

# KfW Development Bank Complaint Mechanism

## Public Consultation on Draft Rules of Procedures

### Stakeholder Feedback Report

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## Background

KfW Development Bank has been helping the German Federal Government to achieve its goals in development policy and international development cooperation for more than 60 years. On behalf of the German Federal Government, and primarily the Federal Ministry for Economic Cooperation and Development (BMZ), KfW Development Bank finances and supports projects that mainly involve public sector players in developing countries and emerging economies – from conception and execution to monitoring their implementation.

Although KfW Development Bank applies extensive safeguards and preventive measures, negative impacts on people or the environment resulting from projects it finances cannot be completely ruled out. People negatively affected should be able to turn to us with the certainty that their concerns are taken seriously, that complaints are handled fairly and solution-oriented, and that they receive appropriate remedy. As a basis for the future work of the Central Complaints Office (CCO), a new procedural framework was developed and stakeholders were invited to provide feedback and discuss the proposed changes – with the aim to ensure that our procedural framework is accessible, effective, and transparent. After analyzing and considering all feedback, the new Policy has been finalized and published.

## Executive Summary

This report summarizes the results of the public consultations held by the CCO of KfW Development Bank on the draft Rules of Procedure for its new Mechanism. The consultations took place between November 2025 and February 2026 and included two virtual workshops with civil society organizations (CSOs), peer institutions, and other stakeholders. Additionally, written comments were received from 15 organizations, some of which also participated in the workshops.

Participants provided a range of constructive feedback, alongside firm criticism, especially regarding the governance structure of the CCO. A principal concern was the perceived lack of independence from management interests, which raised doubts about the impartiality of decision-making within the CCO. Specifically, worries were expressed that decisions regarding which complaints procedure to apply could be influenced by management, potentially compromising complainants' rights and interests. Issues of complainant agency, transparency, and information disclosure were repeatedly highlighted. Participants also contributed constructive suggestions for enhancing the Bank's role in facilitating remedy, among other important matters.

Despite these concerns, there was broad recognition that KfW Development Bank is making meaningful progress toward aligning its complaint mechanism with international best practices. The open consultation process and the planned publication of the final Complaints Policy were welcomed.

This report consolidates stakeholder feedback, describes how it was or why it was not integrated into the final Policy published alongside this report, and outlines KfW Development Bank's responses. Some consultation aspects, particularly those related to the CCO's interaction with operational units and Borrowers, are addressed through internal procedures and legal documentation rather than Policy changes.

In addition, KfW Development Bank commits to an accelerated, comprehensive review of the complaint mechanism three years after the Policy's publication, advancing from the standard five-year interval. This review will assess the mechanism's practical performance and explore further measures to strengthen alignment with international standards. In particular, it will evaluate the feasibility of replacing the current in-house structure with an independent expert panel for complaint handling. The period before this review will be used to develop proposals to enhance the mechanism's independence.

## “Rules of Procedure” vs “Policy”

A question was raised during consultations about whether the “Rules of Procedure” should constitute a Policy. A Policy is understood as a higher-level, binding instrument, while Rules of Procedure are typically adaptable as needed. The CCO representative clarified that the Rules of Procedure are intended as a binding Policy and will serve as the overarching framework for a suite of internal operational guidelines.

Accordingly, throughout the document, the title “Rules of Procedure” has been replaced with “Policy.”

## Governance, Staffing and Budget

Concerns were raised regarding the governance structure of the CCO, which is embedded within KfW Development Bank and reports to the responsible member of the Executive Board without any reporting line to a supervisory body, unlike DEG as a subsidiary of KfW Group, which has an independent supervisory body. Stakeholders consider a reporting line to the Supervisory Board fundamental to ensuring the CCO’s independence, consistent with most accountability mechanisms including the Independent Complaint Mechanism (ICM) of DEG, FMO and Proparco. At present, the CCO reports to a responsible member of the KfW Executive Board and its essential reporting functions are to the Management Committee of KfW Development Bank. The majority of comments indicated that this setup does not provide sufficient independence from operational management. Suggestions included establishing reporting obligations and budget controls by the Supervisory Board, with at least an annual report highlighting Compliance Review results and implementation progress of resultant action plans.

During the workshops, the CCO explained that – unlike DEG – KfW Development Bank is not a legal entity with its own supervisory structure but only a business unit of KfW. The Supervisory Board oversees KfW Group’s business conduct and asset administration and appoints the members of the Executive Board. As opposed to some multilateral peers, the Supervisory Board meets only a few times a year rather than weekly and it does not oversee day to day business operations. Consequently, it has been decided that the governance structure should remain largely as outlined in the consultation draft of the Policy. However, it has been adapted with regards to the governance setup and to further strengthen the independence of the CCO. Specifically, the Policy now clarifies that the CCO is not bound by directives of the Management Committee in regards to how it carries out its work and that the Committee allocates the budget based on the CCO’s annual requirements, subject to Executive Board approval (paras 4.2.3–5).

Stakeholders recommended other adjustments to ensure the CCO can operate independently despite what are regarded as structural constraints. Proposals included establishing an independent external panel to serve as a counterbalance. In the absence of such a panel, independence should reside particularly in the qualifications and status of the CCO head. Comments noted that the draft Policy lacks provisions on the recruitment, seniority, and appointment of the head, who in other complaint mechanisms is often externally appointed with a fixed term, requires cooling-off periods, and whose appointment is controlled by the Supervisory Board. In response, the Policy has been amended to clarify the seniority, recruitment, and reporting lines of the evaluation department’s management as the CCO’s parent unit (para 4.2.2). To address overarching concerns about structural independence, KfW Development Bank commits to accelerating the first Policy review within three years, focusing on assessing the potential introduction of an independent panel.

Regarding staffing, concerns were raised that insufficient personnel could undermine the mechanism’s effectiveness and independence. Recommendations from stakeholders include a minimum of three full-time staff. The CCO clarified that it currently operates with a small staff structure but additionally relying on an external expert roster to manage cases flexibly by need to ensure effectiveness.

## Transparency

Stakeholders expressed strong concerns about perceived limited disclosure of CCO documents and inconsistencies in transparency practices resulting from what is regarded as ambivalent wording in the draft Policy. They emphasized that publishing full reports aligns with peer practices and welcomed the planned public registry of complaint cases. However, they urged that both admissible and inadmissible complaints be published to bolster transparency and public scrutiny, including for potential complainants. The Policy was therefore amended to clarify the extent of information disclosure, including the case registry (paras 3.4; 7.1.6; 7.2.8; 7.3.5) and to address information imbalances that could potentially be seen as disadvantaging complainants (para 4.1.5).

## Application of the Policy

Changes to the Policy (para 3.1) reflect the results of internal discussions (ongoing at the time of the consultation) regarding the applicability of the Policy. Revised Policy language now clarifies that the Policy applies to projects financed or supported through guarantees by KfW Development Bank that have received initial KfW approval of draft contracts after publication of the Policy. The Policy further clarifies that certain exceptions apply with regard to some of KfW's multilateral implementation partners due to the specific nature of these partnerships; applicability will be further assessed at the first review. KfW Development Bank will endeavor to also apply the Policy to complaints regarding projects for which a contract with KfW was executed without reference to this Policy.

## Accessibility

Stakeholders identified various accessibility gaps in the Policy. Reliance on email as the main communication channel may hinder complainants, particularly Indigenous and remote communities lacking technical resources or complaint preparation experience. Suggestions included allowing complaints by verbal submission or alternative formats (audio/video), and accepting multiple submission channels. Language barriers were also noted; admissibility decisions and final reports should be provided in complainants' languages to ensure transparency and fairness.

In response, the Policy was revised (paras 5.1.4; 5.1.5) to permit complaints submitted in audio-format in certain circumstances and to allow communication by the CCO in languages other than German or English on a reasonable-effort basis.

## Admissibility

Comments highlighted that admissibility criteria seemed too restrictive or unclear, creating hurdles for complainants. Concerns were raised about para 5.3.2d excluding complaints deemed redundant (same issues in the same project), calling for clearer wording aligned with IAM practice. A new para 5.3.2g was added accordingly.

Criticism was voiced about exclusion where complainants have ongoing legal proceedings against KfW (para 5.3.2f). It was argued that legal proceedings assess compliance with German law, whereas Compliance Reviews assess adherence to KfW standards and harm linked to projects supported by KfW. The Policy maintains this exclusion but rephrased the paragraph to require that legal proceedings must be regarding the same or *materially* similar subject in order to be ruled inadmissible.

Stakeholders objected to the requirement that complainants have to assert that harm is "plausibly linked" to a project supported by KfW (para 5.1.7b). This requirement was removed, with plausibility being assessed by the CCO during the admissibility stage. Also, in the view of some stakeholders, the requirement that harm must be "reasonably likely" would exclude major harm which is not likely yet possible (para 5.2.1c and in relation to the Compliance Review procedure in para 7.3). Peer policy wording should be considered where complainants need to state harm they have suffered or may suffer and where the Compliance Review assesses "possible harm". No changes to that effect have been made in the Policy. In the view of KfW Development Bank, maintaining the current wording helps avoid overly speculative claims, ensuring that the Policy addresses harms with a credible basis rather than hypothetical or improbable scenarios. During the Compliance Review procedure, the Central Complaints Office can still consider "possible harm".

Further changes made to the Policy in response to comments regarding admissibility include:

- Measures already taken or planned to be taken by complainants to resolve the matter has been removed from strict information requirements (para 5.1.7e) and included as optional information under para 5.1.8j.
- Para 5.2.2 has been changed to clarify that for complaints concerning projects in preparation stage, certain aspects of the Policy may not apply in the absence of a signed financing/loan/guarantee agreement.
- Changes in paras 6.2.1 and 6.2.2 to clarify which methods the Central Complaints Office can use to acquire information during the admissibility stage and that complainants will be informed in case their complaint has been merged with other complaints concerning the same subject in the same project.
- In case required information is not received by the Central Complaints Office within the set period, the complaint will be put on hold rather than declared inadmissible and can be resumed at a later stage (para 6.2.5b)

## Complaint procedures

In the view of stakeholders, the draft Policy provides for strong decision-making power by the CCO on the decision what procedure should be pursued. Stakeholders expressed concerns that decision-making authority over procedure choice reduces complainants' agency, especially given perceived weaknesses in CCO independence.

### Prior Resolution

Concerns were expressed that a complaint can both be sent to, and closed following, the Prior Resolution procedure without the consent of the complainant (albeit with consultation). Stakeholders cautioned that the process could, in effect, become a precondition for subsequent treatment in the Dispute Resolution or Compliance Review procedures against the wishes of complainants. Moreover, concerns were raised regarding elevation of reprisal risks for complainants should they be forced into direct engagement with the project executing agency in-country. Further, it was noted that the draft Policy does not foresee disclosure of information of Prior Resolution cases beyond the registry entry.

During the workshops, representatives of the Central Complaints Office made clear that it is not intended to undermine complainants' agency and that changes to the Policy would be considered. Several changes have been made to the Prior Resolution procedure, namely:

- Deferral to Prior Resolution is only possible with the consent of the Complainant and the responsible operational unit of KfW Development Bank (para 7.1.1)
- The procedure may be terminated at any time at the request of the Complainant or the responsible operational unit of KfW Development Bank (para 7.1.3)
- The complaints register will reflect the current status of the complaint in the Prior Resolution procedure, including whether it will proceed in a different procedure upon its termination (para 7.1.6)
- To avoid unnecessary timing constraints the duration of the procedure has been extended from 90 business days to 180 business days in cases where there is a reasonable likelihood of timely resolution beyond the 90-day deadline.

### Compliance Review

Comments received relate to the language describing the Compliance Review report, where an interpretation might be that the Central Complaints Office could actually recommend lowering environmental and social standards to reduce risks of future non-compliance. This potential interpretation raises concerns and calls for clearer wording to emphasize that recommendations should focus on strengthening policies and internal procedures to prevent future harm to communities and the environment, rather than easing standards. In response, changes have been made to the wording of para 7.3.4b to clarify that recommendations in the final Compliance Review report must also aim to minimise harm in similar circumstances in the future.

Stakeholders also noted that the Compliance Review report cannot make recommendations on how to remedy harm. Recommendations as per the draft Policy can only be made in respect to alignment of standards. Participants expressed that the Compliance Review report should also present recommendations on how to remedy harm in case of non-compliances and project-related harm for consideration in the preparation of the Management Action Plan. Comments received also stressed the need to deeply engage complainants in the formulation of actions to remedy harm to assure that they are appropriate. Policy language in paras 7.3.4 c and d has been adapted accordingly.

Additionally, it was remarked that the draft Policy, in the absence of an actual complaint, appeared to restrict the Central Complaints Office's authority to initiate a Compliance Review only upon requests from higher management, whereas stakeholders recommend empowering the office to take up complaints suo moto based on credible information about project impacts. Policy language in para 7.3.3 has been adapted accordingly.

Regarding monitoring, stakeholders remarked that the process was insufficiently specified in the draft Policy. If monitoring reports show lack of progress in the implementation of a Management Action Plan, a monitoring report needs to be submitted to the supervisory structure to assure implementation commitment. Moreover, comments received noted that a discontinuation of monitoring in case of continued lack of progress as suggested by existing language in the draft Policy should be reconsidered as this could be regarded an incentive to partners and operational units to not seriously pursue the implementation of a Management Action Plan.

As highlighted in the Governance chapter above, case-specific reporting to a supervisory structure is not deemed feasible and is therefore not currently foreseen. This also extends to monitoring of a Compliance Review. Language in the Policy has been adapted, however, to allow the Central Complaints Office to raise unsatisfactory progress in

Management Action Plan implementation to the Management Committee of KfW Development Bank, including additional recommendations as deemed appropriate by the Central Complaints Office. Lack of progress is no longer grounds for ending the monitoring phase (para 7.3.4d).

## Remedy

Stakeholders noted the draft Policy lacked an explicit statement that facilitating access to remedy is an objective, a standard in IAM policies. This has been incorporated (para 4.1.1).

Stakeholders further criticized that the Policy explicitly excludes financial *compensation* by KfW. It was recommended not to foreclose this option entirely. Participants explained that compensation payments by DFIs/IFIs are very exceptional, but that a standard exclusion provision of compensation payments is not included in any IAM policy and would undermine the credibility of KfW Development Bank in regard to its commitment to facilitation of remedy. The paragraph in question (4.1.10) has been replaced, however language throughout the document has been adapted to reflect the fact that financial compensation is not to be expected from KfW and remedial actions are understood by KfW to be at project-level.

## Interpretation of Policy and Legal Advice

Stakeholders requested provisions allowing the CCO to independently interpret the Policy and seek independent legal advice. The Policy now includes independent interpretation authority of the Policy (para 4.1.8). The Policy now also includes a provision that the CCO has the right to interpret the relevant standards applicable to the project underlying the complaint, but that it is expected to exercise this right in a non-biased fashion. However, independent legal advice solicitation was not adopted.

## Outreach & Institutional Learning

It was stressed that the complaint mechanism should be well known among target groups, supported by communication in local languages and tailored outreach. Participants emphasized that disseminating knowledge about the complaint mechanism needs to be standard obligation of KfW Development Bank as a whole and the partners, not just by the Central Complaints Office. KfW Development Bank appreciates the comments and will explore opportunities to increase awareness of its complaint mechanism.

It was further noted that the mandate of the Central Complaints Office to advise management should be strengthened and not guided by necessity. Para 8.1.2 has been changed accordingly.

## Reprisals

Stakeholders highlighted reprisals risk against complainants by project authorities or contractors, which deter reporting of violations. Concerns included CCO capacity to assess and mitigate these risks, and potentially extended exposure caused by mandatory Prior Resolution. Strong safeguards, including confidentiality, monitoring, alternative complaint pathways prioritizing protection, flexible processes, and enhanced capacity are considered essential.

The Policy now requires explicit complainant consent for Prior Resolution participation (para 7.1.1). Chapter IX has been revised to clarify steps the CCO takes to identify, analyze, and address reprisal risks.

## Human Rights

Concerns were raised regarding the recognition and integration of human rights considerations into the Policy and procedures of the Central Complaints Office. It was particularly noted that complainants or affected persons are not explicitly referred to as rights holders within the draft Policy. Another issue raised was that the Policy addresses only the human rights obligations of project countries, without explicitly including the (extraterritorial) human rights responsibilities of KfW Development Bank itself. Recommendations were made to explicitly reference internationally legally binding UN human rights conventions as a normative framework and to strengthen the commitment to respecting human rights—for example, by considering KfW Group's Human Rights Policy Statement as part of the standards applied in a Compliance Review. Furthermore, suggestions include specifying clearer criteria on when suspension of project processing or disbursements should be imposed based on the severity of human rights violations,

noting the leverage financiers have over partner companies. Finally, it has been proposed that human rights standards advancement should be reviewed at the highest governance level, such as the Supervisory Board.

Considering these points, it is noted that the Policy already aligns with KfW Group's human rights policy statement through explicit references, including to the Universal Declaration of Human Rights, the European Convention on Human Rights and the core labour standards of the International Labour Organisation (para 3.3.2). Moreover, the Human Rights Policy Statement recognizes KfW's responsibility to meet its human rights obligations as a public-law institution and bank of the Federal Government and the federal states, rendering a reiteration in the Policy obsolete. Explicitly including the Human Rights Policy Statement among the formal standards against which to carry out a Compliance Review is not deemed to be practical. KfW Group's Human Rights Policy Statement is a high-level, formal statement of principles, objectives, and mandatory requirements that guide decision-making and behaviour across KfW Group businesses. It establishes the overarching framework and intentions aligned with KfW's mission, values, and legal obligations. The Sustainability Guideline of KfW Development Bank operationalises relevant aspects of the KfW Group Human Rights Policy Statement as they pertain to KfW's human rights and sustainability obligations and is therefore the appropriate reference framework against which to carry out a Compliance Review.

The Policy refrains from a formal designation of complainants as human rights holders. The mandate of the Central Complaints Office is that of a non-judicial complaints mechanism, focused on policy compliance rather than legal adjudication of rights violations. In the view of KfW Development Bank, the concept of rights-holdership is operationalized functionally rather than formally throughout the Policy and can be inferred from the structure of the procedures. Eligibility is consistently framed in terms of "affected individuals and communities" who have suffered or are reasonably likely to suffer harm from a KfW-financed project, rather than in terms of legal rights or violations. Moreover, the core elements of the Compliance Review procedure, i.e. the requirement to demonstrate harm, the assessment of institutional compliance with applicable standards and the orientation toward remedial outcomes, collectively mirror the core logic of human rights protection. In the view of KfW Development Bank, therefore, the complaint mechanism reproduces, in functional terms, a rights-based framework without adopting its formal language.

Finally, in the view of KfW Development Bank, the current governance structure sufficiently integrates human rights oversight, notwithstanding the above-mentioned limitations on reporting to the supervisory structure.

**Publisher / Originator**

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