

The Office of Accountability closes the Cerro de Oro case after commitments made to strengthen environmental and social outcomes.

The Office of Accountability (OA) completed its third eligible case after conducting problem-solving and compliance review processes at the request of local communities. In late 2010, two local communities contacted the Office, expressing concern about environmental and social impacts and risks of the 15 MW Cerro de Oro hydroelectric project, which would use an existing earthen dam and reservoir to generate power in the state of Oaxaca, Mexico. The communities requested that OA conduct a problem-solving dialogue, as well as a review of how OPIC itself implemented relevant environmental and social policies in financing the project.

With agreement by the parties, the OA convened a professionally-mediated dialogue between OPIC's client and the concerned communities, which grew to four communities from the original two. As a result of the dialogue, these local communities have benefited in several respects:

- At the communities' request, the company voluntarily agreed to completely suspend construction, to re-design the project in order to avoid affecting a 2 kilometer creek or to pose a risk to a local spring, and to resume construction only upon acceptance by the communities.
- An independent expert, selected by the communities with the agreement of OPIC's client, conducted a technical review of the dam that confirmed its current safety and the appropriateness of the company's construction practices.
- The Mexican national water ministry, which operates the dam, has agreed to strengthen its monitoring of the dam and to clear vegetation growing on its slope, actions that will help ensure the dam's future integrity.

Although much progress was achieved through the dialogue, by late 2011 it became clear that the four communities held widely divergent views among themselves on the future of the project. At that point, the OA successfully requested that the Governor of Oaxaca intervene in hopes of changing the dynamics of the situation. In early 2012, the Governor's office conducted a consultation with those communities that still opposed the project. The consultation resulted in these communities identifying development priorities that would be implemented if the project proceeds.

Once the OA transitioned away from direct problem-solving, it turned to the request by some of the communities for the OA to review OPIC's compliance with its relevant environmental and social policies. After appraising the situation, the OA concluded that future risks to the communities due to OPIC's implementation of its own policies are very low because of the commitments already made around the project, its status, and sufficient information being available for the OA to make recommendations to OPIC on how it implements environmental and social policies going forward. These recommendations relate to the social context for projects, client capacity to address social risks, analysis of project alternatives, clarification of applicable standards, time sensitive actions, and legacy consultation and compensation. OPIC's management has committed to engage with the OA on addressing these topics.

The OA appreciates the willingness of all parties – the communities, OPIC’s client, the Government of Oaxaca, and OPIC management – to seek mutually acceptable solutions to this dispute. All the reports from the OA’s problem-solving and compliance review processes for this case are listed below and can also be found [here](#).

[Original Complaint](#)

Initial Problem Solving Report

--[English](#)

--[Espanol](#)

Final Problem Solving Report

--[English](#)

--[Espanol](#)

Compliance Review

--[English](#)

--[Espanol](#)