

Institutional and Project Level Grievance Redress
Mechanism for the Federated States of Micronesia Development Bank

INTRODUCTION & STATEMENT OF INTENT

The Federated States of Micronesia Development Bank (FSMDB or the Bank), founded in 1979, is the national development bank headquartered in Pohnpei, Micronesia, with branches in each of the three Island States (Kosrae, Chuuk and Yap). FSMDB is a subcomponent unit of the National Government of the Federated States of Micronesia (FSM). The bank has 5 primary functions: lending business term loans, business lines of credit, livelihood loans, home energy loans, and training for its business clientele. It is mandated to:

- a. Mobilize additional financial resources for development from both within and outside the FSM.
 - b. Provide short, medium and long-term loans for projects, with special emphasis on and attention to the needs of the FSM.
 - c. Provide assistance and services for project identification and project formulation and provide investment studies.
 - d. Administer trust funds and special funds available to the FSM on a grant or loan basis.
 - e. Foster economic activities and cooperate with other lending institutions within and outside of the FSM in supporting activities of its development.
1. This Policy provides the content and structure for a Grievance Redress Mechanism (GRM) to be implemented at the institutional as well as at the project level within FSMDB. This Policy applies to internally funded as well as externally co-financed activities.
 2. The purpose of the GRM is to provide specific guidance on how to receive and facilitate the resolution of affected stakeholders' concerns and complaints related to the environmental and social performance of any project or program financed by FSMDB.
 3. The GRM also provide same guidance on how to receive and facilitate resolution of affected borrowers' concerns and complaints related to application processing and project implementation and monitoring.
 4. The Specific Objectives of the GRM include:
 - a. Receive and address any concerns, complaints, or notices of emerging conflicts alleging actual or potential harm to borrowers, other affected person(s) or communities, arising from projects or programs being implemented, financed, or supported by FSMDB.
 - b. Assist in the resolution of grievances between and among stakeholders, such as the various government Departments, Agencies, on-Government Organizations, and communities, in the context of projects or programs

being implemented, financed, or supported by FSMDB.

- c. Operate in a flexible, collaborative, fair and transparent manner aimed at problem solving and consensus-building.

GUIDING PRINCIPLES

- 5. The FSMDB shall recruit a Grievance Manager or other staff member tasked with the processing of grievances and complaints.
- 6. In the implementation of its Grievance Redress Mechanism, the Bank shall adhere to the following principles:
 - a. Anonymity, Confidentiality and data privacy: Borrowers and other stakeholder that wish to remain anonymous may leave blank their identification. Names of borrowers or other stakeholders shall be remained confidential and data relating to their grievance shall remain private.
 - b. Fairness: Grievances are treated confidentially, assessed impartially, and handled transparently thereby ensuring that the process does not infringe on people's human rights
 - c. Objectivity and Independence: The GRM operates independently of all interested parties to guarantee fair, objective, and impartial treatment in each case.
 - d. Simplicity and Accessibility: The processes involved in filing grievances and seeking redress are accessible, simple and easy to understand.
 - e. Responsiveness and Efficiency: The GRM is designed to respond to all complainants' needs.
 - f. Speed and Proportionality: All grievances, regardless of complexity, are addressed and resolved promptly.
 - g. Participatory and Social Inclusion: All stakeholders are equally encouraged to report grievances to the attention of the Grievance Manager.

APPLYING **THE** GRIEVANCE PROCEDURE

- 7. The GRM shall apply to stakeholders' complaints related to the following areas:
 - a. Operational: queries on design, implementation, and management of projects.
 - b. Financial: queries on financial management, procurement decisions, allocation of costs.
 - c. Safeguards-related: queries on the application of the environmental and social safeguard policy on all FSMDB-supported programs and/or projects.
- 8. The mechanism does not restrict or prevent access to judicial or administrative resolutions.
- 9. The application of the GRM follows these steps:

- a. Step 1: Receive and log/register grievance
 - b. Step 2: Acknowledge grievance
 - c. Step 3: Review and investigate grievance
 - d. Step 4: Develop resolution options and prepare a response
 - e. Step 5: Close grievance
 - f. Step 6: Monitoring, evaluating and reporting.
10. **Step 1: Receive and log/register grievance.** Any party affected by an FSMDB-funded project or program and has a reasonable belief that the project or program may potentially result in having an adverse environmental, social, health and safety impact, or that may have reasonable belief on potential conflict of interest or breach of the Code of Conduct, may report a grievance/complaint or concern using the GRM process. A template for the lodging of the grievance or complaint can be accessed here www.fsmdb.fm. Grievances and complaints can also be lodged in written or oral form at the following address:
- a. Requests must be addressed to:
President/CEO
FSM Development Bank
PO Box M
Kolonias, Pohnpei 96941
Email: info@fsmdb.fm
Telephone: +691 320-2840/5300
Website: www.fsmdb.fm
10. **Step 2. Acknowledge the grievance or complaint.** After the grievance has been recorded in the Grievance Register, a formal acknowledgement of receipt of the grievance will be communicated to the affected party within 7 days. Where the grievance is deemed to be outside the scope of the GRM, the complainant will be notified and alternative avenues or recommendations to address the issue will be explored.
11. **Step 3. Review and investigate the grievance.** The complaint will be reviewed by the Grievance Manager or other relevant staff member tasked with the processing of grievances and complaints and a determination made of the validity of the complaint. A determination will also be made whether the grievance can be resolved immediately or requires further investigation. Depending on the nature of the complaint, various units or departments may need to get involved, or senior management, if their direction and decision is required. An extensive investigation may be required in circumstances where the grievances are complex or widespread and cannot be conducted swiftly or promptly.
12. **Step 4. Develop Resolution Options and Prepare a Response.** All grievances shall be dealt with on a case-by-case basis, having regard to the nature of the grievance, frequency of occurrence, and the number of complainants. The Grievance Manager or other relevant staff member tasked with the processing of grievances and complaints, in consultation with the relevant Division/s or Senior Management, shall seek to identify a suitable resolution to the grievance.

The resolution process may take the following steps:

- a. An incident investigation team will be convened and tasked with seeking a resolution to the grievance within 30 days of receipt of the complaint. This may entail site visits and dialogue with affected parties towards finding a solution to the grievance. Alternatively, it may involve investigating the underlying cause(s) of the grievance and implementation of any changes to prevent a recurrence of a similar grievance.
 - b. During the 30 days of dialogue and/ or investigation, the Grievance Manager will coordinate conflict resolution activities necessary to contain and resolve actual or potential conflicts arising from the reported grievance.
 - c. An Incident Investigation Report will be completed and presented to the Bank's Senior Management within 30 days of the investigation.
 - d. The preferred course of action will be discussed with the affected person(s) to ensure the resolution of the grievance.
 - e. The resolution or notice of further consultation will be communicated in the form of a written response to the complainant(s) within 14 working days of completing any investigation. Both parties will be required to sign the agreed resolution.
 - f. If wider consultation is necessary, grievances will be forwarded to the President/CEO who will identify an adequate resolution or provide an alternate resolution to the grievance or refer the issue to a third party within 14 days of receipt of the complaint/grievance from the investigation team.
 - g. In matters of a complex nature where a resolution cannot be reached within the stated timeframe, an interim written response shall be provided that informs the stakeholder(s) of the delay, the reason for the delay, and a revised date for the next steps.
13. Step 5. Closure of the Grievance. At the end of the investigation, a written response shall be given to the complainant(s) outlining the decision reached, along with the stipulated mutual commitments. The Grievance Manager will close off the investigation through an acknowledgement and sign-off from the complainant(s) as an indication that the grievance has been resolved. If the previous intervention does not result in a resolution, the following may apply:
- a. The affected party or complainant may refer their grievance to a dispute resolution mechanism outside of the FSMDB's GRM.
 - b. Where mediation or arbitration is necessary, appropriate government involvement may be requested.
 - c. Should arbitration fail, the aggrieved parties have a right to take legal action. This is a more formal rights-based approach that shall only be taken if all other approaches have failed or when there are serious conflicts about facts and data.

14. Step 6. Monitor, Report and Evaluate. The Grievance Redress process will be monitored monthly. The process will include tracking the number of grievances received and resolved, determining broad patterns, trends, and recurring problems, and assessing the effectiveness of the grievance mechanism. Special/ individual reports will be created for grievances considered complex and escalated to the CEO/ Senior Management/ the Board of Directors and/or third-party intervention, where necessary. Finally, It is expected that lessons learnt will be captured throughout the process that would aid in updating the procedure/system towards being more efficient, effective, and transparent.

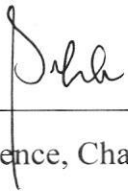
15. Monthly internal reports must include:

- a. Number of grievances logged as per grievance register
- b. Nature of grievances received
- c. Percentage of grievances resolved
- d. Percentage of grievances outstanding
- e. Time taken to resolve each complaint
- f. Number of grievances escalated to Senior Management
- g. Number of grievances that utilized legal or third-party intervention (arbitration)
- h. Ongoing efforts at resolutions and status.

An annual report aggregating the information and trends analyzed in the monthly reports will also need to be produced and discussed at the Senior Management level.

STAKEHOLDERS GRIEVANCE OR COMPLAINT FORM			
Reference	Date received	Grievance recorded by	Methods grievance received
[Add internal reference no.)	[date]	[name officer]	[by email; phone; post; during consultations]
Complainant's details			
Name:			
Address:			
Telephone:			
Email:			
Date:			
Details of Grievance or Complaint			
Date of incident	[add dates or dates an occurrence is repeated]		
Description			
Frequency	[e.g. once, twice, several times, etc.]		
Additional comments			

Adopted by the FSMDB Board of Directors of June 04, 2026

Signed:  Date: 6/8/26

Sihna Lawrence, Chairman, Board of Directors