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U.S. Overseas Private Investment Corporation (OPIC)

President Littlefield and Ms. Kuhlow:

Thank you for the opportunity to comment on the revision of OPIC's Environmental and Social Policy Statement (ESPS). We appreciate the initial conversation that we had in December 2015, as well as the opportunity to provide more in depth comments. As you said in the December meeting, this is the beginning of the process, so we look forward to continuing to engage on the revisions to the ESPS. We see this revision as an opportunity not only to strengthen the requirements of the ESPS to better protect the environment and local communities, but also to help OPIC continue to fulfill its important development mandate. The undersigned groups recommend that OPIC focus on the following areas of focus in order to improve the ESPS:

- **Stronger environmental and social risk identification and management:** The ESPS does not currently ensure the robust identification, management, and monitoring of environmental and social risks and impacts. The ESPS should be amended to provide OPIC clients and staff with clear guidance on the identification of project-level human rights risks and of the cumulative environmental and social impacts of projects (and related projects) across their life-cycle. This must include, but is not limited to, lifetime emissions of climate change gases, such as methane and carbon dioxide. The ESPS must also ensure that all potentially vulnerable project-affected people are identified and that the impacts on those people are effectively monitored against appropriate baseline data.
- **Engagement with local communities and civil society organizations:** Making sure local communities are involved and consulted throughout the project life-cycle is essential to ensuring that OPIC is fulfilling its development mandate. While OPIC adheres to the International Finance Corporation (IFC) Performance Standards, including respect for indigenous and tribal people's right to free prior and informed consent (FPIC),<sup>1</sup> neighboring communities have been overlooked in this process and negatively impacted by OPIC-financed projects. As a result, the ESPS should strengthen its process for engaging civil society

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<sup>1</sup> Even IFC's performance standards on the right to FPIC still do not align with international law or obligations as set forth in the UN Declaration on the Rights of Indigenous Peoples UNDRIP.

organizations, require meaningful informed consultation with local communities, and monitor and disclose that it is properly adhering to these requirements. The ESPS should ensure that all stakeholders are aware of the existence of OPIC's Office of Accountability from the first moment of engagement during disclosure of information and throughout consultation processes, so that when harms occur, local communities understand their right to redress and have access to an effective grievance mechanism.

- **Improve benefits to communities:** Consistent with its development mandate, OPIC-finance projects must provide tangible benefits to neighboring communities. For example, recent OPIC-financed projects only added energy capacity to the existing grid and did not provide new energy access, even to adjacent villages. The ESPS should require analysis conducted at an early stage to ensure that projects benefit local communities and not just the wealthy or industrial users having little impact on development. For instance, emphasis should be placed on extending the grid or creating new mini- or off-grid energy to increase access to affordable, reliable, sustainable energy for those people without energy access, especially in rural areas.
- **Consideration of alternatives:** OPIC's ESPS adopts IFC guidelines that require the consideration of project alternatives within the environmental and social assessment process. However, OPIC can fail to complete meaningful, comprehensive alternatives analyses. For instance, it is not unusual for an energy project alternatives assessment to overlook renewable energy alternatives, even when they are readily available. The ESPS should require a more robust assessment that considers sustainable alternatives, such as renewable energy, as well as the full project impacts, including their potential to harm local communities and to experience cost overruns.
- **Transparency and accountability:** OPIC currently does not publically disclose all relevant policies, procedures, guidelines, or project-related documentation that are necessary to determine if OPIC is complying with environmental and social safeguards best practice and if OPIC is fulfilling its development mandate. The ESPS should require publication of all monitoring reports on environmental, developmental, worker, human rights, and economic effects for each investment supported. Noting that OPIC's Office of Accountability has been vacant for more than a year, we must stress that this important office improves development impacts by providing project-affected people with the opportunity to file complaints against OPIC-financed projects and has the potential to provide remedies. The results of these processes should be used as studies for improvement not only at the OA but within OPIC as a whole. The ESPS should require that the Office of Accountability be fully staffed with highly qualified personnel at all times.

We appreciate your taking the time to consider our recommendations. In addition to these comments, some of the undersigned groups will also be submitting separate comments that expand on the above points or introduce additional recommendations. We welcome the opportunity to discuss and elaborate on our recommendations.

Sincerely,

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