

# OVERSEAS PRIVATE INVESTMENT CORPORATION

WASHINGTON, D.C. 20527, USA  
Overseas Private Investment Corporation  
Management Response



OFFICE OF THE  
PRESIDENT

to the

## Office of Accountability Review: Assessment of OPIC's Environmental and Social (E&S) Monitoring Projects

July 2018

OPIC requested this review in response to the U.S. Government Accountability Office (GAO) Report entitled "OPIC – Additional Actions Could Improve Monitoring Process" from 2015. The purpose of the assessment was to evaluate whether the use of client-reported data supplemented by selective site monitoring visits is acceptable for meeting OPIC program goals.

OPIC applauds the OA for the extensiveness of this report. The OA dedicated months of work gathering considerable amounts of data and information from numerous projects across the globe and providing recommendations based on three tiers. These recommendations will be critical while developing OPIC's future strategies and policies.

OPIC commends the manner in which OA conducted this process. Without a rush to judgment, OA handled the report in a patient, equitable and appropriately dispassionate manner.

OPIC is grateful for the opportunity to utilize this review to analyze the Corporation's current policies and practices. This report has and will continue to drive productive discussions as we work to guide our projects toward positive development outcomes.

With respect to specific issues raised by the report, OPIC finds that they fall into three tiers based on the difficulty and resources required to implement. The report described the three tiers using the terminology: short term, long term, and aspirational.

### **Tier 1: Short-term action items**

Could be implemented quickly and with few if any additional resources (i.e., short-term action items).

- Develop explicit criteria for determining whether a Category B project should be prioritized for a site visit. Document whether Category B projects are prioritized for a site visit in E&S clearance documents
- Revise the "Internal Environmental Guidance – Site Monitoring" and "Environmental, Health & Safety Site Visit" report template to ensure that EHS Site Visit reports address alignment with each of the project's applicable IFC Performance Standards
- Require the submission of site visit reports within a certain period of time after the site visits, per the recommendation in the GAO Report

- Revise the “Sample Monitoring Checklist” to address IFC Performance Standards 5 through 8
- Tie the annual submission of SMQs to disbursements. In other words, require a clearance certifying that the client is up to date on submission of SMQs prior to each disbursement.
- Require loan officers to explain environmental covenants to clients prior to financial closing.

OPIC has already adopted and/or implemented the first four of these recommendations. In addition, the organization continues to explore methods to making the SMQs more efficient with a higher rate of completion.

### **Tier 2: Long-term action items**

Would require more time and resources to implement (i.e. long-term action items to be implemented if and when resources become available).

- Conduct a site visit to any facility where there is a fatality, notice from a government official, significant community protest, or significant emergency event (e.g., fire).
- Develop project categories (similar to those used by IFC) for FI projects (i.e., FI-A, FI-B, and FI-C) based on the type of projects that the FIs intends to include within OPIC’s line of credit.
- Arrange where possible for project monitoring visits to include OIP environmental or social specialists along with OPIC investment staff. This will allow informal cross-training, which is likely to increase the quality of environmental and social information gathered by investment staff. An alternative is for OIP to provide the investment staff with a list of project-tailored E&S questions to ask during their monitoring visits.
- Develop a Site Visit Checklist that is focused on the FI’s ESMS and/or safeguards put in place by OPIC for the FI (e.g., E&S covenants). The purpose of this checklist will be to assess the extent to which the ESMS and E&S safeguards have been passed on to borrowers and their compliance monitored.
- Include a visit to a representative customer within OPIC’s line of credit for all monitoring site visits for FI loans.
- Change the timing of site visits so that they are more likely to coincide with construction activities (e.g., one year after instead of within three years of closing).
- Develop a SMQ that is specifically designed for FIs (and going beyond the scope of Part in the current SMQ template), which considers the existence and implementation of an ESMS within the organization and its implementation on projects within OPIC’s line of credit.
- Require OPIC clients to establish a Single Point of Contact (SPOC) within their respective organizations. The SPOC should either be a site-level staff member or have visibility of site components through regular internal audits. The SPOC should undersign all documented communications with OPIC and have a succession plan in place prior to leaving the company.

OPIC has already adopted and/or implement the first of these recommendations. Moving forward, OPIC will utilize this report and suggestions in the process of modifying and creating new policies and strategies.

**Tier 3: Aspirational opportunities**

Would require more time and significantly more resources to implement (i.e., aspirational action items to be implemented if and when the U.S. government commits significantly more resources and personnel to OPIC.

- Require site visits for all Category B projects.
- Require annual site visits during construction activities.
- Provide training to clients in the proper completion of SMQs.

While OPIC will consider the tier 3 recommendations, it must also consider the most effective and efficient use of limited resources.

The Corporation appreciates the time and effort the Office of Accountability put into this report. The report was thoughtful and realistic, with a clear organization of the extent of resources and time needed to implement each recommendation. The information gathered will allow OPIC to continue to make informed decisions of how to best improve our policies and practices.

Sincerely,

  
RWW

Attachment:

Assessment of OPIC's Environmental and Social (E&S) Monitoring of Projects (02-07-2018)