

**IDB Management response to the ICIM Request regarding:  
“Porce III Hydroelectric Power Plant” (CO-L1005)**

**1. Objective**

The objective of this document is to respond to the ICIM request, dated December 18<sup>th</sup>, 2015, seeking an opinion from Bank’s Management on Request MICI-CO-2015-0096; and to provide the ICIM with the arguments that Management considers relevant for demonstrating the ineligibility of the case, for both the Consultation Phase and the Compliance Review Phase.

**2. Background**

The objective of the project was to help meet Colombia’s growing demand for renewable electric power. The Porce III facility entered operations in December 2010, by efficiently and sustainably utilizing hydraulic resources from the Porce River.

The IDB program consisted of a US\$200 million investment loan to finance the construction of the Porce III Hydroelectric Power Plant, while also helping to maintain and gradually consolidate the institutional performance and efficiency of *Empresas Públicas de Medellín* (EPM), the project’s sponsor. The loan was approved by the Bank’s Board of Executive Directors on October 6<sup>th</sup>, 2005 through Resolution DE-92/05 (Loan Proposal PR-2964). The program included financing for civil works, electromechanical equipment, and transmission lines, and an environmental and social management plan. The borrower was EPM and the guarantor was the Republic of Colombia.

PORCE III construction was completed in 2011, with the first unit starting operation in December 2010 and the third and final one in 2011. Porce III has an installed capacity of 660 MW, with average generation of 4,254 GWh/year. The final total investment on the project was US\$1,335 million. The first IDB loan disbursement was May 19<sup>th</sup>, 2006, and the last disbursement was on December 9<sup>th</sup>, 2012.


**3. Management Response**


After reviewing the request from the interested individuals, which claim that as a result of the project’s non-compliance with the IDB’s social and environmental policies, EPMs and the IDB have responsibility for the involuntary displacement and economic damage caused by the construction of Porce III Hydroelectric Power Plant, Management has the following considerations:

- i. The Bank considers that it fully complied with all the safeguards policies, including the Environment and Safeguards Compliance Policy (OP-703) and the Operational Policy on Involuntary Resettlement (OP-710). In regards to the information contained in the Request, Management would like to highlight the following aspects related to application of IDB’s Operational Policies:
  - a. **During project preparation and supervision activities, the IDB verified that the Client (EPM) had a Resettlement Plan to identify and minimize the negative impact on the communities and individuals affected by the project.** EPM prepared a comprehensive report compiling all this information and requests. The IDB Project Team performed

eight (8) technical, environmental and social visits in the direct and indirect areas of influence of the project. The Team included specialists from the Bank's Safeguard Unit, who evaluated EPM's performance management of the involuntary resettlement plan and processes. Additionally, as requested by the IDB Team and agreed with EPM, between 2006 and 2011 ten socio-environmental audits were performed by the consulting firm "Centro de Investigación y Desarrollo Tecnológico del Sector Eléctrico (CIDET)". The results of these audits concluded that there were no deviations from compliance of IDB applicable policies by EPM.

- b. According to IDB resettlement policy (OP-710), EPM carried out the baseline survey to identify the individuals and communities affected by this project.** The survey was prepared with support from consulting firms, in full compliance with the criteria established in the Resettlement Plan. The original survey was updated in 2004 after the project was declared of "Public Interest". The surveys were validated with the Local Community Associations (*Juntas de Acción Comunal*) of the areas of influence of the project. Subsequently, EPM evaluated the inclusion of new individuals based on the information provided and adjustments were made when necessary.
- c. The IDB client, EPM, provided a comprehensive compensation and rehabilitation package to minimize the project's social negative impacts, which was agreed with the affected individuals and communities, in a participatory manner.** The solutions offered included: (i) Resettlement into a similar area, including support for housing and for productive projects to reconstitute their main source of income; (ii) Resettlement into the main towns of the area, including support for agricultural, trading and business services; (iii) direct cash compensation for land acquisition or economic affectation.
- d. EPM, through the local NGO Codesarrollo (today called Socya, a Colombian Corporation), provided support to the resettled families and monitored their socioeconomic conditions and performance.** EPM's 2013 report on the conditions of the displaced families, with Codesarrollo's support, found that: (i) 100% of the beneficiaries of the resettled program received a house, and 89% could keep their economic project reaching incomes 1.7 times higher than the Colombian minimum wage; (ii) 93% of the people resettled into towns could keep their economic projects active; (iii) The quality of life index of people who received cash compensation increased from 48.59 points in 2005 to 73.98 points in 2010, out of a maximum of 100 points.
- e. The Bank supervised the appropriate implementation of the resettlement process, which was found to be in compliance with IDB's resettlement policy (OP-710).** The petitioners approached the IDB team during program execution. The IDB Project Team Leader had a meeting with them on October 25th, 2011, to hear their complaints about the alleged EPM non-compliance with the Environment and Safeguards Compliance Policy (OP-703) and the Operational Policy on Involuntary Resettlement (OP-710). The Project Team Leader redirected the complaints to the EPM Project Implementation Unit (PIU), which according to the Bank's Policy, is responsible for solving this kind of request. On November 1<sup>st</sup>, 2011, an aid memoire with the results of the meeting with the interested individuals was shared with them (CCO-2863/2011) and EPM (CCO-2864/2011); no further request to the team was made by the petitioners or the client. Additionally, after assessing the case, the PIU did not find any issues of non-compliance or any additional reasons that could warrant additional compensation. [REDACTED]

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- ii. One of the petitioners, Nelson de Jesús Guerra, has filed suit against EPM, alleging similar issues to those found in the complaint. The corresponding judiciary process is still open.

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- iii. The petitioners request was filed at the Bank on October 20<sup>th</sup>, 2015, 34 months after the last disbursement for this operation, which was made on December 9<sup>th</sup> 2012.

#### 4. Conclusion

The management considers that **Porce III Hydroelectric Power Plant” (CO-L1005)** complied with all IDB relevant safeguards policies, including the Environment and Safeguards Compliance Policy (OP-703) and the Operational Policy on Involuntary Resettlement (OP-710).