

Good Practice Note

PROJECT-LEVEL GRIEVANCE MECHANISMS FOR AFFECTED COMMUNITIES

*Guidance on Affected Community Grievance Management for
Projects and Companies*

DRAFT

Not for Distribution

Environment and Social
Development Department



*Good Practice Note***PROJECT-LEVEL GRIEVANCE MECHANISMS FOR AFFECTED COMMUNITIES*****Guidance on Affected Community Grievance Management for Projects and Companies***

The concepts of social risk management and social license to operate have quickly become an integral part of doing business. These dimensions of a company's social and environmental strategy cannot be achieved without effective stakeholder engagement, based on active participation of and feedback from groups affected by the company's operations.

A proven determinant of successful stakeholder management is a project's commitment to opening channels for continual two-way communication—and a genuine intent to address stakeholders' particular concerns. Identifying, developing, and implementing grievance management procedures that respond to community concerns can help ensure broader social support for a company's operations, reduce risk, enhance reputation, and improve project-management processes. Project-level grievance mechanisms¹ inform and complement other forms of stakeholder engagement.

The purpose of this Good Practice Note is to assist companies, their project managers, and those who advise them, in creating, implementing, and monitoring an effective project- or company-level grievance mechanism intended for external stakeholders, with special focus on affected communities. This Note does not discuss internal grievance procedures intended for employees and contractors. Those procedures fall under the category of labor practices.

The Note focuses on grievance management for private sector companies and projects and is not intended to cover aspects of government-, industry-, or international-level grievance mechanisms. However, such mechanisms do interact with the private sector and may serve as drivers for companies to engage more effectively with communities to prevent escalation of grievances and disputes.

The idea that large-scale projects with significant social and environmental impacts need grievance mechanisms is gaining traction among businesses. However, smaller-scale projects also can benefit from raising their awareness of community concerns and inquiries, and defining clear and effective ways of addressing them. The guidance in this Note will benefit both small and large companies, across sectors and through all stages of project development.



UPL discussion with community members on sugarcane farming and approaches for maximum yield. See story, page 25. (Photo: Courtesy of UPL)

IFC emphasizes the importance of community engagement in managing risk as well as earning and maintaining a social license to operate. Effective grievance management is a vital part of this process, from the onset of a project to its closure. Companies of all sizes and industries potentially face complaints, suggestions, or inquiries from communities and stakeholders. And they must be ready to respond effectively.

This Good Practice Note provides guidance on basic principles and elements that organizations from any sector should be aware of when dealing with grievances that affect communities. Together, these principles and elements constitute a tool for designing and implementing grievance management procedures appropriate to the project scale and impact. However, it is not intended as a “recipe” for dispute resolution.

The Note discusses the range of stakeholders targeted by external grievance mechanisms, and the stakeholder characteristics that need to be taken into account when designing a grievance mechanism. It includes examples from private sector projects of IFC clients around the world, ranging from large oil, gas, and mining companies to small and medium manufacturing companies. It also will benefit practitioners working on community and social development issues in a developing country context.

¹ Such mechanisms are also referred to as “company grievance mechanism”, “company- community grievance mechanism”, and “community grievance mechanism.” Since projects are the most common form of private sector operations, we will generally refer to this mechanism as “project-level grievance mechanism”, “company grievance mechanism”, “grievance mechanism for affected communities”, or simply “grievance mechanism.”

IFC Approach

IFC views effective grievance management as a key element of a successful community engagement strategy for our clients, and as a contribution to broad community support for a project. Further, IFC believes that implementation of an effective grievance mechanism can enable companies to promote the long-term viability of their investments. Grievance mechanism is an important part of IFC's approach to requirements related to community engagement by clients under the *Policy and Performance Standards on Social and Environmental Sustainability*. (See Box 1, page ii.) IFC Performance Standards contain several requirements related to grievance mechanisms. These requirements not only apply to IFC-financed projects, but also are the basis of the Equator Principles² and are referred to by leading multilateral and bilateral financial institutions, as well as the export credit agencies of OECD countries.

Where it is determined that a new project or existing company operations involve ongoing risk or adverse impacts on surrounding communities, the client will establish a grievance mechanism to receive and facilitate resolution of the affected communities' concerns and grievances about the client's environmental and social performance (*Performance Standard 1, paragraph 23*).

A grievance mechanism should also be able to deal with issues that a community may raise regarding the process of land acquisition (*Performance Standard 5, paragraph 10*). Where a project or a company expects to have adverse impacts on Indigenous Peoples, grievance mechanisms established by clients must be culturally appropriate and fully accessible to them (*Performance Standard 7, paragraph 9*). Through application of grievance mechanisms, companies are expected to improve their relations with stakeholders and ultimately contribute to maintaining broad community support for the project.

Community impact factors are evaluated within the framework of an integrated social and environmental review and, in case of projects with significant adverse impact, within the Social and Environmental Impact Assessment for a particular project. Based on the results of this evaluation, IFC's project sponsors may be required to develop or improve their grievance mechanisms and include them in their action plans, encompassing commitments for managing impacts as well as community consultation and development.

This Note should be used in conjunction with Performance Standards and IFC Guidance Notes, which contain basic requirements that should be followed when developing grievance management procedures under the IFC Policy and Performance Standards framework. The guidance in this Note is intended to expand practical knowledge about methods and underlying principles of creating adequate grievance mechanisms for the private sector. It is based on IFC's experience in applying its Performance Standards—and in particular the requirements related to grievance mechanisms under Performance Standards 1, 5, and 7—to emerging markets projects. This document does not intend to duplicate existing IFC social and environmental policy requirements.

Box 1: Grievance Mechanism Requirements under IFC Performance Standard 1

- ✓ If ongoing risks or adverse impacts are anticipated, establish a grievance mechanism to receive, record, and address stakeholder concerns.
- ✓ Design the mechanism according to the extent of risks and adverse impacts of the project.
- ✓ Address concerns promptly, in an understandable and transparent process that is culturally appropriate and readily accessible to the entire community, including women, youth and the elderly, minorities, and other vulnerable groups.
- ✓ Ensure that the presentation of complaints does not result in any costs or potential retribution.
- ✓ Ensure that the mechanism does not delay or hinder access to alternate judicial and administrative remedies.
- ✓ Communicate with the local communities throughout the engagement process concerning the status and results of the grievance mechanism.

IFC Performance Standards are available at <http://www.ifc.org/ifcext/sustainability.nsf/Content/PerformanceStandards>.

² www.equator-principles.com.

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What Is a Project-Level Grievance Mechanism, and Why Is It Needed?

What Is a Grievance?

This Good Practice Note views a grievance as a concern or complaint raised by a stakeholder or group of stakeholders external to the company or project and directly affected by project operations. Concerns and complaints can be a result of both real and perceived impacts of a company's operations. Concerns and complaints may be filed in the same manner and handled with the same procedure; the difference between responses to a concern or a complaint may be in the amount of time needed to resolve it.

Although its primary focus is on dealing with concerns and complaints, an external grievance mechanism should be equipped to accommodate various types of feedback from stakeholders who may find it appropriate to use this channel to communicate their questions, inquiries for information, or suggestions. Many companies that implement grievance mechanisms, whether basic or complex, find that their procedures are adequately designed to accept both negative and positive feedback from external parties.

What Is a Project-Level Grievance Mechanism?

A project-level grievance mechanism (along with disclosure, consultation, and mitigation of social and environmental impacts) is an integral part of managing relationships with stakeholders. It is a process of handling grievances from external parties at the level of the company, or project.³ It provides a procedure and mechanism for receiving, evaluating, and addressing grievances that may arise from an enterprise's operation, which may include acts of employees, contractors, and subcontractors. It may be established at the outset of a company's activities, though, as seen in this Good Practice Note, some mechanisms are established after and in response to an incident that caused communities to react, or recurrent complaints or conflicts leading to deterioration in the company's relationship with the affected communities.

Company grievance mechanisms are an alternative to external dispute resolution processes (legal or administrative systems or independent mechanisms that complainants could have otherwise turned to). In general, working grievance mechanisms offer the advantage of simplified settlement of issues between the parties. It differs from other forms of dispute resolution in that the focus is on the speedy resolution to a project-related complaint, not on fault finding.

This Note primarily targets private sector practitioners and, therefore, discusses design and implementation of mechanisms that aim to maximize use of company resources available—internally and within the groups of immediate project stakeholders—to resolve a complaint or respond to inquiry by outside parties. The goal of this mechanism is to resolve grievances before they reach the point of requiring various conflict resolution structures⁴ outside of an enterprise's responsibility and control—to receive and resolve complaints while recognizing the right of communities to appeal to a formal dispute body.

Third parties such as nongovernmental organizations, governments, local community councils, and other social structures can sometimes be involved in companies' grievance mechanisms. They can serve as process organizers, facilitators, witnesses, advisors, or mediators. In some cases, a good practice to ensure transparency, create trust, and use company resources more efficiently is to design a project-level grievance mechanism that places part of the responsibility for organizing the process on external entities while the company maintains overall control.

Many societies have a set of traditional values and practices, such as seeking judgment from elders, turning to spirits and religious beliefs, or placing sole trust in government institutions for determination of acceptable ways to raise complaints and reach a proper resolution. Traditional practices are especially strong among Indigenous Peoples. Notwithstanding the goal to strive for efficient resolution at the project level, not impeding communities' access to external remedies is a core principle for implementing company mechanisms. However, companies that adjust their grievance mechanisms to traditional community practices are more likely to succeed in gaining communities' acceptance of project-level grievance mechanisms.

Grievance mechanisms described in this document are distinct from employee complaint mechanisms and consumer hotlines. The grievance mechanisms the Note focuses on accommodate the communities that are potentially affected by private sector projects. However, smaller companies may find it effective to use consumer complaints mechanisms to accommodate community grievances, if this approach is cost-effective and addresses the need.

Project-level grievance mechanisms seek to maximize a company's resources and community participation. Third parties are viewed as part of the process and a means of facilitating constructive dialogue between companies and affected communities.

³"Company" and "project" are used throughout this document to reflect the levels at which grievance mechanisms function, such as private sector organizations managing their operations at one or several project sites.

⁴Structures and methods of conflict resolution are widely discussed in literature. This Note does not attempt to redefine or replicate this research. This Note takes a specific approach that focuses on helping private businesses to set up grievance management structures commensurate to their needs to manage social impacts of their operations.

Why Is a Grievance Mechanism Important?

Properly designed and implemented grievance management can deliver tangible and intangible benefits to the company by reducing operational and reputation risks resulting from unresolved issues of communities affected by company or project operations. For example, according to a recent World Resources Institute case study, Meridian Gold, a mid-tier gold producer based in Reno, Nevada, was forced to write down its project property in Argentina by \$379 million due to tensions with the local community, which consequently affected its share price.

A company's grievance mechanism and its overall community engagement strategy are linked and should be mutually reinforcing.⁵ Opening channels for grievances helps private sector companies be alert to community perceptions of problems attributed to the companies' activities and behaviors. It also increases the likelihood of resolving minor disputes quickly, inexpensively, and fairly—with solutions that reasonably satisfy both the enterprise and the petitioners.

Combined with effective community engagement, grievance management can reduce risk and deliver tangible benefits to the private sector.

Reduced Risk to Business

Save costs and minimize delays. In the context of a company's social and environmental assessment process, preempting grievances during project design and development can save money, minimize delays, and reduce the likelihood of harm to the operations. Grievance mechanisms can provide speedy and efficient resolution to project-level complaints, and prevent minor grievances from escalating into larger ones that might lead to plant closures or violence. Protests, road and bridge blockages, suspension of operations due to bad community relations and conflict—these are just a few examples how the unsatisfactory handling of community concerns can directly affect a business's bottom line. Thus, grievance mechanisms help preempt grievances as well as address them.

Better community relations. Some companies use grievance mechanisms to enhance their relationships with surrounding communities. A transparent and legitimate dispute resolution process that is the product of a joint effort between the company and the community will increase their mutual trust. And it helps the company communicate more effectively with stakeholders.

A more efficient alternative to litigation. For companies as well as communities, escalation of conflict to formal structures set up by governments can be lengthy, costly, and will not necessarily deliver satisfactory results for either party. For companies, the defense in these lawsuits can be expensive, and the negative publicity can cause even greater damage. By channeling complaints and inquiries through their internal structures, companies can address the source of the problem more efficiently. For example:

- Project-level mechanisms offer locally tailored solutions and, unlike many government mechanisms, can cater to local needs and incorporate provisions to accommodate the circumstances of significantly different groups within communities.
- Companies enjoy cost savings—and avoid disruptions in operations due to lawsuits.
- Where government mechanisms are slow and ineffective, communities may welcome an opportunity to voice their complaints and receive free (or inexpensive) locally-based resolution.

SECTOR: MANUFACTURING

Fras-le, the Randon Group, Brazil: Proactive Grievance Mechanism Helps Maintain ISO 14001 Certification

The Randon Group, a midsize Brazilian industrial group, is a leading producer of trailers, mainly for trucks, rail transportation, and automotive components. Together with its main operating company, Randon Implementos, the Group has nine industrial plants in Brazil and one in Argentina.

Fras-le, the second-largest entity of the Randon Group, runs an Environmental Management System based on ISO 14001 certification since 1999. Within this management system, implementation of a grievance mechanism helps maintain ISO 14001 certification in good standing and avoid situations that can result in noncompliance with Brazilian legislation. It does so by helping improve operations based on stakeholders' feedback as well as good relations with communities and other parties.

Fras-le implements its grievance mechanism according to ISO 14001 requirements and guidelines for internal and external communication, with the environmental department being the core team responsible for tracking issues resolution and completing necessary actions. Most of the company's workforce comes from the surrounding communities. Communities also act as a neighborhood watch to alert the company of incidents and help prevent or mitigate impacts. For example, after a phone complaint about a bad odor in the neighborhood, Fras-le quickly developed a plan to improve the process by putting gas filters in all gas exits. Engaging actively with communities and providing them with information on social and environmental issues through a variety of methods (For example, celebration of Environmental Day) also helps preempt grievances. Following the same path, Randon Implementos is preparing to receive ISO 14001 certification in 2009 and is implementing a formal procedure for grievances.

Source: Information provided by the Randon Group, Fras-le

⁵ For detailed information and tools for effective stakeholder engagement, see *IFC Stakeholder Engagement Guide*. (IFC, 2007)

Opportunity to improve business processes and operations. Feedback from communities can help businesses identify weaknesses in their management systems or production processes. Grievance mechanisms afford companies continual access to important information about the project external environment. Surrounding communities can serve as an informal “quality control” and early-warning signal for new or recurring problems that require attention or broader structural solutions—to help companies recognize and respond quickly to potentially significant problems. (See story, *Fras-le*, the Randon Group page 3).

Protected Reputation

Reduced negative visibility. Grievance mechanisms can reduce companies’ reputation risks by helping them avoid high-profile lawsuits, advocacy campaigns, and negative media. Many companies use grievance mechanisms to help manage their reputation in the communities around projects as well as in the host and home countries.

Adherence to international norms and standards. Grievance mechanisms are important to many companies, particularly those with larger projects that affect local communities in foreign countries, where it is increasingly important for project developers to address community issues and implement grievance mechanisms. A movement of growing importance is human rights compatibility: Companies are judged by the international community, intergovernmental organizations, and NGOs, among others, on how well their grievance management integrates human rights norms and standards into their processes, and whether it is based on such principles as legitimacy, accessibility, predictability, equity, transparency.⁶ Grievance mechanisms are expected to deal with grievances that reflect substantive human rights concerns, such as right to be heard, right to a livelihood, right to basic services, right to life and security, right to equity, access to information, equity, and nondiscrimination.



A family of local Nenets Indigenous Peoples gather in front of their chum (home) in a remote community of the Yamal Peninsula of Russia to meet with representatives of Novatek, a Russian natural gas producer and IFC client operating in this remote region of Russia, accessible only by helicopter. (Photo: Roman Novozhilov, IFC)

⁶ Source: *Protect, Respect and Remedy: a Framework for Business and Human Rights*, an April 2008 report from the UN Special Representative on Business and Human Rights (p. 24).

Getting Started: Things to Consider When Designing a Grievance Mechanism

The need for grievance mechanisms is often associated with large, complex projects in sectors such as mining, oil and gas, infrastructure, and energy—projects perceived, and not without reason, to have some of the greatest social and environmental impacts. However, projects with lesser impacts also have groups of stakeholders who will be affected and may wish to find channels that allow them to communicate their point of view and seek redress. Enterprises across industries—for example, agriculture, manufacturing, retail and wholesale trade, chemical production—will all generate impacts. It is the process of determining these impacts in a participatory manner with affected groups that will result in development of a grievance mechanism appropriate to the project.

A clearly established scope for the grievance procedure will help ensure efficient design, proper allocation of resources, and ultimately an efficient response. The general objective of a grievance mechanism is to ensure that grievances from the communities are heard, analyzed, handled, and answered so as to enable the company to take preventive actions—to detect causes and determine what events, actors, or incidents could interfere with stakeholder relations or directly or indirectly affect the project.

What Are the Essential Components of a Grievance Mechanism?

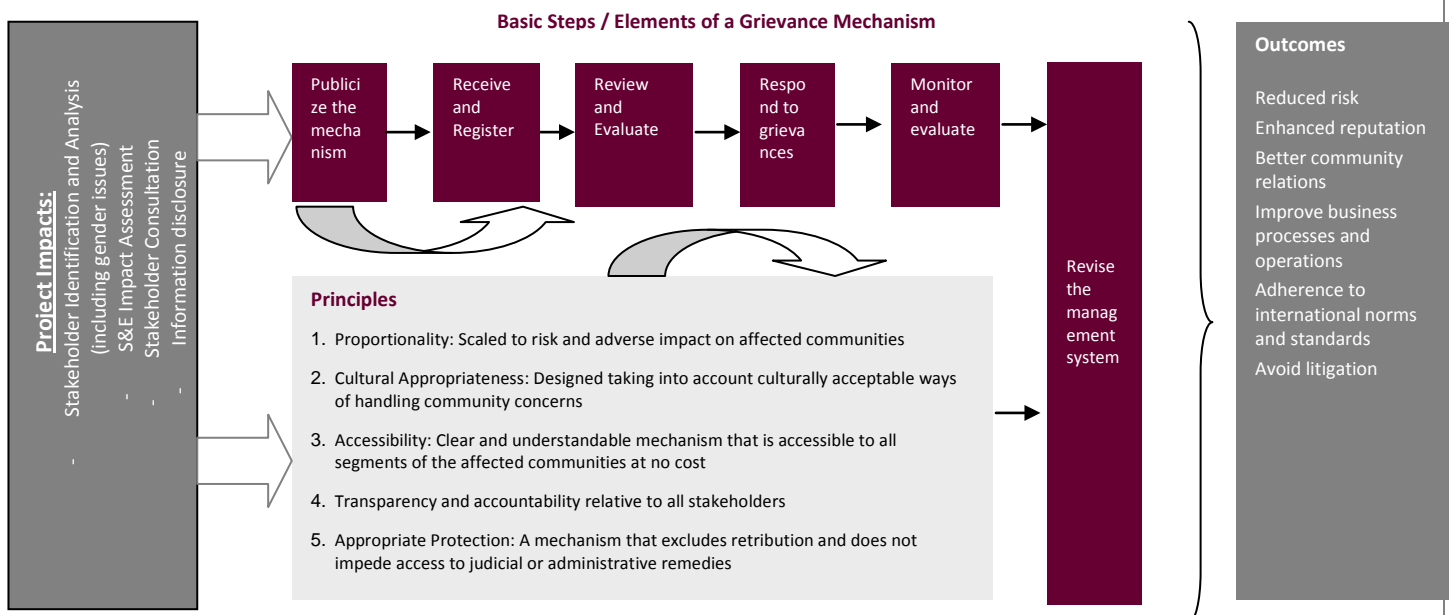
When choosing the appropriate grievance mechanism for a project, the following aspects should be considered:

- What groups will be affected by the company’s operations, key socioeconomic and cultural characteristics of these groups, and their patterns for raising grievances
- Types of grievances the company is likely to receive and their magnitude, based on the project impacts identified during social and environmental assessment, and the remedies the company can offer
- How the overall process will work, and the principles that will guide it
- Who will be responsible for implementation, and what resources will be needed

The scope of a grievance mechanism should be determined by the extent of impact and interaction with communities. However, regardless of projects’ size and impact, basic principles and elements will remain the same.

The first two aspects can be informed by social and environmental impact assessment and project action plans.⁷ But the other two require careful consideration of a set of elements and principles underlying a good grievance mechanism. This Note is built around five basic steps and five underlying principles of a grievance mechanism, which are described in the following sections. Figure 1 below presents a general structure for grievance mechanism design. The key elements and principles will be the same for all project sizes and industries, but the processes behind them will differ depending on the range and intensity of project impacts and associated types of grievances, stakeholder composition, modalities of projects’ operations, and available internal and external resources.

Figure 1: Essential Components of a Company Grievance Mechanism



⁷IFC has developed a number of guidance materials related to social and environmental assessment and stakeholder engagement, in particular, *Stakeholder Engagement Handbook* (2007) and *Good Practice Note on Addressing the Social Dimensions of Private Sector Projects* (2003). These publications can be found at www.ifc.org/sustainability.

Who Will Use a Project-Level Grievance Mechanism?

For a grievance mechanism to be effective it must be designed to anticipate and respond to the circumstances and characteristics of the target group. Accordingly, an early step in the design of a company grievance mechanism is to determine who will use it. To this end, it is beneficial to include a grievance mechanism dimension in the scoping and review of those potentially affected by the project, and the nature of the impact, during the broader stakeholder-identification and -mapping exercise. This early step will help ensure that the grievance mechanism is culturally acceptable to all affected groups, that it integrates traditional mechanisms for raising and resolving issues, and that it reasonably addresses accessibility and other barriers that may prevent communities from raising their concerns. Stakeholder analysis is covered in *IFC Good Practice Note on Social Assessment*.

A project's or company's stakeholders are defined as those who are directly or indirectly affected by potential social and environmental impacts as well as those who may have certain interests in the enterprise's activities. Generally a project's external grievance mechanism will be designed for and used by a subset of the identified project stakeholders. This subset is defined as "**affected communities**" through the following basic criteria:

- People directly affected by the project's day-to-day operations and residing in the project area (defined as an area influenced by project's day-to-day operations as determined in the course of project impact assessment on a case-by-case basis)
- When using a project-level grievance mechanism, they should not represent interests of governments, employees, customers, NGOs, or suppliers or contractors (meaning that these grievance mechanisms should not be used for commercial or regulatory disputes or as a venue to raise political differences)

The focus of the grievance mechanism on the needs of affected communities is substantiated by the fact that these people—as compared with other project stakeholder groups—are distinct in their nature of relationship with a project or company but often lack viable options for redress. A company grievance mechanism provides a readily accessible means of directly and rapidly addressing day-to-day issues involving the affected communities and the company. In this way the grievance mechanism may resolve relatively minor issues before they escalate into large-scale disputes or social unrest, or are elevated to formal dispute resolution methods (including the legal system). Private sector organizations will define the target group of their grievance procedure in different ways. And the task of defining the stakeholders who will be affected by day-to-day operations, and who will therefore be entitled to use the company grievance mechanism to raise complaints, is not always straightforward.

For the grievance mechanism to be effective, all stakeholders need to understand and support its intended purpose. The target group must be aware of and understand the reason for and use of the grievance mechanism. And other stakeholder groups need to understand why the grievance mechanism is not open to them—and to help promote awareness and understanding of the mechanism among the target group (affected communities).

What Resources Will be Needed to Manage a Grievance Mechanism?

Grievance mechanisms will work only if adequate resources—people, systems and processes, and associated financial resources—are assigned to implementation, and if responsibilities are clearly defined. Investing in an internal system for management of grievances upfront will save resources that otherwise might be spent on dealing with litigation. Community grievance management should be recognized as a business function with clearly defined objectives, assigned responsibilities, timelines, budget, senior management oversight, and regular reporting. For these reasons, the ultimate responsibility for designing, implementing, and monitoring project-level grievance mechanisms should lie with the senior management.

Development of a project-level grievance mechanism requires commitment of adequate resources for implementation, depending on:

- The size of operations and impact
- Community characteristics and the nature of interaction with communities
- Internal capacity
- Availability and willingness of third parties to engage in implementation of a company grievance mechanism

To optimize resources, both larger and smaller companies may choose to allocate grievance management responsibilities to existing internal functions, or to engage external parties.

In evaluating capacity for implementation, companies need to consider advantages and disadvantages of developing internal capacity versus outsourcing. All companies, regardless of size, will need to answer three major questions: *Who will be responsible for implementation? Is the internal capacity sufficient? What investment in the systems is needed?*

Project developers and companies may choose to allocate responsibilities for all or part of the grievance management processes to external parties, for a variety of reasons: Both larger and smaller projects may do so to gain better reputation and trust with stakeholders, achieve extended monitoring capacity, compensate for insufficient internal capacity, or acquire skills not available internally. Involving third parties also may be a financial decision to focus internal resources on project operations rather than on investments in developing internal grievance-management capacity. Companies that engage external resources should be sure to stay in control of their grievance mechanisms and take ultimate responsibility for their implementation.

A grievance mechanism run by the company will ensure a greater understanding of the project and facilitate prompt and clear responses. Company senior management will be able to exercise greater control and leadership in implementation, due to greater influence on staff

through direct reporting. However, purely internal mechanisms may be less transparent. Moreover, if the staff or team is not devoted full-time to grievance handling, it may cause conflicting priorities and workload issues. An internal mechanism's structure could be either centralized (at the headquarters level or at the field level) or multilevel (across levels of the project). Each of these structures has its own set of strengths; ultimately the project must decide on a structure that is manageable.

An externally managed, or contracted, mechanism works independently of the project hierarchy and management, and can bring objectivity and therefore greater credibility. It typically includes an independent forum to hear complaints, leaving the company less vulnerable to accusations of insufficient transparency and accountability. Additionally, companies operating projects with medium- to high-level impacts may consider seeking external oversight and assistance to monitor grievances and guide the company's responses. However, negative aspects of outsourcing include high costs, risk of less control over commitments made on the company's behalf, or the external agency's relative lack of information about the project, resulting in delays due to the need for coordination among multiple parties. To have an effective project-level grievance mechanism, companies need to gain a good understanding of the roles of third parties before engaging them. (See Box 2, page 7.)

Who Will be Responsible for Implementation?

Larger projects with higher impacts generally budget separate personnel and resources for the implementation and evaluation of a grievance mechanism. Projects with fewer and more discrete impacts and lower social sensitivity are likely to have limited resources to manage a grievance mechanism. If a project falls into this category, the company might consider giving staff normally responsible for other functions a special role in each step of a grievance procedure, such as community liaison or a central point for receipt of complaints. Companies may want to:

- Make sure that the role of senior management is clear: In what cases and at what stage in the handling of a complaint their decision will be required, and who will be responsible for strategic oversight of grievance management. Senior management have final authority to ensure that commitments made to affected communities are met, therefore clear reporting lines must be established between senior management and those implementing the grievance mechanism .
- Identify a central unit that will be responsible for administering the grievance mechanism. It may be a new or existing unit or person within an organization, who is best suited to handle these tasks—sometimes determined by the nature of community grievances (for example, predominantly environmental impacts). Larger projects are likely to have a separate grievance officer or unit as a central point.
- Make sure that other community-engagement tasks do not take the place of handling grievances, particularly if a community liaison officer is also assigned to handle the grievance process.
- Identify units or persons who are closely involved in activities that put them in contact with the community and governmental authorities; these resources potentially can be involved in receipt of grievances and in seeking and communicating feedback from the affected communities.
- Larger companies may find it useful to invest in training field employees to take complaints, and also to offer on-the-spot resolution of issues (usually, minor issues) within their authority.

To avoid conflicts of interest, it is advisable that personnel who handle grievances is not also directly in charge of project management.

Box 2: Engaging External Parties for a Project-Level Grievance Mechanism

When engaging third parties to manage all or part of the grievance mechanism, a project may benefit from the following practices:

- ✓ Make it clear that the ultimate responsibility for the grievance mechanism lies with the company.
- ✓ Take into account community self-governance structures (such as village councils, elders councils, tribal councils) when developing a grievance mechanism—to ensure cultural appropriateness, people's involvement in decision making, and efficient and effective use of existing community's resources. (See story, Monte Rosa, page 22.)
- ✓ Identify local and (possibly) international NGOs or community-based organizations (CBOs) that are active in the area of project or company operations, their interactions with the affected communities, and options for an NGO to administer the project grievance mechanism. (See story, Bujagali Energy, page 9.) Be alert to the distinction between advocacy NGOs and service NGOs, because their capacity and approach to participation in project-level grievance resolution may differ.
- ✓ Understand advantages and disadvantages of combining certain features of community and customer grievance mechanisms, such as means for collecting grievances. If this combining is efficient (works well for retail projects), ensure that the composition and characteristics of communities are well understood and incorporated.
- ✓ Assess options for having the local government let the community know about the grievance mechanism and how to use channels available to present grievances to the company. Where local governments are traditionally viewed as of the place to bring complaints, including those related to actions by private sector companies, consider partnering with local authorities to facilitate receipt of grievances from communities.
- ✓ Where considerable trust exists between communities and local governments, explore opportunities for engagement of local officials to help resolve community issues at the project level—outside of the court system.
- ✓ Anticipate grievances that may arise from the actions of suppliers or contractors, and implement a policy and management tools to govern their behavior and actions, including provisions for coordinated management of grievances.
- ✓ Recognize common forms of employee interaction with affected communities as a good source of communication, and make sure that employees understand how the grievance mechanism works and can explain it to communities when and where necessary.

Is the Internal Capacity Sufficient?

Developing internal capacity may require hiring the right personnel and developing their skills through training and awareness raising. Although larger projects are the ones most likely to hire dedicated personnel, projects of any size will need personnel involved in grievance handling who are able to assist users of the mechanism throughout the process and make sure the company's policy is carried out adequately. Consider developing capacity of personnel who will:

- be able to develop and maintain good working relationships with each strata of affected communities, understand local languages and cultures, and be aware of issues facing vulnerable groups, in particular gender issues (When stakeholder analysis indicates significant gender disparities, it is advisable to make female staff available to assist with various stages of the grievance process.);
- have a working knowledge of environmental and social management, understand project operations and the full array of potential grievances, and know how to identify different types of grievances;
- have practical grievance-handling skills and experience with communication, negotiation, and conflict-resolution techniques;
- be proficient in record keeping.

When relying on internal capacity, companies should also consider investing in training and awareness rising for staff involved in grievance handling, managers with oversight of the grievance mechanism, and employees that are not directly involved in handling community grievances. Employees can come into contact with communities in a variety of ways—from being asked about company operations and grievance procedures and how to file a complaint, to direct incidents that may cause a grievance. Employees need to be aware of the company's grievance mechanism and the course of action they are expected to take in such situations.

When involving third parties in grievance handling, the company is still accountable for the outcomes, and should closely monitor the third parties' interactions with and commitments to the affected communities. The company's obligation is to stay informed and to assure quality is especially important in projects where much of the field work is done by contractors, since the contractors are perceived as being representatives of the company. Negative actions and conduct of contractors reflect on the company and should be anticipated and mitigated through the project's management system.

Similarly, considering that 70 to 80 percent of complaints /informational queries handled by the Yanacocha Gold Mine in Peru on average per year are filed against contractor and subcontractor organizations regarding issues such as failure to pay bills/salaries, improper working conditions, and damages caused by traffic and other accidents, the company uses the payment and procurement contract terms to ensure that these entities take action to resolve grievances. In 2007, for example, of the 668 complaints, 80 percent were against contractors and subcontractors, 12 percent were filed against the company's workers and contracted individuals, and only 8 percent against the company directly (*Source: Cajamarca, Tierra Fecunda. Balance social y ambiental (2007)*).



Villagers from a community near Newmont's Ahafo project in Ghana voice their concerns at a public meeting. (Photo: John Nicolas Middleton, IFC)

SECTOR: INFRASTRUCTURE (POWER GENERATION)**Bujagali Energy, Ltd., Uganda: Witness NGO Helps Ensure Fairness and Transparency in the Process**

Bujagali Energy Limited (BEL) is constructing a 250-megawatt run-of-the-river power plant on the River Nile. The project, which also includes construction of a 100-kilometer transmission line, required extensive land acquisition. In 2001, when the government first tried to implement the project with the private sector, the project's economic underpinning as well as its potential social and environmental impacts became the subject of extensive public scrutiny, particularly among local and international NGOs. Recognizing this, the original project undertook an early consultation program, including development of a grievance mechanism that was maintained by the new sponsor.

An NGO to Witness and Participate in the Grievance Mechanism

The prominence of BEL's grievance-management approach is that the witness NGO, InterAid, participates in and monitors the process as well as provides advice for fair and transparent resolution. InterAid also supports project contractors in implementation of adequate grievance procedures. Once complaints from affected people are received either directly by BEL or referred to BEL by InterAid, they are documented by BEL in the grievance database. A written track record of all grievances received, verification of legitimacy and investigations of complaints, how grievances were dealt with, and corrective measures is kept by InterAid and BEL. Responses and corrective actions are communicated by BEL / InterAid to the complainant(s).

Grievance Committee: Inclusion of Stakeholders to Ensure a Transparent Process

Knowledge of the local culture allows BEL to build important elements into its grievance management approach. Following the validation process, BEL can respond to straightforward issues directly or, for more complex issues, organize a meeting of the grievance / mediation committee. This committee includes a Community Development Officer (CDO) from the local sub-county administration, a BEL representative as well as three representatives from among the affected people. The representatives of the affected communities are chosen among community-based organizations, elders, and customary (traditional, religious) authorities. At least one of them should be a woman. The CDO is responsible for mediating family issues in the community and can help where disputes within the community over project compensation are involved (e.g. spouses' complain that husbands take a lion's share of compensation, family abandonment).

InterAid sits on the grievance committee, advises on the process, and monitors its impartiality. Since one of InterAid team members usually has some legal training, he/she can provide an independent opinion. InterAid monitors whether the agreed decisions have been acted upon through regular meetings with BEL staff responsible for grievance matters as well as through independent visits to affected communities.

For issues that cannot be easily resolved, the aggrieved persons are also referred to lawyers or family clans for advice. The outcomes are communicated to BEL for further action. Complainants also maintain the right to resort to the courts at any time.

Source: Information provided by BEL and InterAid

What investment in the systems is needed?

For large projects and small, systems and processes supporting a grievance mechanism are needed to ensure that efficient tools exist for collection, tracking, and reporting throughout the grievance process. Depending on project scale and complexity, systems underlying a grievance mechanism can range from simple grievance logs to computerized records systems for recording, tracking, and aggregating—and from simple grievance forms used by community liaison personnel to telephone hotlines and Web sites for grievance intake. (Considerations for establishing such systems are discussed in the following sections covering principles of a good grievance mechanism.) Companies may choose from a range of systems with varying degrees of complexity. To ensure that their resources are spent wisely, companies should also consider having measures in place to regularly evaluate the effectiveness of their grievance management.

What Are the Principles of a Project-Level Grievance Mechanism?

This section presents typical considerations and key strategies that help incorporate each principle into the design of project-level grievance management processes, depending on a variety of stakeholder characteristics.

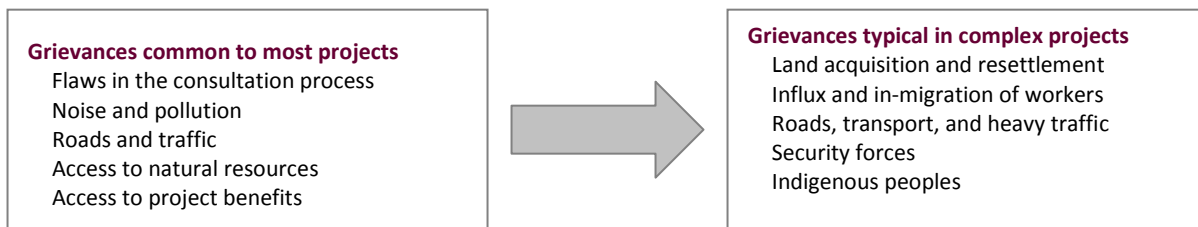
Principle 1. Proportionality: A mechanism scaled to risk and adverse impact on affected communities

To anticipate, prevent, and mitigate potential grievances, analysis of key impacts on communities should encompass the potential magnitude, frequency, and nature of grievances.

Features of a grievance mechanism cannot be determined without knowing the scale of the project and the ways it affects the communities around it. The scope and form should be commensurate to the extent of potential impact on and interaction with the local communities.

Methods to determine scale and impact will vary, depending on whether a grievance mechanism is being created at the outset of a project or during the operational phase. Comprehensive grievance mechanisms—based on a detailed policy, advanced systems, and dedicated staff and resources—are useful in a range of situations, including those in which: 1) companies anticipate a wide range of grievances due to ongoing risks to or adverse impacts on affected communities; 2) companies employ security guards to safeguard property and personnel; or 3) projects result in economic or physical displacement, or affect Indigenous

People. Elaborate grievance mechanisms may not be needed where there are no directly affected communities and indirect impacts are likely to be low. Projects with less adverse impact and lower social sensitivity may opt for establishing a straightforward and less formalized mechanism. (See Box 3 below.)



Grievances will vary by project stages and, to some extent, industries. In many cases grievances will be minimal at the preconstruction stage, will peak during construction, and be comparatively moderate during operation and downsizing or decommissioning. Construction stage is a time of great concern for the affected groups due to the nature and elevated scale of impacts. It is also the time when communities' expectations of economic benefits are on the rise. Some grievances are more standard and should be anticipated at all times, whereas others occur with specific project circumstances and need a tailored approach. Some types of grievances are common for both small and large projects across industries, and other types are more likely to occur in larger and more complex projects, as illustrated by the diagram above. The company's response to grievances of each type should be different,⁸ depending on their severity and recurrence.

Box 3: Scale of Operations and Grievance Mechanisms

Scale of operations is most commonly determined by: 1) project environmental and social footprint, which includes such parameters as physical area, number of people affected, timescale of impact, precedence, workforce size, countries of origin, level of inconvenience to quality of life, displacement, impact on natural resources, migration, access to basic services, and food and housing; and 2) social sensitivity—the nature and scale of the company's interaction with communities, which takes into account the socioeconomic situation, presence of conflict, human rights, resettlement, Indigenous People, vulnerable communities, political factors, and stakeholder perceptions and concerns.

Projects with Potential Significant Impacts. Projects with potential significant adverse impacts that are diverse, irreversible, or unprecedented, and that pose risks to communities, will require a more extensive and far-reaching grievance mechanism. These grievance mechanisms are best established at the outset of the project, and backed up with significant human and financial resources. They may offer multiple options for addressing complaints, including operation or monitoring by third parties.

Medium Impact Projects. Adverse impacts of these projects are limited, site-specific, reversible, and readily addressed by mitigation. But even though the impacts may be limited, these projects should establish grievance mechanisms if projects can reasonably expect grievances from local communities. In these projects, the mechanism design need not include the complexity and size required of a mechanism in a high-impact project, but it should provide means for all complaints to be received, processed, adequately addressed, and promptly communicated to the complainant.

Projects with No or Minimal Impacts. Even projects involving minimal or no adverse social and environmental impacts are likely to require a simple grievance mechanism. If the project is located near communities, and sporadic complaints can be expected, establishing a straightforward procedure and designating an individual within the company to act as a point of contact for receiving complaints can foster positive engagement when issues do arise.

⁸ IFC Stakeholder Engagement Handbook provides guidance on approaches companies can take to anticipate and mitigate risks at various stages of project development through a number of effective stakeholder engagement techniques and good practice pointers.

Severity of grievances can be judged by answering the following questions: (Also see Table 1 below.)

- Is the complaint related to the complainant's perception of the situation, or lack of information? Or, did it result from an incident that physically occurred (for example, a chemical spill); and if so, what is the degree of severity (what territory is affected, what is the damage, and to whom)?
- Is the complaint made by a group or an individual?
- What are the expectations? (Expectations will vary, from requesting an explanation or further discussion to demanding compensation of some kind.)
- Are there signs of potential violence, disruption of operations?

Table 1. Severity of Grievances and Examples

Severity of Grievances	Examples
Minor, one-time problems related to company operations	Company truck damages a fence One-time disagreement between a contractor and a laborer over working conditions
Relatively minor but repetitive problems related to operations	Noise and dust complaints during the construction phase Destruction of landscape, local greenery Project traffic blocks the local access roads
Significant or repetitive problems related to operations	During construction, company uses some land beyond the initial agreement for temporary land use Misconduct of in-migrant workers (do not pay for local services, such as hotels, restaurants, shops; eat crops; and so on)
Major claim, significant adverse impact on larger groups	Employment opportunities do not meet expectation of local communities (no clarity regarding employment policies) Significant water contamination (less fishing, unclean water, and so on), water shortage Increased violence against women due to shifting power roles in the community
Major allegations regarding policy or procedure	Alleged systematically inadequate land compensation Generally poor community relations and lack of consultation with communities about project impacts and community engagement plans (fear, uncertainty, or rumors may lead to complaints and violence)

Principle 2. Cultural Appropriateness: Designed to take into account culturally acceptable ways of handling community concerns

A project-level grievance mechanism should be designed to take into account specific cultural attributes, including how the culture affects the rights and abilities of affected people to express their grievances (for example, equitable access of all affected groups, particularly women, to the company grievance procedures) as well as the existence of traditional mechanisms for raising and resolving issues.

A grievance mechanism should be designed to ensure that the concerns of significantly different groups and subgroups are received and addressed. Thus, project stakeholder scoping should incorporate identification of: 1) significantly different groups within affected communities, including the number and characteristics of different ethnic or cultural groups within the project-affected area; 2) cultural attributes, customs, and traditions that may influence their ability to express grievances, including differences in the roles and responsibilities of subgroups (such as women) and cultural sensitivities and taboos (for example, what is perceived as polite or appropriate); and 3) their access to grievance mechanisms, and the ways they express and deal with grievances. (See Table 2 below.)

If the project affects stakeholder groups with significant cultural differences, tailored approaches may be needed to ensure that each group is able to raise concerns.

Table 2. Cultural Attributes and Grievance Mechanisms

Area	Key Strategies
Societies with segregation of roles, responsibilities, and rights	Where institutionalized forms of segregation exist, design a mechanism tailored to reach each subgroup. Where the roles and responsibilities of subgroups inhibit their access to and potential use of proposed grievance mechanisms, ensure that the design of the mechanism allows for their participation. Specific adaptations addressing the needs of smaller groups must be included, but their approach, scale, frequency, and so on may vary depending on the size of the subgroup. If grievance contact points are members of the local community, it is important that those individuals be respected by the community, and that selection not be biased in favor of a particular subgroup or ethnic group. Where this is not feasible, contact persons should be designated from each such subgroup or ethnic group within the community.
Women's Access and Participation in the	Ensure that design of the grievance mechanism includes consultation with key women in government, civil society, and so on. Discuss approaches (aimed at securing women's participation in the project and the grievance mechanism) with community and religious leaders (who are often male) and with influential female community members.

Grievance Process	Where appropriate create a mechanism that facilitates women's access. Ensure that management of the company grievance mechanism (including collection and review) includes female staff who are aware of and sensitive to the role of women in local society and the issues they face. Train personnel in the handling of gender-sensitive issues.
Hierarchical Societies	Discuss the objectives of a grievance mechanism with key community leaders. Seek community leaders' support and inputs upfront for development of an appropriate mechanism.
Indigenous Peoples (IP)	Discuss the relations between government, civil society, and IP groups with representatives of government, nongovernmental organizations, religious bodies, leaders within civil society, and IP leaders. Seek multistakeholder input into the design of appropriate communication, including grievance mechanisms. Where appropriate nominate an independent third party to manage communications and the grievance mechanism.

Principle 3. Accessibility: A Clear and understandable mechanism that is accessible to all segments of the affected communities at no cost

If people perceive the grievance process to be unclear or difficult, they are less likely to access the mechanism. Grievance procedures work only if there are no (or low) barriers for communities to access them. Ideally, the grievance mechanism provides ease of access to information and the means to file complaints at no cost to complainants. Accessibility also depends on the adequacy of communication methods used by the project for explaining how to complain and how the mechanism works, and actively encouraging (and assisting) affected communities to make complaints when problems arise. When designing the mechanism, companies should assess its accessibility to communities from the following angles:

Physical locations of surrounding communities and access to transport and roads. Projects should make sure places and persons designated for receiving complaints are accessible to communities. Projects have the option of designating onsite or offsite locations for receiving complaints, or a combination of the two, depending on whether communities are dispersed or concentrated in one place, whether they are located in hard-to-reach and isolated regions, how far the communities are from company or project office locations, and what their access to roads and transportation is like. In-person methods are likely to work in a wide spectrum of communities. Having a regular presence of staff to take complaints in the local community greatly helps personalize the community's relationship with the company and engenders trust. If possible, projects should appoint a representative who can live in the community or visit them on a regular basis. Consider the following strategies:

- Localize and communicate the points of contact (venues, locations, staff, contact information).
- Consider putting up a grievance booth or office outside of the company's gate, or within communities themselves.
- Where roads and traffic are a challenge, take advantage of local means of transportation (bikes, bull carts, dog sleds).
- Consider putting up petition-collection boxes in easily accessible places. (See story, TNG, page 13.) If doing so, communicate a clear policy on anonymous complaints, provide an intake form for complaints, and promptly acknowledge receipt of each complaint.
- If grievances are accepted on the company's premises, security should allow for easy access to the grievance office.
- Depending on the host-country culture and customs, separate locations or accommodations for men and women may be appropriate.

Literacy and education levels. Even if a company has a well-documented grievance procedure, access of communities to grievance mechanisms can be impeded by lack of information. The most vulnerable groups (for example, the poor) typically have the least access to education and the infrastructure required for proper understanding of the redress options available to them, and how to file complaints through conventional channels. Consider the following strategies:

- Make sure that processes for submitting a grievance are not overly complicated and, as a rule, do not require legal counsel to complete.
- Provide information on grievance procedures in written format as well as orally in areas where literacy levels are low.
- Consider creating an open forum or conducting open houses with the parties concerned for collection and follow-up on grievances. (See story, *Tecnofil*, page 19.)
- Ensure that the literacy level is sufficient to submit written complaints.
- Consider methods that can be used by people who cannot read or write—for example, provide assistance in writing down oral complaints.

Local languages and their diversity. All information about grievance procedures, grievance forms, and responses should be available in languages readily understandable to the local population. If there are several languages, documents and /or oral forms of communication should be available in all of them. Consider the following actions:

- Engage translators, employees with appropriate language skills, or native speakers to assist in explaining the grievance mechanism process and filing complaints.
- Develop procedures for making complaints by proxy (that allow one person to complain for another).

Access to conventional communication infrastructure (phone, mail, Internet). Carefully consider all methods that imply remote access to filing and following up on complains, depending on availability of appropriate infrastructure among communities; in particular:

- Where communication infrastructure is low, consider using in-person methods.

- Choose methods of remote access to the grievance mechanism that are commensurate with local infrastructure and do not cause communities to incur costs (telephone, for example, if is commonly accessible to a substantial part of population and free of additional charges).
- If the use of telephone or Internet is appropriate to receive complaints, “hotline” telephone numbers, e-mail addresses, and Web sites should be widely publicized (for example, included in brochures, publicized during meetings, posted on a gate).

Communities should be informed that use of the company grievance mechanism is free of charge. However, use of a grievance mechanism can be undermined by “hidden costs” when people must pay for the means to access it. If such costs are likely, the proposed methods of access should be revisited and adjusted. Where associated costs are unavoidable (primarily with larger projects), resource assistance may be the solution for providing communities with all necessary information and means to file complaints.

SECTOR: INFRASTRUCTURE

Tamanneftegaz (Russkiy Mir Group), Russia: Enhancing Accessibility of the Grievance and Inquiry Mechanism

The Russkiy Mir Group, a large private owner of railroad tank cars in Russia, is developing a midsize oil terminal and port—Tamanneftegaz (TNG)—on the Black Sea. TNG established a written Mechanism for Community Grievances, Suggestions, Inquiries, and Requests as part of the Policy for Community Engagement on Social and Environmental Matters.

Explaining the Process to Communities and Ensuring Access

TNG developed not only a standard submission form, but also a booklet providing a simple overview of the process, including examples of issues people may raise, means of submission (mail, community liaison, e-mail, phone), review procedure, underlying legislation, and timing for response. TNG has a designated community liaison manager who informs communities and disseminates submission forms and booklets in public places. Submission forms and booklets are also available at TNG’s project information stands in local government buildings, its local office, and during community consultation meetings. They are also mentioned in project announcements in local newspapers. During the initial stages of the project, TNG also had an information stand and submissions collection box in a Sberbank office in the surrounding communities to further ensure communities are well informed and can access the mechanism (Sberbank, the largest Russian bank, has an extensive retail branch network throughout Russia’s rural areas and is one of the most visited places in the two communities surrounding TNG).

Initiating Proactive Dialogue

TNG staff know the procedures for receiving complaints and suggestions, and direct interested parties to the company’s central point of contact—TNG’s General Director’s office that assigns responsibility for dealing with an issue to appropriate departments. A written response prepared by the community liaison manager usually contains contact information for further questions, and an invitation for a face-to-face discussion with the concerned person or group. As one of the ways to enhance accessibility to project information, TNG works to organize broadcasts at the local TV station on the project’s environmental and social impacts. Community members participate in the broadcasts.

Source: Information provided by TNG

Principle 4. Transparency and accountability relative to all stakeholders

A grievance mechanism is transparent when communities are confident that their grievances are taken seriously and reviewed fairly.

All complainants want to know that their complaints are being heard by the company, taken seriously, and treated fairly. They expect consistency and predictability in the process. By voicing their grievances, they may also be indicating their desire for a long-term relationship with the company. Companies that demonstrate that they take grievances seriously can benefit from improved trust and reputation. And measures that assure transparency and accountability can enhance the quality of project or company operations.

A grievance mechanism is transparent when members of the affected community 1) know who in the organization is responsible for handling complaints and communicating outcomes, and who is in charge of the mechanism oversight; 2) have had input into its development; and 3) possess sufficient information on how to access it and ensure it is adhered to.

An organization’s accountability toward its stakeholders encompasses much more than a project-level grievance mechanism. The private sector is also under pressure to address the accountability gap created by weak government regulations, especially where communities are exposed to human rights violations, environmental degradation, and poverty. In fact, a grievance mechanism itself is a tool stakeholders can use to hold private sector companies to account.

Institutionalizing grievance systems creates an expectation, and therefore obligation, for the project to be responsive to needs and concerns of the community. To meet this expectation, a grievance mechanism should provide for the community to hold the company accountable for taking community inputs seriously and following through with actions. To ensure transparency and accountability, companies may consider the following good practices in the institutional setup of their grievance mechanisms:

- Develop and publicize clear policies and procedures.
- Disclose information proactively to empower communities and minimize grievances, and encourage consultation on ways to improve the company mechanism.
- Commit to a certain timing of response.
- Increase emphasis on beneficiary participation: Provide a window of access for participation in grievance resolution (see story, Monte Rosa, page 22), engage communities in monitoring the project and verifying compliance with promises and commitments.

- Consider stakeholder evaluation of a grievance mechanism. (See story, China Glass, page 23.)
- Create an internal culture of accountability: Prepare an operational manual or procedure description for staff to use in handling grievances; include clear descriptions of accountability and then monitor compliance. Create internal decision-making bodies that include representation from across levels (for example, internal grievance committee) to reduce the gap between staff and senior leadership, who are often seen as the only decision makers.
- Consider engaging third parties to help raise confidence in the impartiality of the process and create a level playing field of perceived power, especially in cases where significant imbalances in knowledge, power, and influence exist.
- Monitor implementation of agreements. Companies should be able to know the rates of success in grievance resolution, measured by numbers of satisfactorily resolved complaints, recurring complaints, decreases in new complaints, and so on.
- Report back to communities on actions taken to resolve their concerns, publicize successful complaint resolution, and ensure that communities' feedback is captured.

Principle 5. Appropriate Protection: A mechanism that excludes retribution and does not impede access to judicial or administrative remedies

A grievance mechanism will work when communities are encouraged to share their concerns freely, with the understanding that no retribution will be exacted for participation. Additionally, even if affected communities are presented with a well-designed and well-communicated grievance mechanism, they may still choose to rely on the dispute resolution mechanism with which they are most familiar and in which they trust. In these cases, they should be free to choose to go beyond a company grievance mechanism.

Companies have a range of ways to let affected communities know about the external routes of appeal available to them—from simply including information about external options in a response to a grievance, to providing assistance to those who choose to use judicial conflict-resolution systems. Companies should be sure to recognize communities' right to use the resolution options external to project-level mechanism as part of their overall policy on grievances, and stay abreast of the progress of the cases that choose to exercise these options. When dealing with difficult cases that require additional levels of redress, it may be advisable for a company to seek the advice of legal counsel to ensure that all appropriate measures are being undertaken. Grievance mechanisms should not negatively impact opportunities for complainants to seek recourse through other available mechanisms, including the courts.⁹ The community must be fully informed of avenues to escalate their complaints or grievances, and of their rights to alternative remedies, if they are not fully satisfied with the response of the project to their complaints.

Appropriate protection to complainants can be ensured through company policy and a culture of nonretaliation, as well as respect for a community's choice to seek alternative avenues for raising complaints.

⁹ *Protect, Respect and Remedy: A Framework for Business and Human Rights* (April 2008), p. 24.

Grievance Management Procedures: Crafting the Right Solution

Procedures for grievance handling encompass necessary step-by-step actions as well as responsibilities for their proper completion (who does what, and when). Companies establishing grievance mechanisms will follow the basic steps discussed below, with the exception of smaller companies that don't expect a significant volume of complaints and can deploy far fewer resources for implementation.

The following sections describe the basic steps in implementing your grievance management procedures and suggest options that can be used by projects of various sizes and impacts, depending on their needs:

Step 1. Publicizing Your Grievance Management Procedures: Even the most effective grievance mechanisms will have little or no benefit if they are not adequately and properly communicated to potentially interested parties.

Step 2. Receiving and Keeping Track of Grievances: Keeping proper track of grievances will help ensure efficient responses and allow aggregation of data for further analysis and use in management decisions.

Step 3. Reviewing, Validating, and Investigating Grievances: A proper review process is important for establishing the legitimacy of complaints, and for referring them to appropriate parties for resolution.

Step 4. Developing Resolution Options and Preparing a Response: Grievance cases should not be closed out without proper responses that are agreed to and accepted by complainants; responses also may include referring complainants to redress structures outside of the company-level mechanism.

Step 5. Monitoring and Evaluating a Grievance Mechanism: Information collected and analyzed during previous steps, and with community participation, can help deliver better results from the use of grievance mechanisms.

Step 1: Publicizing Your Grievance Management Procedures

Publicizing a grievance mechanism is an ongoing process that continues throughout all stages of project operations.

When and how the grievance mechanism is introduced to affected communities can have significant implications regarding its effectiveness over time. Communities should be informed of a company grievance procedure as part of their first interactions with company representatives, and continue to be reminded that this procedure is available to them. A company's community liaison officers, grievance officers, or individuals working in analogous positions, should be responsible for continually reminding communities about the procedure through a variety of methods.

Guiding principles for publicizing a company grievance mechanism will largely be in line with cultural characteristics and accessibility factors for affected communities. (See story, Multiplaza, page 16.) A company should ensure that all subgroups within affected communities have access to the information necessary to file complaints, which should include at least the following:

- Who can raise complaints
- Where, when, and how community members can file complaints (in person, by telephone, suggestion box, letter, visiting the office, and so on)
- Who is responsible for receiving and responding to complaints, and any external parties that can take complaints from communities
- What sort of response complainants can expect from the company, including timing of response
- What benefits complainants can get from using the company grievance mechanism, as opposed to other resolution mechanisms
- What other rights and incentives are guaranteed

Table 3 on page 16 provides examples of communication methods that companies can use to raise communities' and other stakeholders' awareness of their grievance mechanisms.



"Together we call for success," says the flyer with contact information for grievances and feedback, which is handed out by Multiplaza (see story, page 16) to all houses in the neighborhood. (Photo: Courtesy of Grupo Roble)

Table 3. Examples of Communication Methods

Methods	What to Consider
Face-to-face meetings (group or individual)	Smaller companies may find that regular meetings are all they need to efficiently handle grievances. <i>Group meetings</i> work especially well where each impact of operations on communities affects at least several people. <i>Individual meetings</i> are helpful when it is difficult to organize a group meeting and communities are relatively small and concentrated. Keep in mind that face-to-face meetings work for publicizing your mechanism, receiving grievances, and addressing them. (See Box 4, page 17.) Consider: <ul style="list-style-type: none"> - Taking advantage of community social gatherings, town meetings, elders meetings - Announcing meetings through channels accessible to communities (make use of oral announcements, audio-visual channels, theatrical performances) - Using project-public consultation to publicize the grievance mechanism
Printed materials, Grievance forms for written complaints	Posters, brochures, leaflets, handouts, cards, and booklets or pamphlets are suitable for projects of all sizes. They should be visually engaging and easy to understand, especially where literacy levels are low (also consider drawings in lieu of text).
Displays (stands, wall mounts, billboards)	Displays work best in combination with other methods and are useful to showcase key facts about the grievance mechanism, or to publicize contact information of people responsible for handling grievances. Larger projects need to be sure displays are easily accessible to all affected communities, especially if they are geographically dispersed. Where communities live in direct proximity to operations, you may use company gates, doors, or equipment to hold displays. Consider asking permission to put displays in public places that community members frequent.
Company representatives (grievance officers, community liaison officers, employees)	Emphasize and invest in establishing a personal connection with communities, using the principles described in the previous sections. Communicating through employees or workers is especially successful if they come from the affected communities; provide employees with necessary information about grievance procedures (in larger projects where procedures are fairly complex, consider a workshop for employees).
Third parties (community structures, NGOs, local governments, contractors)	Make sure third parties communicate your messages correctly and do not engage in negotiations with communities without company approval and oversight. Consider providing supporting written materials to third parties. In the materials the company provides to communities, include information about third parties that are authorized to speak on the company's behalf.
Online (Web site)	Your Web site address will need to be publicized to communities through other methods.
Training sessions for communities	Consider bringing project management staff (for example, environmental division, project operations management) and communities together during training sessions to facilitate interaction.

SECTOR: RETAIL**Multiplaza Mall by Grupo Roble, Honduras: Leveraging Customer Grievance Channels for More Efficient Response to Communities**

Grupo Roble specializes in real estate development and ownership, primarily construction and operation of shopping malls in Latin America. Multiplaza in Tegucigalpa, one of the Group's flagship malls in Honduras, has recently undergone expansion. While impacts are generally low, main community engagement areas identified were safety and security, waste treatment and sewage, and issues associated with construction.

Open Grievance Channels Help Ensure Public Acceptance

Multiplaza is located in a well-established urban neighborhood of residential communities. Because the mall's business depends on high levels of public access to and acceptance of the mall, the company's public relations and communication program gives attention to community engagement and mechanism for grievances. Recognizing the importance of grievance management, Multiplaza assigned ultimate responsibility for it to the commercial center manager. Surrounding communities are also the mall's customers, so Multiplaza merged its grievance channels and procedures for customers and the community and provides three main channels for complaints from the community and mall customers:

- **A community relations person** accepts complaints, visits surrounding neighborhoods, and distributes fliers with contact information for complaints
- **An information kiosk** in the main plaza accepts grievances; it also has fliers with contact numbers and a box for written complaints
- **Three dedicated phone numbers**—administration, maintenance, and security (the latter two are open 24/7)

Acting to Resolve Grievances Benefits the Mall's Reputation

Good analysis of grievances supports the Group's long-standing reputation as catalyst for residential and commercial development in the communities. For example, around Tegucigalpa's mall, some old complaints were that a neighborhood next to the mall flooded during rainy seasons and traffic jams due to bad street design. The Group helped improve the municipal sewage system around the mall area and had flexible posts installed to divide lanes and improve traffic. Good security is maintained in the mall's perimeter, and the neighborhoods benefit from increased safety and reduced crime. The dedicated 24/7 security number for Multiplaza accepts calls from residents. Multiplaza maintains a good relationship with local police and is able to call for extra help quickly if needed. Grupo Roble is replicating this model in its other malls.

Source: Information provided by Grupo Roble

Step 2: Receiving and Keeping Track of Grievances

Once communities are aware of the mechanism and initiate complaints, the company needs to process them. Processing includes: 1) recording grievances at the time they come in; 2) registering them in a central place; and 3) tracking them throughout the processing cycle to reflect their status and important details. (See Figure 2, page 18.)

Depending on available resources, projects will set up different procedures for receiving grievances. The following are simple rules that any grievance-receipt procedure should follow to be effective:

- Regardless of the channel they have been received through, all incoming grievances should be acknowledged as soon as possible. A formal confirmation with a complaint number and a timeline for response is a good practice to show that the grievance is taken seriously, and it gives the complainant the information necessary to ensure that the organization is responding properly. For the project, this document serves as a record that it has received the allegation and has handled it properly in the initial stage.
- If a more complex investigation is required, a further acknowledgement should be sent explaining the actions required to resolve the complaint, and the likely timeline.
- The company should provide a means to check the status of complaints, and possibly with a copy of the grievance policy, to the complainants.
- The company should consider communicating via the company’s grievance policy what claims clearly are outside the scope of the mechanism and will not be accepted. (See Box 5, page 18.)

Each project will have processes to receive and record community grievances, based on such factors as project scale, internal capacity, literacy levels, cultural attitude toward formalized procedures, level of trust in company procedures, access of communities to infrastructure, and involvement of third parties (See Table 4 below.) These considerations have been discussed in the previous sections.

Table 4. Methods for Grievance Receipt

Level of Formalization	Examples
<i>Least formalized:</i> Oral complaints received face-to-face	Staff charged with collection of grievances (for example, grievance officer, community liaison, or field staff authorized to take grievances) or designated third party writes down complaints at group and individual meetings, open forums (see Box 4, page 17), during field visits, at designated locations.
<i>Somewhat formalized:</i> Oral complaints received through remote-access methods	Staff or designated third party accepts grievances through a designated telephone line, a “hotline” (open outside of business hours), a call center (if large numbers of people are affected).
<i>Somewhat formalized:</i> Written complaints received face-to-face	Staff or designated third party accepts written submissions from an individual or a group at group and individual meetings, during field visits, at designated locations.
<i>Most formalized:</i> Written complaints received through remote-access methods	Regular mail, Internet (Web site, e-mail) Grievance-collection boxes (consider having multiple locations) Submitting written grievances to third parties (to be forwarded to the company or third party designated to administer the company grievance mechanism)



Public Hearing Meeting, Tamanneftegaz (TNG)—see story, page 13. (Photo: Courtesy of TNG)

Box 4: Addressing Community Grievances Through Open Forums

Engaging communities in an open forum has multiple benefits. It helps companies maintain good communication with and regular presence in communities, is easily accessible, encourages community participation, and solves many literacy concerns. An open house, for example, can provide a venue where problems get identified, highlighted, discussed, and possibly resolved. (See story, Tecnofil, page 19.)

A distinction can be made between communication and consultation forums: A communication forum helps identify issues faced by communities and serves as a channel for receiving grievances; a consultation forum helps the company find the most appropriate means for resolving such issues. In less complex projects, a single forum may serve both purposes.

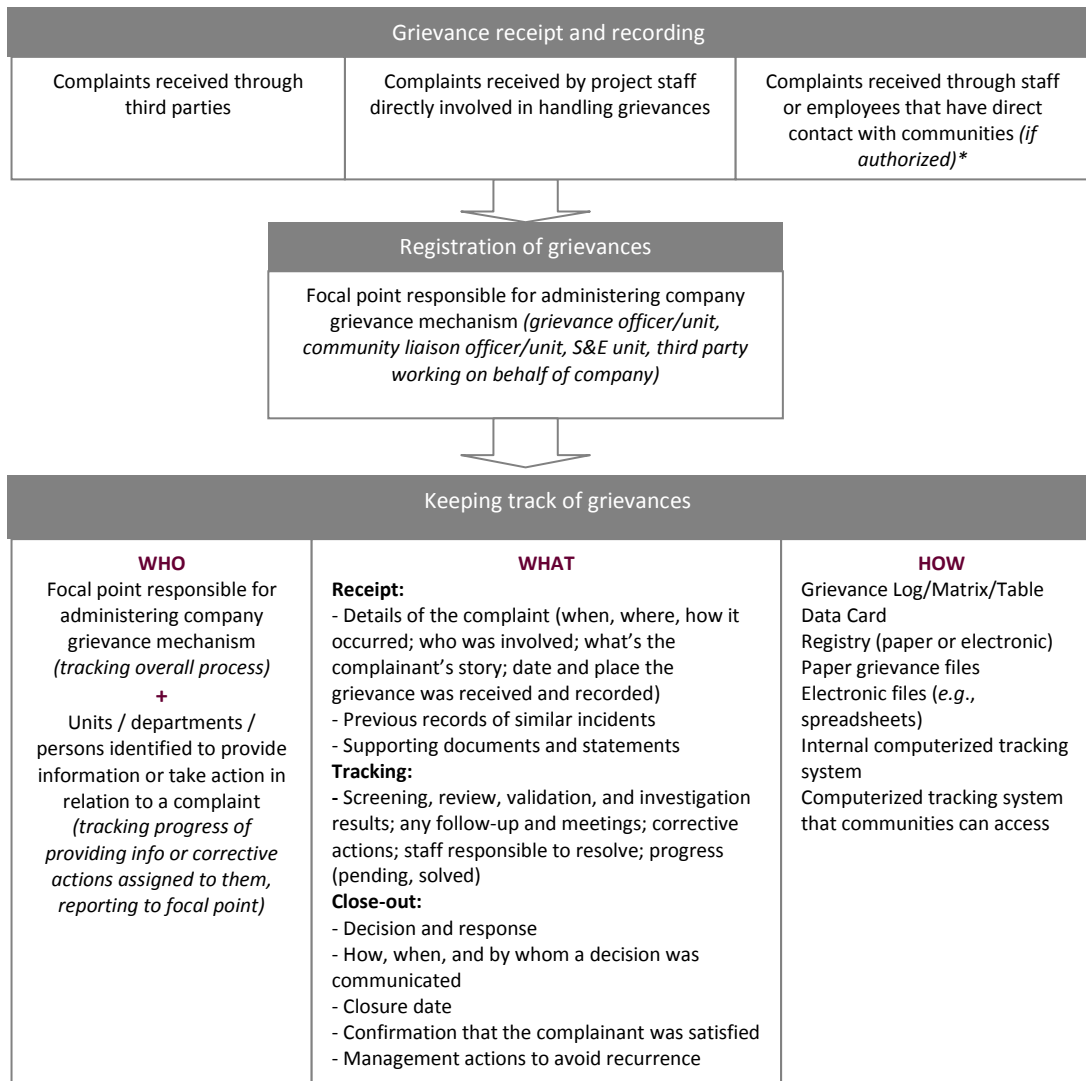
Drawbacks of this approach include lack of anonymity, risk of biased treatment, and unequal access by all groups. Thus, where there is social stigma attached to complaining, or there is fear of retribution for openly voicing complaints, the company should consider a neutral or anonymous location to avoid observation by others. Certain groups, in many cases women, will often not speak in an open forum.

It is a good practice for the company or a designated third party responsible for the company grievance mechanism to moderate these meetings. Despite the benefits of having a public interface within the context of a wide range of cultures and circumstances, it is important that the forum does not turn into fault-finding.

Here are a few simple rules for conducting an open forum:

- Announce a session early and publicize it well, to encouraging people to prepare grievances in advance.
- Provide contact information of persons responsible for organizing the session, and of those who can provide assistance.
- Identify several issues to be discussed, ideally with the communities’ participation; sessions are more effective when issues affecting a group or the entire community are given priority over individual complaints.

Figure 2: Receipt, Registration, and Tracking of Grievances



* Except in cases raised informally and addressed on-the-spot (if field staff is authorized to do it).

Box 5: Which Claims Should Not be Accepted?

Generally, all claims from affected communities should be accepted and no judgment made prior to investigation, even if complaints are minor. However, several types of claims deserve special consideration and possible redirection to other dispute-resolution mechanisms:

- Complaints not related to project day-to-day operations (see “Who will Use a Project-Level Grievance Mechanism?” on page 6): In larger and complex projects it is sometimes difficult to determine which issues are related to day-to-day operations and which are not. If in doubt, employees designated to receive grievances should accept a petition and then assess its legitimacy.
- Complaints constituting criminal activity and violence: Such issues should be referred to the formal justice system (for example, the police).
- Labor-related grievances: A separate mechanism should be established through HR policies and departments for employment issues concerning company employees*. Dispute resolution methods may also be provided for in collective agreements.
- Issues related to governmental policy and government institutions: It is not uncommon for communities to use company grievance mechanisms to bring project-related complaints caused by policies and actions, or lack thereof, by public institutions and their officials. A good example would be issues related to resettlement process handled by local governments for the project needs. Many companies are faced with a dilemma regarding their role in solving issues between complainants and local authorities. Communicating clearly to communities about the role, responsibilities, and limitations of a company mechanism is a must, but it may not suffice in practice. Governments may not have enough capacity (both resources and processes) to handle grievances, or they may be inaccessible to affected communities. At a minimum, such grievances can be captured through the company system, then the companies may choose to pass the grievances along to authorities and let the communities know how to follow-up. At the next level, companies may provide support or advice to local authorities or devise a joint grievance mechanism in the case of complex projects. However, it is advisable to refrain from a direct mediation role in community-authority negotiations, since conflicts of interest may arise. An oversight or quality-assurance role may work better.

* These mechanisms are outside the scope of this Guidance Note.

Step 3: Reviewing, Validating, and Investigating Grievances

For a grievance mechanism to work, all complaints should be handled as promptly as is reasonably practicable, depending on the nature and complexity of the matter. A good understanding of the grievance is necessary to provide an adequate response. The central unit or person responsible for grievance handling should organize the process of review, validation, and—if necessary—investigation, and should consult and involve other parties that can make valuable contributions to the process.

Depending on the circumstances and severity of the complaint, various units or departments may need to get involved, including senior management if their direction and decision is required per the by established procedures and division of responsibilities. To begin this process, establish the seriousness of the complaint and nature of grievance with regard to its impacts on the company and communities. The seriousness of a complaint should determine the degree of investigation.

Some grievances will not need to undergo the full process of review, validation, and investigation. For example:

- **Minor, straightforward issues** may need only a review before proceeding to the next step (resolution options and response). Review of minor issues, especially those related to lack of information, can generally be handled by those charged with administering the grievance procedure. (If there's any doubt as to whether deeper underlying issues may exist, always take time to validate.)
- **Less clear and more serious or repetitive issues, or group complaints**, may need validation prior to action. Staff involved in handling grievances may need to seek advice internally, and in some cases turn to outside parties to help in the validation process. One option to help determine legitimacy is an internal committee—comprising staff who will be involved in the operation and supervision of the grievance mechanism, and managers from the project departments whose activities are likely to result in claims. For example, the committee might consist of a community liaison officer, operations manager, and HR person. This committee can also provide initial recommendations on resolution options.
- **Complex issues with multiple parties involved** are more likely to occur in projects with high social and environmental impacts. Investigation can be organized internally, or the company may designate third-party experts to investigate when impartiality is important, or when complex technical matters are involved. If an investigation is found to be necessary, it should be initiated swiftly before circumstances change or the conflict escalates further.

Ensure that the Assessment is Impartial

If a response to a grievance is not based on the findings of an impartial assessment and investigation (due process), there is no way of telling whether the outcome is equitable. Here are some examples of failure to provide an impartial assessment: Complainants are not provided information in their own language; responses to previous complaints are used to decide the legitimacy and outcome of a current complaint; or complaints by women and other vulnerable groups are taken less seriously. To ensure that an assessment is impartial, it should:

- Be carried out in accordance with the company's grievance procedure, and the complainants should be well aware of the procedure.
- Consider all of the evidence and give complainants every opportunity to present their views and all relevant evidence. If community members raise issues, or name witnesses, it is important to follow up. When a grievance decision is made, having followed up on the complainant's evidence helps substantiate the company's explanation to communities, and further dispute will be less likely to arise.
- Be consistent with other assessments of similar cases, but take into account circumstances of a particular case to ensure an outcome that is likely to be satisfactory to the complainants.

SECTOR: MANUFACTURING

Tecnofil, Peru: Enhancing Grievance Management as Houses Move into the Industrial Zone

Tecnofil S.A. is one of Peru's producers of copper and copper-alloy semi-finished and finished products (bus bar, flat wire, and bars). Originally a family-owned business, the company has maintained a clear strategy of expanding and diversifying its products and markets to become a midsize operation today. Tecnofil was originally located in the industrial zone, with no large communities nearby that could be adversely affected. However, as urban dwellings started extending into the area, the company found itself with a number of houses very close to the plant's walls.

Proactive Interaction with Neighbors

Having determined that a new affected community had emerged, Tecnofil proactively engaged in improving dialogue with the residents. The company appointed a coordinator within its Quality, Environmental, Safety & Occupational Health department whose task is to maintain a relationship with the community, including collecting and addressing their concerns. The company implemented a simple, yet effective, grievance mechanism, which includes periodic meetings with neighboring residents to monitor their concerns related to noise, vibration levels, and fumes from the plant's furnace. Since most of the houses are open and do not have glass in their windows, these issues can cause a lot of discomfort. The meetings take place periodically and have proven to be the most appropriate means to collect concerns and provide answers. To create more confidence among community members, Senior Management always attends these meetings, and the community is invited to discuss each complaint with people who are in charge of making decisions. Tecnofil tells people what has been done to reduce negative impacts, and the residents provide feedback.

Follow-up Actions

Following this interaction, the company has made significant improvements to its operations to reduce impact, and has had much to report back to the community. For example, the motors have been covered with noise-protective enclosures, and insulation of the plant's walls has been improved. The company also invited people to see the plant's operations.

Source: Information provided by Tecnofil

If an Investigation is Required

An investigation may be required when grievances are of a serious nature and cannot be resolved quickly. As a way to conform to the principle of “no cost to communities,” the company should take full responsibility for investigating the details of grievances coming through its grievance mechanism. However, in case of sensitive grievances—such as those involving multiple interests and a large number of affected people—it may help to engage outside organizations in a joint investigation, or allow for participation by community structures, civil society organizations or NGOs, or local authorities, if the complainants agree to this approach. The following are some good practices for conducting investigations:

- **Involve senior management.** Since investigations are usually needed in more complex and severe cases, senior management should be fully informed, and should assign responsibilities and time frames for handling investigations.
- **Appoint the right investigation team.** If an investigation team is formed internally, make sure there is no conflict of interest—that is, people investigating grievances should have no material, personal, or professional interest in the outcome and no personal or professional connection with complainants or witnesses. In more complex cases, a team can consist of managers and investigators and, in some cases, observers, interpreters, and outside experts. Consider the size of the team, qualifications, and budget.
- **Develop clear tasks and responsibilities.** Develop a clear list of tasks and outcomes that an investigation is expected to achieve. Investigators would be expected to develop an investigation plan, assess the needs for safety and confidentiality, collect evidence, and produce an investigation report. As a rule, investigators should have the authority to gather information and commit to the time frame for investigation, but not make promises regarding the outcomes of a complaint.
- **Conduct meetings with complainants and visit the site.** Site-visit inspections are useful for a grievance resulting from a physical incident. Gathering physical evidence of the complainant’s story may help clarify the particular circumstances of the incident. Site visits are most useful at the beginning of an investigation—to avoid any change in physical evidence that may happen over time—and should be documented. A prompt corrective action may be necessary if an incident is of a serious and harmful nature.

Box 6: What If There Are Doubts That a Claim Is Substantiated?

By establishing a grievance mechanism for affected communities, a company commits to the standards the project will maintain in its effort to establish a good and trustworthy working relationship with them. Companies should also specify the conditions that beneficiaries are expected to comply with as part of that working relationship.

In some cases complaints may be unsubstantiated, motivated by desire for monetary compensation, for example, or political reasons. Individuals or groups may lodge complaints of a frivolous or nonsubstantial nature or produce an excessive volume of complaints. Unsubstantiated claims not only can be costly, but they also draw resources away from dealing with legitimate issues. Nevertheless, the resources used in processing unsubstantiated complaints are an investment in the system’s integrity. They provide reassurance concerning the system’s equitable operation and are important for building confidence in the system as a whole.

For example, communities along the BTC pipeline filed complaints stating that construction caused cracks in people’s homes. Although it was not documented whether cracks existed prior to construction, consequent tests did not rule out this possibility in a number of locations. Therefore, BTC provided compensation to a number of property owners.

Some actual examples of unsubstantiated claims include quickly switching to crops that promise higher compensation for loss of agricultural land, replanting unrooted trees from outside the project-affected area to claim compensation for clearing them, building temporary huts on the land to be taken over by project construction, letting livestock out on purpose, and claiming that uncultivated land is agricultural.

Although all complaints should be taken seriously, the company is entitled to ensure that they are fully substantiated. In addition to proper investigation of the facts by companies or experienced and independent third parties, some techniques include robust socioeconomic baseline studies documenting current conditions (including photographs of landscape, properties, and so on) and leaving no gaps in time before the actual project start; clear communication to communities on what is reasonable through explicit criteria and expectations management; and training for communities in safety and security to reduce the possibility of complaints involving negligence.

* Source: CAO, Annual Report 2006-07.

Step 4: Developing Resolution Options and Preparing a Response

Once the problem is well understood, analysis of this information will support making preliminary recommendations on resolution options that take into consideration project policy, past experience, current issues, and potential outcomes. Figure 3, on page 21, shows the basic flow of grievance handling at the stage of developing resolution options and preparing a response.

Develop Resolution Options Commensurate with the Severity of Grievances

A more complex discussion of approaches to resolution of community grievances is outside the scope of this good practice document.¹⁰ General approaches to grievance resolution may include proposing a solution 1) unilaterally (the company itself addressing the source of the problem, such as stopping noise or dust); 2) bilaterally (the company and the complainant reaching a resolution through

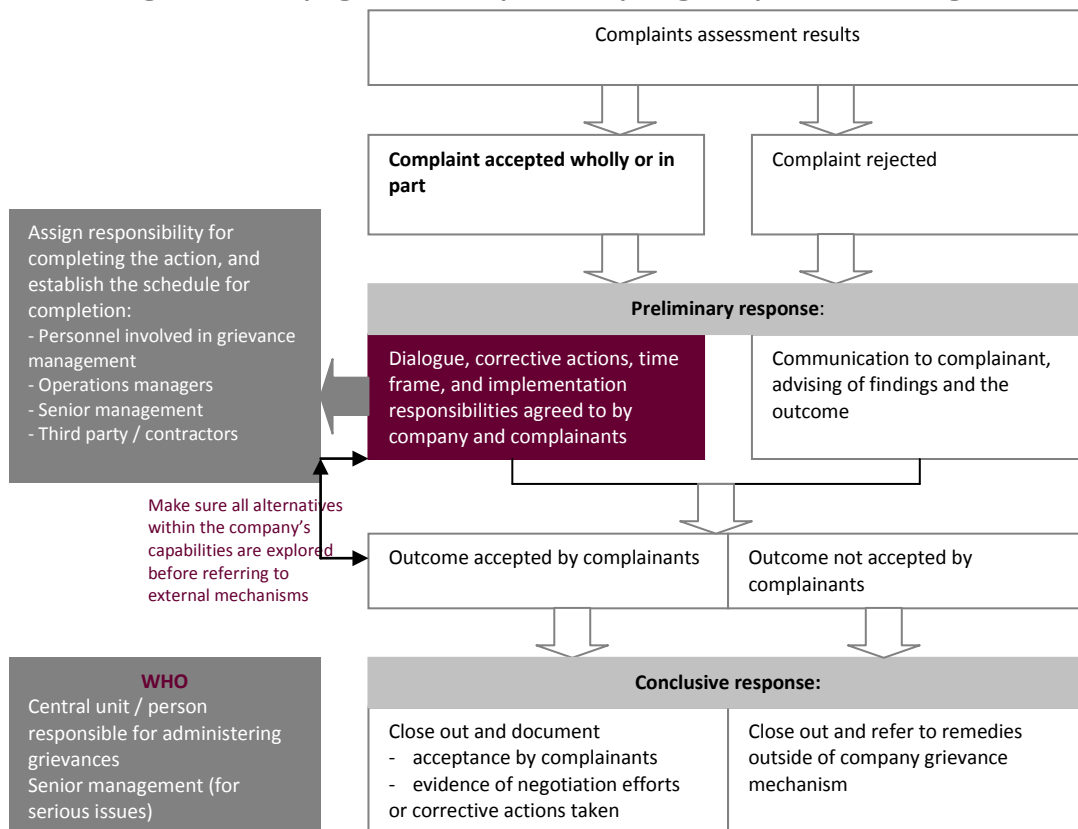
¹⁰ Considerable literature is available on dispute-resolution methods, some examples of which are listed in the References and Resources section of this Good Practice Note.

discussion or negotiation); or 3) through a third party (either informally or formally through mediation). If no solution can be reached through the project-level mechanism, communities should have an option to pursue other avenues for seeking redress.

For many types of simple and more common community concerns, a company-level grievance mechanism has the potential to respond quickly and informally at the local level. Resolution for grievances caused by a one-off breach of environmental standards, or a single traffic incident, will differ significantly from complex and repetitive community grievances. More complex and controversial issues, especially those raised by large groups of people, usually involve overlapping issues, with no single point of origin or obvious solution. These issues require a company grievance mechanism to build trust with the community, and may benefit from access to independent bodies that can provide the credibility that comes with impartiality—and can foster dialogue and collaboration between companies and affected communities as they undertake the often lengthy process of exploring resolution options.

One of the potential advantages of a dispute resolution mechanism is its flexibility. Rather than prescribing a specific dispute resolution procedure for each particular type of case, it may be helpful to establish a “menu” of possible options appropriate for different types of grievances, so that company personnel and community members have models for action when a dispute arises. No single solution is suitable for all grievances.

Figure 3: Developing Resolution Options, Preparing a Response, and Closing Out



Prepare and Communicate a Compelling Response

Whether the company decided to accept or reject a claim, a response should be provided to complainants. This response may include two general steps:

- 1. Preliminary:** Let complainants know the outcome of the assessment and the status of their claims; invite further discussion with complainants (to obtain additional arguments, collect more evidence, and conduct further investigation) if complainants are not likely to be satisfied with the outcome the company is considering; schedule group or individual meetings, as needed, to discuss the findings and further clarify the position of the company and of the complainants; and, in more serious cases, have management representatives present during such meetings, since they are perceived to be the legitimate decision makers.
- 2. Conclusive:** Communicate a decision and ask for the complainants’ agreement to close out the claim. If the complainants are not satisfied with the reasons for rejection of a claim or with corrective actions completed, they should feel free to appeal to a dispute-resolution mechanism outside of the company grievance management system.

Responses to grievances can be provided to complainants in either oral or written format, depending on the same parameters that were considered when choosing methods for publicizing the mechanism and receiving grievances. The reasons for the response must be explained.

When a claim is rejected, the response will give the rationale for why the complaint is not taken further and why no action will be taken by the company. In most cases, such complaints are either ineligible (from people or entities not targeted by the mechanism) or clearly not substantiated. (See Box 6, page 20.) If the grievance response developed does not require action by the company to resolve the grievance, all considerations should be documented and included in both the response and the company systems for grievance tracking (for example, grievance log) for further reference. Companies should be diplomatic when telling community members that no further action will be taken with regard to their complaint, since they are likely to be disappointed. But including a detailed explanation, together with compelling evidence of why it cannot be accepted, usually keeps a conflict from escalating.

When a claim is accepted, it implies a corrective action taken by the company. In addition to the rationale behind the decision, the response should include a settlement offer or next steps and actions to be taken—or that have been taken—to resolve the issue.

Close Out Cases Only When an Agreement with Complainants Is Reached

To the extent that a mutually agreeable settlement is reached, the solution should be finalized in a culturally appropriate manner. Depending on the community, closing out a case may take the form of 1) a written document outlining the agreement reached and containing the signature of the individuals involved in the dispute resolution; or 2). In a different community, it may take the form of an oral recitation of the final agreement in the presence of specific witnesses. Regardless of the form used to finalize the claim, the company should ensure that no duress or coercion is used to force the settlement. At times, the complainant may need time to come to a decision. If the complaint is subsequently brought before another forum, this finalization process should provide an effective means of presenting the company's rationale for decisions and subsequent commitments.

Following the completion of the agreed-upon corrective actions, it is a good practice to collect proof of actions having taken place. For example:

- Take photos or collect other documentary evidence to form a comprehensive record of the grievance and how it was resolved.
- Create a record of resolution internally, with date and time it took place, and have responsible staff sign off.
- Have a meeting with the complainants to get a collective agreement to close out the claim.
- If the issue was resolved to the satisfaction of the complainant, get a confirmation and file it along with the documentation related to the case.

SECTOR: AGRICULTURE

Monte Rosa (Pantaleon), Nicaragua: Company and Community Jointly Identify Issues and Act on Solutions

Monte Rosa is a wholly owned subsidiary of Pantaleon, a leading Central America sugar manufacturer. Monte Rosa supplies raw sugar from its mill and plantations to the domestic and world markets, and its co-generation facilities supply electricity for sale to the national power network in Nicaragua. Monte Rosa has assessed its social and environmental impacts well, including those that affect communities—impacts ranging from aerial application of herbicides, to issues with rental of land and working with local sugarcane suppliers, to expectations of work by community members during the mill expansion. The company's recognition of its role in the community has contributed to Monte Rosa's becoming a leader in corporate social responsibility for the local sugarcane industry in Nicaragua.

Communities and Local Administration are Part of the Company's Grievance Management Process

Monte Rosa's written step-by-step system to deal with external queries, concerns, and grievances is well-understood and used locally. The company's Office for Environmental Protection and Sustainable Economic Development (OPMADES) handles, among other responsibilities, the grievance procedure, which is simple and ensures prompt response. Procedures articulate that any community member, leader, or juridical representative can submit a complaint. Monte Rosa organized a committee—composed of representatives of the company, local community, and nearby town administration—that works together to identify queries and complaints, and to establish their legitimacy. OPMADES then verifies incidents onsite within three days and, if it is found that the incident has been caused by Monte Rosa operations, initiates the process to document, route, track, and report on the resolution.

Community Participation in Incident Resolution

Decisions on issue resolution are carried out in collaboration with communities. For example, to ensure a good labor relationship with sugarcane cutters, the company is working directly with local community leaders to organize the crews. A fair procedure was also established for the problem of free-moving cattle in the sugar fields. If such incidents occur, before taking legal measures, Monte Rosa attempts to resolve the problem by meeting with owners and community members, as well as with local administration and enforcement, to find a compromise. This procedure reduces damages and costs to the company as well as to cattle owners. Issues that otherwise might have arisen about the company's impact on the communities are proactively addressed via a wide range of strategic alliances with civil organizations and government departments in the areas of environmental management, HIV/AIDS, and water shortage. Monte Rosa has supported forest conservation, school programs, a local home for young mothers from the countryside, medical volunteer programs, local trash recycling, and community infrastructure.

Source: Information provided by Monte Rosa, Pantaleon

Step 5: Monitoring, Reporting, and Evaluating a Grievance Mechanism

Monitoring and reporting can be tools for measuring the effectiveness of the grievance mechanism and the efficient use of resources—and for determining broad trends and recurring problems so they can be resolved proactively before they become points of contention. Monitoring helps identify common or recurrent claims that may require structural solutions or a policy change, and it enables the company to capture any lessons learned in addressing grievances. Monitoring and reporting also create a base level of information that can be used

for the company's reporting back to communities. Although internal monitoring is usually sufficient for smaller projects, in the case of projects with significant impacts, monitoring by a neutral third party can enhance the credibility of the grievance mechanism.

Track Grievance Statistics to Ascertain Effectiveness

Depending on the extent of project impacts and the volume of grievances, monitoring measures can be as simple as tracking the number of grievances received and resolved, or as complex as involving independent third-party evaluations (See Table 5 on page 24.) Apart from inquiring into each complaint and affixing responsibility for the lapses, if any, companies also can use complaints to analyze systemic deficiencies so that remedial measures may be taken. Grievance records should provide the background information for regular monitoring, both informal and formal. Therefore, even a simple tracking system should provide an opportunity to aggregate information and recognize certain patterns in the grievances the company receives, and how they are being resolved.

Adapt the Mechanism to Correct Inefficiencies

The final objective of monitoring is to ensure that the design and implementation of the grievance mechanism adequately respond to the stakeholders' needs and, if necessary, evolve throughout the stages of the company's operations. To maintain the mechanism's effectiveness, the company must design the mechanism and assign responsibilities internally to allow for policies and practices to improve efficiencies in the receipt and resolution of grievances. These objectives can be met only through ongoing adjustments to the mechanism, facilitated by support from the management. For example:

- If communities strongly prefer one of several channels offered to submit grievances, focus your resources on that channel to lower the costs of methods that communities do not use.
- If only one subgroup in the community raises complaints, determine whether this phenomenon is due to a systemic flaw related to cultural appropriateness, is an accessibility issue, or is the result of a particularly high impact of operations on that specific group. Then use this information to resolve the problem.
- If a large number of grievances do not get resolved through the mechanism, a major change may be required in how the company approaches resolution, rather than focusing efforts on resolving individual issues.
- If allegations arise that the mechanism lacks transparency, adjust your policy and methods used to publicize it; consider letting community structures participate in the grievance mechanism.

Monitoring measures can be as simple as tracking the number of grievances received and resolved, or as complex as involving independent third-party evaluations.

SECTOR: MANUFACTURING

China Glass Holdings: Stakeholder Satisfaction Surveys Help Ensure Effectiveness and Internal Accountability

China Glass Holdings (CGH) is a successful flat glass company in China with six production facilities across provinces. During its rapid growth, the company is striving to attain international standards and practices in the areas of energy efficiency and environmental management. Environmental and Social Management system is part of CGH official policies and includes a Grievance & Communications Management Process. As part of this process, CGH conducts Stakeholders Satisfaction Surveys on an annual basis with the goal to improve quality, environment, and occupational safety and health management systems and demonstrate to the community that CGH takes their feedback seriously. In addition to the affected communities, the Survey seeks feedback from government institutions, suppliers, and staff on the same issues.

To receive grievances, CGH keeps open phone, Web site, and e-mail channels, which are publicized on a large outdoor advertisement board on the company building. CGH staff also visits communities to inform them about the company's procedures and policies as well as to disseminate "stakeholders' satisfaction questionnaire" forms.

Through the Survey, the company seeks feedback from communities on how effectively their issues are being resolved. Investigation and analysis of survey results are conducted by the planning department, and reported in the management review meetings. The Surveys also help ensure internal accountability of the units involved in handling grievances and taking corrective actions. For example, CGH's Production Department has an Accident Unit that is held responsible for acting on environmental impact complaints in conformance with the company's Accident Investigation and Handling Process as well as Correction & Prevention Measures and Control Process.

CGH believes that a grievance mechanism helps organize environmental management more proactively and keep up as people's general awareness on environmental issues rises. Seeking stakeholders' input and feedback, as opposed to fixing issues under pressure, ensures smooth operations and helps build a good public image. For example, when a complaint was received regarding dust fallout from the raw materials plant resulting in lower harvest of a nearby orchard, the grievance-handling and corrective-action procedures facilitated immediate action on of dust-collector maintenance and enclosure of plant windows and doors. The complainant was satisfied with the outcome.

Source: Information provided by China Glass Holdings

Table 5. Examples of Monitoring Measures Commensurate with Project Impacts

Project Size and Impact	Monitoring Parameters
Projects with No or Minimal Impacts	<p>The person(s) in charge of administering the grievance mechanism should analyze information and report to management regularly on all or some of the following: types of grievances received, causes of or reasons for grievances, number of grievances received, profile of complainants, number of complaints resolved or not resolved, specific actions taken by the company, people referred to external remedies and mechanisms.</p> <p>Consider preparing and reviewing a summary of grievances received and resolved, for routine project-review meetings.</p>
Medium-Impact Projects	<p>A company should put the current mechanism under periodic review, not just monitor individual grievance resolution. This review may also mean inclusion of issues of accessibility, transparency, and cultural appropriateness of the mechanism into monitoring parameters. The review will help determine whether there are any recurring grievances that point to a need for changes in grievance policies and procedures.</p> <p>Keep track of the number and status of cases, if any, filed at local courts.</p> <p>Management can request and review on a regular basis summary grievance reports prepared by the responsible staff, and conduct random follow-up interviews with individual complainants.</p> <p>Monitor the number of complaints received through various methods to determine which works best; track the number of complaints received from various subgroups (for example, women) to determine whether to reach out to them.</p>
Projects with Potential Significant Impacts	<p>Grievance mechanisms should include monitoring points at different levels of project management.</p> <p>Periodically review the grievance-handling process to ensure that the system meets requirements established by the company and by lenders, as well as the expectations of all stakeholders.</p> <p>Track all matters significantly affecting company policy, or requiring legal review.</p> <p>A company may consider having the implementation of a grievance mechanism monitored by an external group (such as an NGO) who are experts on grievance mechanism evaluation.</p> <p>Include statistics on grievance handling and redress in action plans and annual reporting.</p> <p>Conduct a cost-benefit analysis that will quantify resources spent on administering a grievance mechanism versus avoided costs of operations disruption or litigation.</p>

Use Monitoring Results as an Opportunity for Improving Project Operations

Projects should periodically review the adequacy of the grievance process and agree on modifications following consultation with the central unit or person responsible for grievance mechanism administration. The majority of grievances arise when the company fails to adequately communicate its social and environmental (S&E) impacts and engagement with affected communities. Grievance mechanisms will not be effective if they work in isolation. Ultimately, a grievance mechanism is part of a larger S&E management system and should serve as one of the indicators of whether the system is functioning properly. Although a grievance mechanism will deal with complaints at hand, it should be complemented by measures for preempting of grievances. (See story, UPL, page 25.)

Lessons learned throughout the process of handling grievances can help ensure continual improvement to the company's operations. The company can also use monitoring to report back to the community on its implementation of the mechanism. In addition, the company can designate personnel responsible for translating lessons learned from its monitoring into concrete policy and practice changes for the company. A community meeting to explain the results of such reports is also effective, and may be beneficial for community-company relations.



Community members visit Fras-le premises in 2007 with a focus on treatment of industrial effluents—see story, page 3. (Photo: Courtesy of Fras-le, The Randon Group)

SECTOR: CHEMICALS

United Phosphorus Limited (UPL), India: Community Concerns as an Opportunity for Improvement in Operations

UPL is a leading Indian producer of crop protection products such as insecticides, fungicides, herbicides, and fumigants as well as industrial and specialty chemicals, with main production facilities in the state of Gujarat and small facilities in Argentina, China, Vietnam, and France. With its leading position in India, UPL is considered a medium-size agrochemical company by international standards.

External complaints and concerns are seen by UPL's management as an opportunity for improvement. "Communications on Community Concerns/Complaints" procedure is part of the company's Environmental Management System. Senior management is involved in looking into issues and finding solutions, and provides required resources and support for operational improvements identified through the grievance procedure.

For example, a few units of UPL are located within Ankleshwar Industrial Estate, where the surrounding communities raised concerns regarding air pollution. The local Industry Association, along with major industrial companies in the area, set up Ambient Air Monitoring Stations at various locations and arranged monitoring, with the results available to the public. UPL has sponsored one such station in the residential area. This activity has been going on successfully for the last five years. It gives the industrial community data on significant air pollution parameters needed to adjust operations and reduce impact. UPL also helped double local greenery over 10 years by running a large nursery and supplying saplings to industries and community for collective tree planting.

UPL also took community complaints into account when planning and introducing technical improvements in wastewater discharge and transportation of effluents, air pollution, and disposal of hazardous wastes. Some of the measures are closed handling of chemicals, change over from pumps with mechanical seal to seal-less pumps for certain odorous compounds, installation of additional scrubber for certain processes, and continuous monitoring for certain parameters (chlorine, hydrogen sulphide, ammonia, and phosphine).

Source: Information provided by UPL

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