

**Center for International Environmental Law • Environmental Defense •  
Friends of the Earth • International Rivers Network • Pacific Environment**

June 9, 2004

VIA FACSIMILE and U.S. MAIL: 202-408-9859

Dr. Peter Watson  
President and CEO  
U.S. Overseas Private Investment Corporation  
1100 New York Avenue, NW  
Washington DC 20527

Dear Dr. Watson,

Thank you for your May 18 letter to Doug Norlen, Policy Director for Pacific Environment and the appended May 17 memorandum to you from OPIC staff that provides a status report on the Accountability Mechanism and the Transparency Initiative.

We gather from OPIC's May 18 memo that the process for establishing the Accountability Mechanism is proceeding, and we applaud your commitment to begin recruitment for the mechanism in August 2004. However, we are concerned that a written proposal for the Accountability Mechanism has not been made publicly available for comment, particularly in light of the fact that OPIC is due to report back to Congress this month.

We are also troubled by the lack of progress concerning the Transparency Initiative. In our July 2003 meeting, at your suggestion we submitted a memorandum to you outlining our proposal to establish a joint discussion to advance transparency at OPIC. OPIC also promised in this meeting to craft a memorandum intended to foster an open discussion concerning the limitations to (e.g. business confidentiality), and opportunities for, increased disclosure of project-related documents. No such document has ever been provided to us and the discussion it was intended to foster has yet to materialize.

We note with concern that, despite our periodic inquiries, it took OPIC ten months to respond to the July 2003 memo and the Transparency Initiative remains at a virtual standstill. Moreover, many of the explanations and conclusions drawn in the May 17 memo noted above are, in our view, inconsistent with the spirit and intent of recommendations made by Congress concerning the Transparency Initiative. We are also alarmed that OPIC apparently considers the transparency issues raised by our organizations fully resolved.

For example, the memo's authors highlight the public disclosure of contracts and revenues for the Baku-Ceyhan oil pipeline as progress made, and that "*OPIC expects to have other opportunities to participate in projects that promote transparency in the coming months.*" It is important to note that the new transparency standards set by the Baku-Ceyhan project were a

result of initiatives undertaken by other actors – not OPIC. While the World Bank proactively leveraged its influence to ensure greater transparency for the Baku-Ceyhan and Chad-Cameroon projects, OPIC refrained from exploring how it too can promote greater transparency of contracts and revenues in the extractive industries. Instead, the May 17 memo references voluntary initiatives by companies and governments and “*changes [that] will come about as part of larger executive branch initiatives*” as the only avenues to achieve greater transparency of contracts and revenues.

As you know, Congress encouraged OPIC in its latest reauthorization to continue its dialogue with stakeholders in order to heighten transparency and information disclosure with respect to OPIC’s projects and internal mechanisms. In doing so, Congress asked OPIC to use recommendations received from interested stakeholders to strengthen the institution’s programs and policies in this area.

Soon after the reauthorization was finalized, in December 2003 several of our organizations requested a multi-stakeholder meeting to flesh out the details of the Transparency Initiative, including target dates for completion and implementation, in parallel with the process for development of an independent Accountability Mechanism.

Since that request, one quarterly multi-stakeholder meeting has taken place, on March 3. We find the quarterly meeting format very useful to discuss a broad range of topics with you. However, we believe it was understood that a separate and distinct process from the quarterly meetings would be defined to carry the work of the Transparency Initiative forward. Yet, during the March 2004 meeting there was some apparent confusion among OPIC staff as to the exact nature and objective of the Transparency Initiative. One senior level staff person erroneously perceived the meeting *itself* as fulfilling OPIC’s commitment to heighten transparency and information disclosure.

We acknowledge the modest steps OPIC has made so far at increasing transparency. However, the information provided on projects that are rejected on environmental grounds should be expanded to include more specific details if its intended value is to be fully realized. Similarly, OPIC’s willingness to “request” the disclosure of “selected” Category A audits should be mandatory and be applied comprehensively if the audits are to be fair and effective.

We believe OPIC’s laudable effort to establish the Accountability Mechanism stands in stark contrast to the institution’s efforts to become more transparent. While OPIC has undertaken significant and meaningful action to create the Accountability Mechanism (e.g. creation of a senior-level internal working group, commissioning internal and external research, outreaching to the Compliance Ombudsman Advisor and the Canadian Export Development Corporation and establishing a plan of action with milestones), no such research, dialogue, outreach, or planning has occurred for the Transparency Initiative and there seems to no institutional drive to do so.

Evidently a “wait and see” approach has been adopted at OPIC insofar as the International Finance Corporation (IFC) is currently revising its information disclosure policies. However, we must remind OPIC that the IFC’s policy revision process is not to establish “best practice” for all

other public financial institutions to follow, but to further improve its own information disclosure practices, which already exceed OPIC in a number of areas.

In conclusion, we are appreciative of your personal engagement and leadership in establishing the Accountability Mechanism, but we are very concerned about the apparent lack of corresponding progress concerning the Transparency Initiative. Indeed, there has been no meaningful effort since the reauthorization to consult with stakeholders on how to heighten transparency and information disclosure with an eye towards strengthening OPIC's programs and policies. We therefore believe it is imperative that OPIC commit to the following:

- OPIC should schedule a multi-stakeholder meeting to identify and elaborate the details of the transparency initiative, including target dates for completion and implementation.
- OPIC should create a senior level working group to ensure appropriate and institutional-wide follow-through on all efforts related to heightening transparency and information disclosure.

Sincerely,

Doug Norlen  
Pacific Environment

Colleen Freeman  
Friends of the Earth

Bruce Rich  
Environmental Defense

Anne Perrault  
Center for International Environmental Law

Peter Bosshard  
International Rivers Network

CC: Senate Foreign Operations Committee  
House International Relations Committee