



THE PANGUE COMPLAINT SETTLEMENT AGREEMENT BETWEEN CAO AND UNIMACH

PREAMBLE

This Settlement Agreement is being entered into between the Compliance Advisor/Ombudsman (CAO), the independent recourse mechanism of the International Finance Corporation (IFC) and the Educational Corporation Universidad Mapuche (UNIMACH) in Chile for the purpose of providing a capacity strengthening program to the indigenous Pehuenche communities, whose home is the Bio Bio watershed in southern Chile.

As a result of the Pangué dam flooding 450 hectares of land, and displacing 53 people, a group of indigenous women filed a complaint with the CAO addressing inappropriate and weak social mitigation measures, environmental mitigation and compensation. The CAO has concluded its assessment of the complaint, the IFC is no longer an investor in the project, and the IFC has made public the lessons learned from its involvement in the Pangué dam. The community, through participatory consultation, has requested capacity building training to strengthen itself and provide skills to its members.

The CAO has identified the Educational Corporation Universidad Mapuche (UNIMACH) in Chile, as the best qualified institution for executing the terms of this Settlement Agreement.

The Capacity Strengthening Program is for a 24-month period beginning in January of 2006 and concluding in December 2008.

PARTIES TO THE SETTLEMENT AGREEMENT

The UNIMACH is the party responsible for the delivery of the Capacity Strengthening Program. The CAO will provide funding as described below.

COST OF THE PROGRAM

CAO has undertaken to provide US\$250,000.00. Ten percent (10%) \$25,000 will be disbursed upon the signing of this Settlement Agreement. An additional ten percent (10%)\$25,000 will be disbursed upon satisfactory review by the CAO of the indicators for evaluation within sixty days of the beginning of the Settlement Agreement.

Additional disbursements will be made in accordance with a financial management plan to be submitted to the CAO's office within sixty days from the initiation of the Settlement Agreement.

TERMS OF PERFORMANCE

UNIMACH will conduct a series of programs designed to improve the capacity of the Pehuenche people to be productive, participate in the planned development activities in the region, address public entities with new skills designed to enhance the effectiveness of their participation in the process, and aid in the development of new micro enterprises.

The specific objectives of the project are the following:

1. Reinforce the capacity of analysis, management and implementation of projects, evaluation of self-sustaining initiatives in environmental, eco-tourism, economic productivity, artesanal – cultural projects and indigenous law.
2. Develop the capacity to be fully participative in the following areas as they affect the Pehuenche communities in the Upper Bio Bio; exploitation and management of natural resources, evaluation of environmental impact of the same activities,
3. UNIMACH agrees to provide the CAO representative quarterly reports on the activities of the project, including summaries of the evaluations.
4. CAO, in consultation with UNIMACH, will review implementation of the program annually.
5. Either party may withdraw from this agreement by stating in writing reasons for withdrawal, which will be made public on the CAO and UNIMACH websites.

UNIMACH Representative

CAO Representative

Date

Date