

Memorandum

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

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

Date: July 13, 2009

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

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This memorandum sets forth further action by OPIC Management with regard to specific recommendations made by the Office of Accountability (OA) in its Compliance Review of the Couer d'Alene/ San Bartolomé Mining Project issued in February 2009. This response follows careful review of the OA recommendations and supplements the previous management report in the February 24, 2009 Interim Management Response of OPIC Management to the OA report.

The following are updates in response to specific recommendations contained in the OA review.

**Encouragement of Discussions Toward an Agreed Sustainable Indigenous Development Plan.** OPIC Management remains committed to supporting the socially and environmentally sustainable operation of the San Bartolomé Mining Project. In response to the OA findings OPIC is diligently pursuing the equitable resolution of social conflicts related to the project. OPIC has just completed a fact finding mission to the project site and met with stakeholders in Potosi and the affected communities. OPIC, in cooperation with project stakeholders, is developing an approach to (1) assist in conflict resolution, (2) identify funding sources to finance the implementation of the Community Development Plan, and (3) develop a mechanism to implement such a plan.

**Revision of OPIC Environmental and Social Policies.** Management recognizes the need to establish clear social performance standards and OPIC implementing procedures to ensure that projects receiving OPIC support are socially sustainable and respect the rights of affected communities. To that end Management has instructed staff to immediately adopt social performance standards issued by the International Finance Corporation that address physical and economic displacement, the unique vulnerabilities of indigenous populations and the protection of cultural heritage. To ensure that the public is aware of the policy requirements that OPIC applies to projects, OPIC will revise its Environmental Handbook which was last updated in 2004. The new document, renamed the Overseas Private Investment Corporation's Environmental and Social Policy

Statement, will be completed and posted on OPIC's web site for public comment within the next 60 days.

**Adoption of New Documentation and Disclosure Policies.** Management recognizes that transparency is an important tool in ensuring that government is accountable. To increase transparency and accountability in the project review process, OPIC has initiated new disclosure procedures that will provide additional information during the public comment and review process for all projects considered by the Board of Directors and all environmentally or socially sensitive projects (Category A). This new information disclosure will document OPIC's decision regarding the applicability of standards, policies and procedure to a particular project and OPIC's findings regarding the ability of a project to meet applicable policies, standards and international best practice with respect to environmental and social performance. This information will be disclosed well in advance of project approval, thus allowing affected communities and members of the interested public to inform OPIC Management and OPIC's Board of Directors of additional information and findings that should be taken into account in decision making.

**Strengthening Capacity in Social Impact Assessment.** Management recognizes the need to make continued use of third party experts to supplement staff expertise in the evaluation of social impacts, including impacts on Indigenous Communities. To facilitate access to that expertise Management has authorized the Office of Investment Policy to put into place contracts and ordering agreements to access outside expertise in a timely and efficient manner. The Request for Proposals for those new contract vehicles will be issued within the next 60 days.