



COMMUNIQUÉ

Audit of IFC's Environmental and Social Performance in relation to Dinant, Honduras

Washington, D.C., February 26, 2013 – The Compliance Advisor Ombudsman (CAO), the independent recourse and accountability mechanism for the International Finance Corporation (IFC), the private sector arm of the World Bank Group, is conducting a compliance audit of IFC's environmental and social performance with regard to its investment in Corporación Dinant, a vertically-integrated palm oil and food company in Honduras.

According to IFC's website (www.ifc.org), IFC provided Dinant with a corporate loan to enable it to develop young palm oil plantations, increase production capacity in its snacks and edible oils divisions, expand and upgrade its distribution network, and build a biogas facility to generate electricity for own and third-party consumption. The total project cost was estimated at US\$75 million, and IFC's proposed investment was a \$30 million loan.

The case was triggered in April 2012 by the CAO Vice President in response to concerns about the project raised by civil society groups and in the media. These focused on violent conflict over land that was ongoing in the Aguan Valley, Honduras.

After a preliminary appraisal of project documentation, CAO concluded in August 2012 that IFC's performance in relation to this project merited further enquiry. Terms of Reference were thus issued with the following scope:

- whether IFC exercised due diligence in its review of the social risks attached to the Project;
- whether IFC responded adequately to the context of intensifying social and political conflict surrounding the Project post commitment; and
- whether IFC policies and procedures provide adequate guidance to staff on how to manage social risks associated with Projects in areas that are subject to conflict or conflict prone.

"A compliance audit assesses the application of relevant environmental and social policies, guidelines, and procedures to determine whether IFC is in compliance" commented Meg Taylor, CAO and Vice-President of the World Bank Group. "The primary focus of the audit is on IFC's performance, but the role of the company may also be considered."

CAO has engaged an independent panel of experts for the purposes of the audit. The panel will convene in Washington, D.C. February 27-March 8, 2013. CAO will release the audit report publicly, together with any formal response by IFC, once cleared by the World Bank Group President.

Full details on the case are available at: www.cao-ombudsman.org

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About the CAO:

The Office of the Compliance Advisor Ombudsman (CAO) is the independent recourse and accountability mechanism of the private sector lending and insurance arms of the World Bank Group—the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). Established in 1999, the CAO reports directly to the President of the World Bank Group. CAO's mandate is to address complaints by people affected by IFC and MIGA projects in a manner that is fair, objective, and constructive with the overall goal of enhancing social and environmental outcomes on the ground and fostering greater public accountability of IFC and MIGA.