Monitoring of agreements            | Closure                        |
| <a href="#">MICI-PE-2015-0094</a>     | Rural Land Titling & Registration Project in Peru - Third Phase (PTRT-3) (3370/OC-PE)                                    | Monitoring of agreements            | Monitoring of agreements       |
| <a href="#">MICI-BID-HA-2017-0114</a> | Productive Infrastructure Program 2552/GR-HA (2779/GR-HA and others)   | In Consultation Phase Process       | Monitoring of agreements       |
| <a href="#">MICI-BID-CR-2017-0125</a> | Reventazón Hydroelectric Power Project - Request IV (2747/OC-CR and others)  | Monitoring of agreements            | Monitoring of agreements       |
| <a href="#">MICI-BID-EC-2018-0131</a> | Program for the Reconstruction of Electricity Infrastructure in Areas Affected by the Earthquake in Ecuador (3906/OC-EC) | Assessment stage                    | Pending determination          |
| <a href="#">MICI-BID-CO-2018-0133</a> | Support for Structuring the Ituango Hydroelectric Project (ATN/OC-13351-CO)  | Assessment stage                    | Pending determination          |
| <a href="#">MICI-CII-CO-2018-0133</a> | Ituango Hydropower Plant (11794-04)  | Assessment stage                    | Pending determination          |
| <b>COMPLIANCE REVIEW PHASE</b>        |  |                                     |                                |
| <a href="#">MICI-PR-BID-2016-0101</a> | Downtown Redevelopment, Modernization Metropolitan Public Transport, Gov Offices (2419/OC-PR y 2420/BL-PR)               | Compliance Review Report considered | Pending definition             |

<sup>4</sup> In accordance with document [CII/MI-17](#), approved by Short Procedure by the Board of Executive Directors of the IIC, the eligibility determination period for this Request has been extended. Before the end of 2018, it will be known whether its processing will be carried over to 2019. For the time being, its anticipated management is being included in the estimates for the management of 2019 Requests.

| Request No.                           | Project   | Anticipated status at year-end 2018 | Anticipated management in 2019 |
|---------------------------------------|---|-------------------------------------|--------------------------------|
| <a href="#">MICI-BID-CH-2017-0115</a> | Alto Maipo Hydroelectric Power Project<br>(3008A/OC-CH & 3008B/OC-CH) | Under investigation                 | Under investigation            |

■ Requests related to IDB Invest operations.

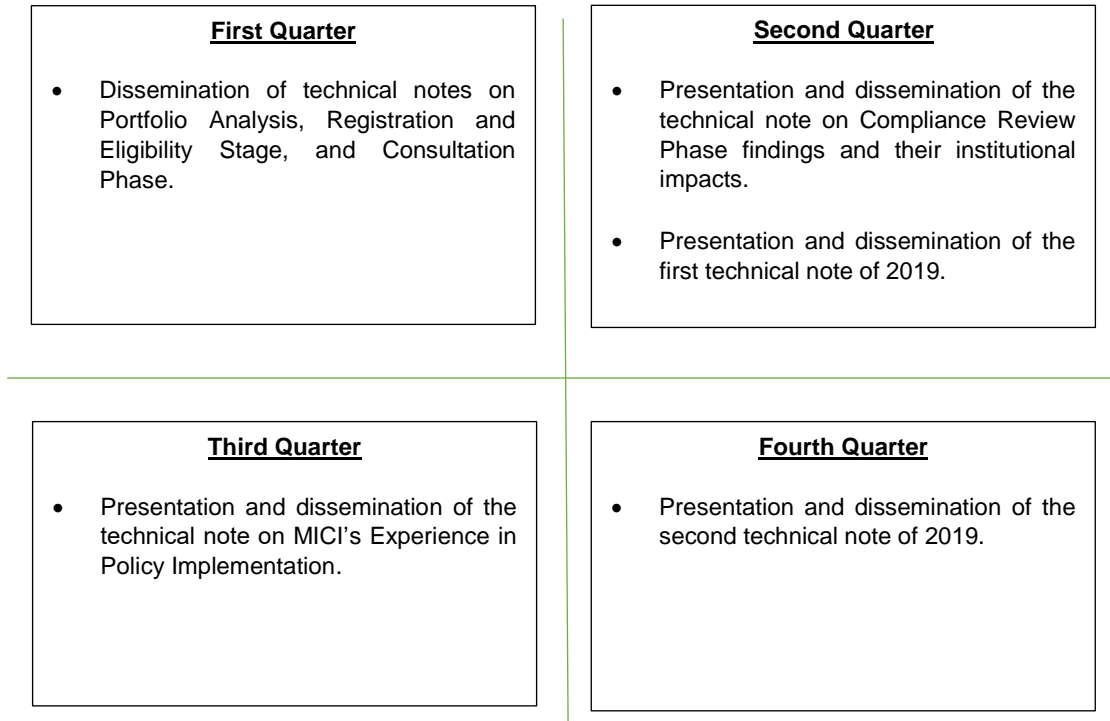
- 3.6 Previous years allow us to estimate that in 2019 the **IDB** will likely manage around 20 Requests: 12 new ones and eight (8) transferred from previous years. If the observed behavior continues, we can expect four (4) or five (5) to be registered, of which two (2) or three (3) would be declared eligible.
- 3.7 In the case of **IDB Invest**, it is anticipated that five (5) Requests will be managed: three (3) new ones and two (2) carried over from previous years. As mentioned earlier, 2019 will be the first year of active management of cases declared eligible and, although the estimate of new Requests to be received remains conservative, it is expected that a greater number of cases will be received given the change in the profile of IDB Invest's operations portfolio and the institution's heightened visibility in the Region. This is reflected in this proposal's estimate of the time and financial resources MICI will require.

## B. Learning

- 3.8 The MICI Reflections Program is intended to foster institutional reflection based on the evidence presented playing a catalyzing role for the development of the IDB Group and its mission. To this end, MICI works on three (3) fronts: first, creating knowledge products; second, organizing fora for institutional exchange in close cooperation with IDB and IDB Invest Managements; and third, utilizing these same knowledge products to maintain an ongoing dialogue with civil society organizations and sister institutions to promote greater awareness of our work throughout the Latin American and Caribbean Region.
- 3.9 In this second year, MICI Reflections will conduct a series of reflection sessions based on the four (4) products generated in 2018 with IDB Group staff at Headquarters and COFs, CSOs, and IAMs. By the end of 2018, four (4) products related to the 2010-2017 Request Portfolio will have been prepared: *(i)* a statistical analysis; *(ii)* the registration and eligibility stage; *(iii)* the Consultation Phase; and *(iv)* the Compliance Review Phase. Reflection on these products will begin in the fourth quarter of 2018 and continue in 2019.
- 3.10 In 2019, two (2) new knowledge products will be developed, one dealing with the most recurring non-compliance issues and the other with the sector most frequently subject to complaints before MICI. As in 2018, for each of these issues, the technical notes produced will be subject to a process of internal and external reflection to enrich the product and collaboratively identify next steps to strengthen the Group's operation and prevent harm to communities.

- 3.11 In addition, MICI is preparing a note on its own experience implementing the MICI-IDB and MICI-IIC Policies, which is meant to contribute to the evaluation process to be undertaken by OVE.
- 3.12 Figure 2 shows the planning by quarter based on deliverables. The times are indicative and subject to change depending on the team's workload in relation to the Request Management portfolio, which is its priority function.

**Figure 2**  
**MICI Reflections Program – Quarterly Planning 2019**



## C. Outreach

### 1. External Outreach

- 3.13 MICI's external outreach work aims to promote access to the Mechanism among communities affected by projects financed by the IDB Group. MICI continuously seeks new alternatives for publicizing the Mechanism in the region and ensuring that communities interested in submitting a Request have accessible and clear information on the process, its requirements, and possible outcomes.
- 3.14 External outreach activities will be divided into: *(i)* face-to-face activities organized by MICI with audiences involved in accountability and attention to affected communities and events relevant to the MICI mandate (15 events); *(ii)* virtual sessions with members of civil society in the region (7 events); *(iii)* use of social networks to disseminate knowledge products and

case studies. Figure 3 shows the quarterly planning of external outreach actions envisaged for 2019.

**Figure 3**  
**External outreach – Face-to-Face and Virtual Events**  
**Quarterly Planning 2019**

| <u>First Quarter</u>  | <u>Second Quarter</u>  |
|---|--|
| <ul style="list-style-type: none"> <li>• Virtual Session with Civil Society - 2018 Results</li> <li>• Workshop with Civil Society - Ecuador</li> <li>• Workshop with Civil Society -Barbados</li> <li>• Workshops with Civil Society and Public Defenders - Argentina</li> <li>• Workshop with Civil Society - Washington, within the framework of the IACHR sessions</li> <li>• Virtual Sessions with IDB's Civil Society Consultative Groups</li> </ul> | <ul style="list-style-type: none"> <li>• Workshop with Civil Society - Washington, within the framework of World Bank Meetings</li> <li>• Participation in the United Nations Permanent Forum on Indigenous Issues - New York</li> <li>• Participation in the Regional Dialogue on Environmental Permitting- Costa Rica</li> <li>• Workshop with Civil Society - Costa Rica</li> <li>• Participation in the COICA Congress - place to be determined</li> </ul> |
| <u>Third Quarter</u>  | <u>Fourth Quarter</u>  |
| <ul style="list-style-type: none"> <li>• Workshop with Civil Society - Panama</li> <li>• Participation in the Annual Mediation Congress - venue to be confirmed</li> <li>• Workshop with Civil Society - Bolivia (to be confirmed)</li> <li>• Virtual Sessions with Civil Society</li> </ul>  | <ul style="list-style-type: none"> <li>• Participation in the Regional Forum on Conflict Transformation in Latin America</li> <li>• Participation in the United Nations Business and Human Rights Forum - Geneva</li> <li>• Participation in the IDB Group Civil Society Meeting</li> </ul>  |

- 3.15 Adjustments to the MICI Public Registry are also planned for the year in order to improve the user experience and reduce investment in terms of staff time and cost of updates. To this end, a user survey will be conducted at the beginning of the year to determine what type of changes are necessary and, based on this, a firm will be hired to make the adjustments.

## **2. Internal Outreach**

- 3.16 The purpose of internal outreach is to familiarize IDB Group staff at Headquarters and COFs with the Mechanism's mandate in general and to provide information on the process and the various obligations it creates for those whose responsibilities make it more likely that they will be involved in a MICI case in the future.
- 3.17 There are plans to continue with the virtual WebEx sessions in 2019, focusing on case studies and the promotion of the content generated in the MICI Reflections Program.

Likewise, MICI will continue to participate in onboarding sessions for new staff and Board members as it does every year.

- 3.18 Another MICI practice is to have face-to-face sessions with IDB and IDB Invest staff at COFs when a team member travels to the Region. MICI will continue this practice during 2019.
- 3.19 Two (2) technical workshops are planned for specific topics: one with the IDB Safeguards Unit and one with the IDB Invest operational areas.

#### **D. Institutional strengthening**

- 3.20 In 2018, a strategic planning exercise called Vision 2020 was carried out, the objective of which was to identify strengths and weaknesses in the Mechanism's operation in order to develop strategies conducive to its institutionalization as the IDB Group's independent accountability mechanism. As a result of this exercise, four (4) work areas were identified: human resources; structural institutionalization; knowledge sharing, and operational effectiveness. The activities to be carried out during 2019 for each of the four areas are detailed below.

##### **1. Human Resources**

- 3.21 The Mechanism must have staff that are highly trained and possess a solid knowledge of the IDB Group that allows it to carry out its work to the highest standard of performance and in such a way that the operation enjoys continuity over the years, without undermining independence. Therefore, it is important to ensure a diversified human capital structure as follows:
- 3.22 In terms of human resources, the MICI-IDB Policy establishes, like other mechanisms, provisions for the MICI Director that ensure independence: appointment by the Board of Executive Directors, term limits, and provisions relating to eligibility before and after the term of appointment (see Table 2). In addition—and this in marked difference from other mechanisms—it establishes provisions for the two technical Phase Coordinator positions under more stringent time limitations than those of the Director, as well as the same provisions regarding eligibility (details in Table 2). Thus, three of the six current MICI staff positions are temporary and non-renewable.

**Table 2**  
**Provisions for Director and Coordinator Positions**

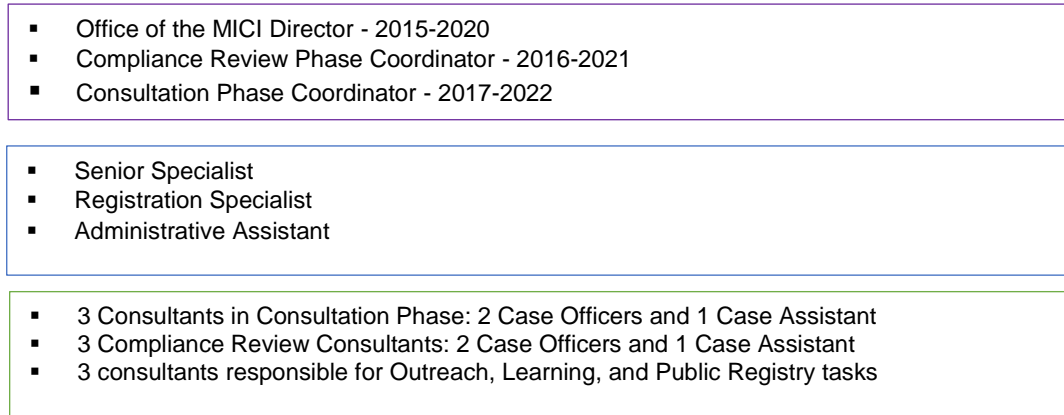
| <b>Position</b>                            | <b>Type of position and appointment</b>                          | <b>Limitations</b>   | <b>Terms of current appointments</b>      |
|--|--|--|---|
| <b>MICI Director</b>                       | Executive position appointed by the Board of Executive Directors | <p>Maximum of two five-year terms.</p> <p>Candidates for this position may not have worked for the IDB Group in the three years prior to the appointment.</p> <p>Permanent limitation on working with the IDB Group after the end of the term of appointment.</p>      | First term<br>August 2015-<br>August 2020 |
| <b>Consultation Phase Coordinator</b>      | Full-time employee position appointed by the MICI Director       | <p>Maximum of one five-year period, non-renewable.</p> <p>Candidates for this position may not have worked for the IDB Group in the three years prior to the appointment.</p> <p>Permanent limitation on working with the IDB Group after the term of appointment.</p> | January 2016 –<br>January 2021            |
| <b>Compliance Review Phase Coordinator</b> | Full-time employee position appointed by the MICI Director       | <p>Maximum of one five-year period, non-renewable.</p> <p>Candidates for this position may not have worked for the IDB Group in the three years prior to the appointment.</p> <p>Permanent limitation on working with the IDB Group after the term of appointment.</p> | August 2017 –<br>August 2022              |

- 3.23 The other three (3) current MICI staff positions (HC) (one (1) administrative assistant and two (2) specialist positions) are renewable. The three (3) staff members contribute to the Mechanism's different functions, both technically and administratively.
- 3.24 MICI is also supported by full-time consultants whose hiring is governed by the Bank's consultant policies (there are currently nine (9) staff members under this hiring arrangement), which stipulate that they can only perform this work for a maximum period of three (3) years, non-renewable. Figure 4 shows the current human capital configuration of the Mechanism: 60% of the team are consultants; 80% hold non-renewable positions.



Under the 2020 Vision Strategy, MICI seeks to increase the renewable base by adding one employee to the staff base (HC) and subtracting one consultant.

**Figure 4**  
**Structure of the Mechanism 2018**



- 3.25 For 2019, and in line with the vision of consolidating the Mechanism, MICI is asking the IDB's Board of Executive Directors to approve an additional HC as outlined in the 2017 Work Program and Proposed Budget ([MI-60](#)). This request was not made in 2018 given the opportunity to reconfigure a staff position that became vacant, but the need remains valid to achieve MICI's structure strengthening as suggested in 2017.
- 3.26 This position would complete the intermediate base of renewable staff positions that maintain institutional memory and ensure stability in the face of changes in non-renewable managerial and technical positions. It has no budgetary implications since one consultant position would be eliminated.

## **2. Structural Institutionalization**

- 3.27 As part of the institutionalization process, it is important to ensure that MICI is clearly embedded in the Bank's structure in order to prevent uncertainty about the procedures to be followed. In this regard, in 2019, work will be done with the Board of Directors and different areas of Management to establish guidelines, standards, and directives consistent with the Group's normative structure.
- 3.28 In addition, updates will be made to the Mechanism's Administrative Manual to reflect changes in the Bank's processes and policies, and the Compliance Review Phase Guidelines currently under development will be circulated.

## **3. Knowledge Sharing**

- 3.29 In relation to joint activities with sister institutions that seek to maximize collaboration in external outreach actions, the exchange of best practices, and the creation of synergies

in joint case management, MICI will continue to work as it has until now. It will participate in sessions organized by other Mechanisms to share knowledge and promote access.

- 3.30 As in previous years, the Director and Coordinators plan to participate in the 16<sup>th</sup> Annual Meeting of Mechanisms. In these meetings MICI will take advantage of the opportunity to share knowledge products and obtain feedback, as well as learn from other practices that will help improve its operation. Given that 2020 marks the tenth anniversary of MICI's establishment, we would like, as part of the activities commemorating this important milestone, to nominate the IDB Group to host the 17<sup>th</sup> Annual Meeting.
- 3.31 Finally, as part of knowledge sharing in 2019, the accountability mechanism of the Caribbean Development Bank has invited MICI to hold a workshop for staff members of the mechanism and the institution as a whole to share its experience and best practices.

#### **4. Operational Effectiveness**

- 3.32 During 2019, the internal improvement process will be maintained with the advice and support of the GCE. Having an external advisory group is a best practice among accountability mechanisms, and the input of this pro bono group of experts helps MICI to better focus its institutional strengthening efforts.
- 3.33 Together with other independent offices of the Bank (the Office of Institutional Integrity and Ethics, among others), MICI also formed a working group in 2018 to select a new Case Management system that helps monitor the management of Requests received and systematize their information. It is expected that the switch to a new platform that will more efficiently meet the specific needs of each of the offices that currently use it will be completed by 2019.

#### IV. PROPOSED BUDGET

- 4.1 As in previous years, this budget proposal has been prepared using a zero-based budgeting method that estimates the resources necessary to perform the activities that MICI is certain will occur, plus an allowance for funds required to process the Requests projected to be received in 2019.
- 4.2 The proposed 2019 Budget has the following features in terms of presentation:
- a) As mentioned above, MICI develops its budget starting from a zero base and requests resources annually according to the program it proposes to implement.
  - b) The budgetary requirements are presented for each institution.
  - c) The staff salaries and benefits item (SLC) is relevant only to the IDB. The parameters set by Management have been taken into consideration for its estimates. The estimated funds to cover the additional HC requested are being included as part of the SLC.
  - d) In order to prevent cross-subsidies, the time staff members plan to devote to servicing IDB Invest has been monetized and presented as a CLC resource requirement with the corresponding deduction from the IDB budget under the same item.
  - e) The CLC+NLC budget is presented by function: Request Management, Learning, Outreach, and Institutional Strengthening.
  - f) The Contingency Fund is considered a restricted item since the NLC funds available there can only be accessed upon the authorization of the respective Board of Executive Directors (see Conditions for Accessing the Contingency Fund in the electronic links section).
- 4.3 The following sections present the budgetary requirements by function for the IDB and IDB Invest, and Annex II provides the itemized breakdown of these for more information.
- A. Budget Request to the IDB**
- 4.4 In general terms, the execution of the Program proposed by MICI for the IDB in 2019 requires the approval of funds in the total amount of **US\$2,551,833**. This amount reflects a nominal reduction of 3% compared to the total amount approved in 2018 (US\$2,632,016).
- 4.5 Regarding staff costs (SLC), the 2019 budget provides for an allocation of US\$1,501,750 (11% higher than 2018), as shown in Table 3. This allocation considers two elements driving the increase: (i) the salary adjustment proposed at the central level that

preliminarily considers a 3.2%<sup>5</sup> increase in SLC. This increase depends on the considerations of the Board of Executive Directors regarding the proposal presented by Management and will be adjusted according to the decision made for this item on an overall basis; and (ii) the inclusion of another staff position (HC) in addition to the six (6) current positions, as discussed in greater detail in paragraphs 3.22 and 3.23 above. In the event it is not approved, the amount earmarked for it would be reflected in the CLC expenses for the hiring of a consultant.

- 4.6 The CLC and NLC budgets for the IDB show reductions in the Request Management categories, since five cases are being closed in 2018, allowing for a reduction in the variable costs generated by these cases. Additionally, even though MICI expects to manage 20 Requests during the year, the eight (8) that will be carried over to 2019 are at stages of management that will require fewer resources than those in the current year.
- 4.7 In terms of budget reductions in the areas of Learning and Outreach, the main reduction in these items is due to the HC request, as the allocation earmarked for communication consultants would be reduced if the HC is approved. Otherwise, the funds would be transferred from SLC to CLC in order to maintain the human resources required for these tasks.
- 4.8 Table 3 shows the proposed allocations by item for 2019, as well as the amounts approved in 2018 and the estimated execution for this year.

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<sup>5</sup> It is important to note that since MICI is an office independent of Management and its budget is not part of the Bank's discretionary budget, the approved salary increase is fully reflected in the MICI budget as Management's savings are not extended to it.

**Table 3**  
**2019 Proposed Budget and Comparison to Approved 2018 Budget – IDB**

| Concept  | MICI-IDB                 |   |                          |   |
|--|--------------------------|---|--------------------------|---|
|  | 2018 Approved Budget IDB | Total Estimated Execution by end of 2018 <sup>1</sup> | 2019 Proposed Budget IDB | % variation 2018 Budget with respect to 2019 Budget |
| <b>STAFF LABOR COSTS (SLC)<sup>2</sup></b>                           |                          |   |                          |   |
| Total Personnel Costs (SLC)  | \$ 1,351,812             | \$ 1,113,214  | \$ 1,501,750             | 11%   |
| <b>COMPLEMENTARY LABOR COSTS (CLC) AND NON-PERSONNEL COSTS (NLC)</b> |                          |   |                          |   |
| <b>Requests Management</b>   |                          |   |                          |   |
| Subtotal Requests Management   | \$ 1,037,234             | \$ 1,012,383  | \$ 888,583               | -14%  |
| <b>Learning</b>  |                          |   |                          |   |
| Subtotal Learning  | \$ 92,270                | \$ 91,107   | \$ 44,500                | -52%  |
| <b>Outreach</b>  |                          |   |                          |   |
| Subtotal Outreach  | \$ 90,700                | \$ 98,072   | \$ 57,000                | -37%  |
| <b>Institutional Strengthening</b>                                   |                          |   |                          |   |
| Subtotal Institutional Strengthening                                 | \$ 10,000                | \$ 9,756  | \$ 10,000                | 0%  |
| Subtotal CLC and NLC - non-restricted component                      | \$ 1,230,204             | \$ 1,211,319  | \$ 1,000,083             | -19%  |
| Contingency Fund - restricted component                              | \$ 50,000                | \$ -  | \$ 50,000                | 0%  |
| Total CLC and NLC - restricted + unrestricted components             | \$ 1,280,204             | \$ 1,211,319  | \$ 1,050,083             | -18%  |
| Total MEC Budget by institution (SLC+CLC+NLC)                        | \$ 2,632,016             | \$ 2,324,532  | \$ 2,551,833             | -3%   |

1. Information according to the estimate made in the Activity and Financial Quarterly Report. Second Quarter 2018, available in the electronic links / 2. Includes the 3.2% increase in salaries as reported by the Bank. This percentage is merely indicative and the final increase will be approved by the IDB Board of Executive Directors. It also includes the estimate for the new HC requested.

## **B. Budget Request to IDB Invest**

4.9 With regard to MICI's 2019 budget for IDB Invest, it should first be noted how it is managed so as to maximize the efficiency of the funds received:

- a) The IDB Invest budget does not include SLC staff costs because MICI staff members are IDB employees not IDB Invest employees.
- b) In order to avoid cross-subsidies, as done with the 2018 budget, an allocation of US\$60,000 is included to cover the time MICI (SLC) staff spend providing services to the institution. This sum was obtained from the salary cost of the time reported as devoted to IDB Invest matters during 2018 by the Mechanism's full-time

employees.<sup>6</sup> Since staff salary costs cannot be fully or partially covered by the IDB Invest, MICI has deducted this amount from the IDB's CLC costs and added it to the IDB Invest.

- c) Once the proposed budget has been approved by the Board of Executive Directors, MICI signs a service level agreement with IDB Invest that establishes the transfer mechanism for the unrestricted CLC and NLC funds, as well as a provision for a transfer from the contingency fund if its use is required. At the end of each year, MICI returns unused funds to IDB Invest.
- d) Every quarter, MICI reports to the Board of Executive Directors on budget implementation as provided for in paragraph 66 of the MICI-IIC Policy.

- 4.10 In general terms, for IDB Invest, the execution of the Program proposed by MICI in 2019 requires the approval of funds totaling US\$591,303 (an increase of 155% over 2018) and anticipates increases in the categories of Request Management (US\$437,303, compared to the 2018 approved amount of US\$88,000) and Contingency Fund (US\$30,000, compared to the 2018 approved amount of US\$20,000).
- 4.11 As shown in Table 4, the execution under Request Management in 2018 exceeded the approved allocation, making it necessary to access the Contingency Fund for the first time. It is important to mention that the allocation for Request Management in 2018 was extremely modest and only covered the initial costs of the eligibility stage for a maximum of two (2) Requests. In 2018, two (2) Requests were received that were particularly complex and costly because of the location of the projects and the affected communities, as well as because of the insecurity of those areas, which meant that the original allocation was insufficient, therefore the Contingency Fund was needed to cover that initial stage of both Requests. For 2019, the processing of the Request declared eligible is being estimated for both Phases, Consultation and Compliance Review, and an allocation has been made in case the second Request is deemed eligible. In addition, funds have been estimated to handle three (3) Requests during their initial stages of processing. It is MICI's opinion that the revision in allocation to Request Management and Contingency Fund will allow MICI to operate adequately in this new stage of IDB Invest.
- 4.12 Meanwhile, the Learning, Outreach, and Institutional Strengthening categories remain unchanged from what was approved in 2018. It is important to note that these items include the US\$60,000 allocation noted in paragraph 4.9(b).

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<sup>6</sup> The time records (SAP system) for each of the six full-time employees who worked at MICI from January to September 2018 includes the number of hours/days devoted to IDB Invest activities, multiplied by the daily salary for each grade.

**Table 4**  
**2019 Proposed Budget and Comparison to Approved 2018 Budget**  
**for IDB Invest**

| Concept  | MICI-IDB INVEST                 |   |                                 |   |
|--|---------------------------------|---|---------------------------------|---|
|  | 2018 Approved Budget IDB Invest | Total Estimated Execution by end of 2018 <sup>1</sup> | 2019 Proposed Budget IDB Invest | % variation 2018 Budget with respect to 2019 Budget |
| <b>STAFF LABOR COSTS (SLC)</b>                                       |                                 |   |                                 |   |
| Total Personnel Costs (SLC)  | \$ -                            | \$ -  | \$ -                            | -   |
| <b>COMPLEMENTARY LABOR COSTS (CLC) AND NON-PERSONNEL COSTS (NLC)</b> |                                 |   |                                 |   |
| <b>Requests Management</b>   |                                 |   |                                 |   |
| Subtotal Requests Management   | \$ 88,000                       | \$ 103,431  | \$ 437,303                      | 397%  |
| <b>Learning</b>  |                                 |   |                                 |   |
| Subtotal Learning  | \$ 40,500                       | \$ 40,500   | \$ 40,500                       | 0%  |
| <b>Outreach</b>  |                                 |   |                                 |   |
| Subtotal Outreach  | \$ 78,500                       | \$ 78,488   | \$ 78,500                       | 0%  |
| <b>Institutional Strengthening</b>                                   |                                 |   |                                 |   |
| Subtotal Institutional Strengthening                                 | \$ 5,000                        | \$ 4,846  | \$ 5,000                        | 0%  |
| Subtotal CLC and NLC - non-restricted component                      | \$ 212,000                      | \$ 227,265  | \$ 561,303                      | 165%  |
| Over Execution non-restricted Budget- covered with Contingency Fund  |                                 | \$ 15,265   |                                 |   |
| Contingency Fund - restricted component <sup>2</sup>                 | \$ 20,000                       | \$ 15,500   | \$ 30,000                       | 50%   |
| Total CLC and NLC - restricted + unrestricted components             | \$ 232,000                      | \$ 227,500  | \$ 591,303                      | 155%  |
| Total MEC Budget by institution (SLC+CLC+NLC)                        | \$ 232,000                      | \$ 227,500  | \$ 591,303                      | 155%  |

1. Information according to the estimate made in the Financial and Activities Quarterly Report. Second Quarter 2018, available in the electronic links / 2. The Contingency Fund is being used to cover the overrun in the Request management item.

### C. Final considerations

- 4.13 Based on the above, we respectfully request that the Executive Boards of Directors of the IDB and the IIC consider and approve the 2019 Work Program and Proposed Budget required for its execution.
- 4.14 In relation to the request for an additional staff position (HC), we request the approval of the Board of Executive Directors of the IDB.

### Annex I. Requests Received from January 1<sup>st</sup> to October 15<sup>th</sup>, 2018

| Request No.                           | Date received | Project Name and Number  | End-of-quarter status                    |
|---------------------------------------|---------------|--|--|
| <a href="#">MICI-BID-CH-2018-0129</a> | 8 January     | Energy Sustainable Program (3821/OC-CH)  | Not Registered                           |
| <a href="#">MICI-BID-AR-2018-0130</a> | 8 January     | Reconquista River Basin Environmental Sanitation Program (3256/OC-AR)  | Not Registered                           |
| <a href="#">MICI-BID-EC-2018-0131</a> | 20 April      | Program for the Reconstruction of Electricity Infrastructure in Areas Affected by the Earthquake in Ecuador (3906/OC-EC) | Eligible                                 |
| <a href="#">MICI-BID-BR-2018-0132</a> | 27 April      | São José dos Campos Urban Structuring Program - Request II (2323/OC-BR)  | Not Registered                           |
| <a href="#">MICI-CII-CO-2018-0133</a> | 5 June        | Ituango Hydroelectric Project (11794-04)   | Eligible Consultation Phase              |
| <a href="#">MICI-BID-CO-2018-0133</a> | 5 June        | Support for Structuring the Ituango Hydroelectric Project (ATN/OC-13351-CO)  | Eligible Consultation Phase              |
| <a href="#">MICI-BID-PE-2018-0134</a> | 11 June       | Isolated Indigenous Peoples Reservations Regularization (ATN/OC-13627-PE & ATN/OC-13628-PE)                              | Not Eligible                             |
| <a href="#">MICI-BID-BO-2018-0135</a> | 23 July       | Program to Support Pre-investment for Development (3534/BL-BO)   | Not Registered                           |
| <a href="#">MICI-CII-GU-2018-0136</a> | 5 August      | Generadora San Mateo S.A. y Generadora San Andres S.A. (GU3794A-01 & GU3798A-01)   | In the eligibility determination process |
| <a href="#">MICI-BID-CO-2018-0137</a> | 21 August     | Program for the Institutional Strengthening of the Office of the Comptroller Gen (3593/OC-CO)                            | Not Registered                           |
| <a href="#">MICI-BID-BR-2018-0138</a> | 4 September   | Strategic Program for Transportation Infrastructure and Logistics in Paraná (4299/OC-BR)                                 | Not Registered                           |

■ Request related to an IDB Invest operation.