

**FY2013**

**Annual Report**

**OA**

**OFFICE OF ACCOUNTABILITY**



Office of Accountability

Overseas Private Investment Corporation

FY2013

## 1. Note from the Director

FY13 was a busy year for the Office of Accountability (OA), despite the absence of new requests that resulted in problem-solving or compliance review services. This situation provided an opportunity to make progress on long term initiatives intended to strengthen the overall functions of the OA.

Enhancing access to accountability services is a major challenge for the OA, as well as for other accountability mechanisms. Although accessibility depends on several factors (including available modes of communication and ease of requesting service), a prerequisite is whether or not potential requestors are even aware that the services exist. There is no easy answer to this challenge, especially given that 1) OPIC itself has a relatively low profile in many of the over 100 countries in which it operates, 2) internet access among affected communities is spotty, and 3) resource constraints preclude an emphasis on conducting in-country outreach events. To address these challenges, in FY13 the OA worked with OPIC management and staff to develop procedures for notifying local stakeholders about the OA's services through OPIC's clients.

As part of the process for updating its operating guidelines, the OA opened an on-line public comment period and convened a consultation with project-affected communities in Togo. Along with other inputs to this process, this feedback was used to revise the draft guidelines.

The OA welcomes requests for its services. Still, it is preferable for all parties if conflicts can be avoided in the first place, by establishing good community relations and by implementing project-level mechanisms for addressing complaints that arise. In this regard, the OA has been developing information resources that offer guidance on good practices for community relations. In addition, the OA conducted research in collaboration with OPIC's Office of Investment Policy to examine how OPIC clients implement project-level grievance mechanisms. Findings are discussed later in this report.

Keith Kozloff



Director, Office of Accountability



## 2. Case Management

In fiscal year 2013, the Office of Accountability did not receive any new requests for service from OPIC clients or project-affected groups. The following cases constitute the OA's case management operations for FY13.

### Mexico: Cerro De Oro Hydroelectric Project

The OA concluded its role in this project once the OA transferred consultations to the Oaxaca state government, and OPIC management submitted its response to the OA's compliance appraisal. Nonetheless, the OA sought to stay abreast of the discussions among the client, the host government, and local communities that continued into 2013. Construction remained suspended throughout this period. If an agreement among these parties were reached around a community development plan, this could enable the project to move forward.

### Liberia: Buchanan Renewable Fuels Project

The OA received a complaint concerning a labor issue in January, 2013. A former employee alleged that he was discriminated against and intimidated into resigning his position. After discussing options with the requestor, the OA contacted the project sponsor and determined that it was not interested in participating in a problem-solving process with the complainant. The OA notified the requestor of the sponsor's position and closed the case in February.

### Bolivia: Coeur d'Alene Mines/San Bartolomé Project

The OA closed this case in 2010 after completing its compliance review. Thereafter, OPIC management elected to co-fund and Indigenous Development Plan (IDP) along with the OPIC sponsor (Coeur d'Alene Mines Corporation). In April, 2013, OPIC's President received an update from the sponsor on the implementation status of the IDP. The update describes activities in which the company and the affected communities sought to improve livelihood opportunities and basic living standards.

## 3. Outreach

### External Outreach

In FY13, the OA addressed the challenges faced by affected stakeholders in accessing its services by initiating a program to reach out to clients and local project-affected stakeholders. These efforts seek to enhance access to OA services before incipient disputes escalate.

As the first steps of this program, OPIC will implement the following actions:

- A brief introduction to the OA's services will be sent to all prospective OPIC clients at an early stage of OPIC's engagement with them.
- For projects designated by OPIC as highly sensitive from an environmental or labor rights perspective, an action plan will be developed through which the client will inform local stakeholders about the availability of the OA's services. The notice will be based on information provided by the OA. The actual approach used to notify stakeholders will depend on what makes the most sense locally.
- The client's implementation of the plan will be monitored.

In FY13, the OA reached out to stakeholders through a range of other communication vehicles:

- The OA updated its website to make it more user friendly for accessing its services, and added information resources about accountability.
- OPIC's President sent out an introductory letter about the OA to all current OPIC clients.
- The OA tapped into international civil society networks (such as Partners for Democratic Change International, and the Access Initiative) for spreading information about its services to organizations that are members of these networks.
- The OA Director organized and made presentations to relevant professional associations – the American Bar Association, Washington Chapter of the Society for International Development, and the Association for Conflict Resolution – Environmental and Public Policy Section.
- The OA Director participated in meetings with representatives of the United Nations on business and human rights.
- In November, the OA Director participated in a panel of Independent Accountability experts at the Washington Chapter of the Society for International Development (SID). Discussions centered on the ways that accountability can support sustainable development.
- In March, the OA Director contributed to an initiative of the Organization of American States to improve access to information and strengthen public participation mechanisms in Latin America.
- The OA participated in discussions at the annual meeting of the Independent Accountability Mechanisms in Washington, as well as at a related civil society event.

## Internal Outreach

The OA has also engaged in several “in-reach efforts” directed at OPIC’s staff and Board. In June, the Director met with OPIC’s Board to present an update of activities and future plans. The presentation stimulated an exchange with Board members in which the Director provided the results of research on the demand for OA services. The OA also prepared a presentation on its services for newly hired OPIC employees as part of their overall orientation program.

The OA organized external speakers to present to OPIC staff on currently relevant topics at OPIC. In recent years, the role of financial intermediaries in OPIC’s portfolio has reached almost 50%. For this topic, OA brought in representatives of the Compliance Advisor-Ombudsman (CAO) office of the International Finance Corporation (IFC) to discuss approaches to oversight of financial intermediary investments. In FY13, OPIC also examined its anti-corruption procedures. To support this effort, the OA brought together several experts from the World Bank Group (WBG) to discuss its approach to countering corruption in development finance activities.

## 4. Update of Operational Guidelines

In late FY12, the OA initiated a process to update its procedures for serving problem-solving and compliance review requests. In FY13, the OA took several steps to further this process:

- Prepared an updated procedures manual based on revisions to the 2005 Administrative Order, and posted it on the OA’s public website
- Solicited input on the procedures from OPIC staff.
- Participated in discussions with other accountability mechanisms about various operational procedures.
- Initiated a public consultation period. During this period, a draft of the proposed Administrative Order (AO) was placed on OPIC’s external website for public comment. Blast emails were sent to over 300 stakeholders and clients.

In an effort to gather input from a broad range of stakeholders, a field consultation was conducted with three project-affected communities in Togo during the week of September 9, 2013. The community representatives (34 in all) demonstrated their understanding of the purpose of the consultation through their questions and comments, participated actively in discussions, and addressed the key questions on which the OA was hoping to elicit feedback. The OA also convened a separate consultation with 10 workers at an OPIC-supported project.

To inform the OA’s revision of its operational guidelines, the OA initiated a research project to assess the drivers behind demand for its services. We considered characteristics of OPIC’s portfolio and clients, the

OA's services, requestors, and OPIC policies and procedures. Initial analysis of available evidence supports the following explanatory factors for the low OA caseload:

- Portfolio size – Normalized for the dollar value of and number of projects in OPIC's portfolio, OA's caseload has been more consistent with those of accountability mechanisms at other IFIs than it appears when comparing the absolute numbers of cases. In terms of total dollar value and number of active projects, OPIC's portfolio is as about the same size or smaller than that of other IFIs studied (World Bank IFC/MIGA, AfDB, ADB, EBRD, EIB, IDB). Normalized for the size of OPIC's portfolio, the OA's caseload has not been as low as it otherwise seems.
- Grievance mechanisms – A significant share of OPIC clients with sensitive projects have instituted project-level grievance redress mechanisms (GRMs). Such mechanisms have the potential to address potential conflicts before they escalate into complaints brought to the OA.
- Awareness – Affected communities and project workers are not generally aware that a project is receiving financial support from OPIC, let alone that OPIC has established an office from which they can request accountability services.

On the other hand, we **did not** find evidence supporting the following posted causes:

- OPIC's application of environmental and social policies is more stringent than at other IFIs.
- OPIC's portfolio contains a smaller share of environmentally or socially risky projects than at other IFIs.
- OPIC's portfolio is less concentrated in countries with weak governance than is the case at other IFIs.
- Most complaints are brought by advocacy groups seeking IFI reform, and OPIC is less targeted by such groups than are other IFIs.
- Potential requestors fear reprisal for filing complaints.

The OA is using these findings to determine future priorities for reaching out to clients and project-affected groups.

## 5. Advisory Services

In FY13, the OA began developing a series of advisory notes to help assemble good practice knowledge on a range of topics of interest to OPIC stakeholders. These include resources for managing conflict between companies and communities, preventing conflict in fragile governance areas, and promoting community engagement in the African power sector. The OA plans to build on this knowledge base

through future case experience and the gathering of lessons learned elsewhere in the development finance field.

[Key Trends in Accountability Cases](#) – This advisory note describes characteristics of complaints and conflicts commonly associated with IFI-financed projects. Findings were drawn from 262 cases in 72 countries processed by ten independent accountability mechanisms, through May 2012. The note is intended to assist interested parties in avoiding and addressing conflicts before they escalate.

GRM Study - Data were collected (via desk review and/or phone interviews) for all Category A projects since 2007 and a random sample of 25 Category B projects. Findings from the study include the following:

- More projects had functioning GRMs in place than what is reflected on paper.
- Most clients interviewed understand the benefits of having GRMs.
- Some clients expressed appreciation for OPIC requiring them to strengthen their GRMs, which they found increasingly useful as their company grew.
- Those projects that received grievances tended to receive about 15-50 per year, the vast majority of which were minor (relating to requests for employment or compensation).
- Only one project reported a complaint related to significant environmental/social issues.
- Category A projects tend to have more “robust” GRMs than Category B projects.
- GRMs were stronger in provisions for local accessibility than in procedural details.

## Budget

OPIC's overall FY13 budget was affected by the federal government sequester. The OA's administrative expenditures for the Togo consultation and the public comment process were \$31,043.38.

The OA had no case-related expenditures in FY13.