

OVERSEAS PRIVATE INVESTMENT CORPORATION
WASHINGTON, D.C. 20527, USA



OFFICE OF THE
PRESIDENT

Memorandum

To: Jean Aden, Ph.D.
Director, Office of Accountability

From: Lawrence Spinelli, Ph.D. 
Acting President & CEO

Date: February 24, 2009

Subject: Office of Accountability Compliance Review of OPIC's Social Due Diligence of the Couer d'Alene Mines/San Bartolomé Project

The Overseas Private Investment Corporation (OPIC) management welcomes the Office of Accountability Compliance Review Report (OA Report) of OPIC's Social Due Diligence of the Couer d'Alene Mines/San Bartolomé Project. OPIC management remains committed to the safe and responsible operation of the San Bartolomé project and OPIC will continue effective oversight and appropriate monitoring of the project throughout the life of the OPIC political risk insurance contract.

The OA Report involves a project in which OPIC provided \$54 million in political risk insurance in 2004 to Coeur d'Alene Mines Corporation of Idaho, for the construction and operation of the San Bartolomé project, a modern silver and tin mining operation near the city of Potosi in Bolivia. Mining is an important sector for the Bolivian economy and the project is expected to reduce unemployment among the economically active population in Potosi by 23 percent, generating over 500 local jobs during construction, as well as 370 permanent local jobs. The Project provides significant developmental benefits, and the Project received an OPIC developmental impact score of 106, or highly developmental.

The Coeur d'Alene Mines/San Bartolomé project was carefully reviewed by OPIC as a Category A project, a project with the potential for significant environmental and social impact. Accordingly, OPIC required the sponsors to prepare an Environmental Impact Assessment and Environmental Audit for the Project. In accordance with OPIC's public consultation and disclosure procedures, a notice of the Project and the Environmental Impact Assessment was posted on OPIC's website on May 20, 2004 for a 60-day public comment period. No comments were received. The project was approved by the OPIC Board of Directors on July 29, 2004.

OPIC monitored the project for compliance with OPIC policy in 2007 and found the project in compliance with all contract conditions. OPIC will continue to carefully review project operations. A second monitoring trip is scheduled for Spring 2009.

OPIC management offers the following comments on the OA Report:

OA Finding: OPIC did not apply the Involuntary Resettlement Policy to the Project. OA has not seen any document or notification to any interested party regarding the applicability of the policy to the Project.

OA Finding: OPIC did not apply the Indigenous People policy to the Project. OA has not seen any documentation or notification to any interested party regarding the applicability of the policy to the Project.

OPIC Management Response: OPIC disagrees with the findings that OPIC had an obligation to apply World Bank Operational Policies OP 4.01 and OP 4.12 to the project.

The 2004 OPIC Environmental Handbook [Environmental Standards] notes that OPIC relies on applicable World Bank Group policies “[I]n determining whether a project will pose an unreasonable or major environmental, health or safety hazard or will result in significant degradation of national parks or protected areas.”

The OPIC Environmental Handbook does not make any reference to the World Bank operational directives and policies cited in the OA report (OP 4.01, OP 4.12 and OP 4.20). Nor does the Handbook require OPIC to adopt the procedural requirements contained within those policies.

OPIC agrees that the project documentation did not adequately reflect OPIC policy that World Bank operational policies OP 4.01, OP 4.12 and OP 4.20 were not applicable to the project. OPIC will take appropriate steps to maintain improved documentation.

Above all, it is important to note that current procedures in place at OPIC reflect international best practice in the area of Involuntary Resettlement and Indigenous Peoples. (These procedures will be reflected in an on-going updated version of the Environmental Handbook, which will be disclosed for public comment.)

OA Finding: As a consequence of the fact that OPIC did not apply the Involuntary Resettlement policy or guidelines, there is no publicly available baseline information beyond a cursory summary of Bolivian census data to assist resolution of the community's continuing concerns regarding compensation and loss of grazing land. The lack of documentation may make the community's concerns more difficult, costly and time consuming to resolve. In the absence of adequate resettlement

documentation, OPIC cannot assure itself that the “equal or better” Resettlement standard had been met or that reasonable measures to ensure “equal or better” livelihoods and living standards for households subject to resettlement are in place.

OPIC Management Response: OPIC reviewed the draft, negotiated settlements for land compensation prior to approval of the project and concluded that they were acceptable. Therefore OPIC did not require the Project to collect additional census data.

OA Finding: As a consequence of the fact that OPIC did not apply the Indigenous Peoples policy or guidelines, the Requestor community does not have an agreed, funded and implemented Indigenous Peoples Plan or an IPP equivalent plan tailored to the Requestor community. In the absence of an agreed, funded and implemented Indigenous Peoples Plan or IPP equivalent, OPIC cannot assure itself that reasonable measures to provide “net positive benefits” to the requestor community in the Project’s area of influence is in place.

OPIC Management Response: After carefully reviewing the social baseline assessment and as a result of interviews conducted by OPIC staff during due diligence in advance of OPIC approval of the project, including a site visit, OPIC made a determination that Indigenous Peoples policies were not applicable to this Project. Therefore OPIC did not require the Project to fund or implement an Indigenous Peoples Plan.

OA Recommendation: OPIC encourage the Project and the Requestor community to continue discussions toward an agreed Sustainable Indigenous Development Plan, in order to ensure that reasonable measures to provide “net positive benefits” to the Requestor community are in place.

OPIC Management Response: OPIC agrees to encourage the Project and the Requestor community to continue discussions on the structure and funding of the Sustainable Development Foundation for Potosi to foster development within the Project’s area of influence and to insure the self-sustainability of the institution.

OA Recommendation: OPIC develop criteria and procedures to document its consideration of the applicability of Involuntary Resettlement and Indigenous Peoples policies.

OPIC Management Response: Current practices in place at OPIC reflect international best practice in the evaluation of projects involving Involuntary Resettlement and impacts on Indigenous Peoples. (These procedures will be reflected in a revised version of the Environmental Handbook, which will be disclosed for public comment.) OPIC agrees to

evaluate whether additional procedures are required to document implementation of these practices.

OA Recommendation: OPIC strengthen its capacity to apply the Involuntary Resettlement and Indigenous Peoples policies and guidelines to OPIC Supported projects.

OPIC Management Response: Since 2004 OPIC has taken significant steps to strengthen its capacity to evaluate and mitigate social impacts associated with private sector projects seeking OPIC support. OPIC relies on third-party experts to supplement staff expertise in the evaluation of impacts associated with physical and economic displacement, in the development of entitlement matrices, in the evaluation of negotiated compensation settlements and in the evaluation of impacts on Indigenous Peoples. OPIC recognizes the need to make continued use of these specialized anthropological and sociological experts to inform decision making in projects involving potentially significant social impacts.