

June 6, 2012

Ms. Meg Taylor
Compliance Advisor/Ombudsman
2121 Pennsylvania Ave. NW
Washington, DC 20433

Subject: CAO Assessment Report Regarding Concerns from Labor Unions on IFC's Investment in the Avianca Project (#25899) in Colombia.

Meg

Dear Ms. Taylor,

Thank you for providing us with the Assessment Report regarding concerns of labor unions related to the human resource management of Avianca.

As the CAO may be aware, IFC has continued to actively monitor the project from the time since the loan agreement was signed, prior and after the complaint was received by the CAO's office. In the first and second quarter of 2012, IFC has been actively monitoring compliance with the action plan that was agreed with Avianca in October 2011 and that addresses a number of concerns mentioned in the draft Assessment Report, including the following: (i) increase awareness among the workers of their right to Freedom of Association; (ii) increase alignment of human resources policies and other company policies with PS2; (iii) strengthen grievance mechanism procedures; (iv) strengthen general awareness through training programs for workers, including contractors; and (v) improve internal and external communications.

Avianca is progressing with these action items and is reporting progress to IFC on a regular basis. The next milestone in this process is a third labor audit of Avianca to be conducted by Social Accountability International (SAI) in the third quarter of 2012. Subsequently a labor audit of Taca will be conducted also in the third quarter of 2012. These audits will assess how the implementation of the action plan is being perceived by the workforce and identify any changes from the labor audit conducted in 2010.

Overall, IFC welcomes and agrees with the CAO's conclusions in the draft Assessment Report that in order to move forward the parties have to build mutual confidence and respect. It is clear that the positions of the two parties on the key issues of the complaint are contradictory and are hence challenging to bridge without a mutual basis of trust and respect. IFC therefore applauds that both parties expressed interest in building a foundation for a constructive relationship. This is a key point that IFC will focus on in its ongoing engagement with the client and with the unions.

IFC's team will continue to be available to assist the CAO team for the upcoming Compliance Audit.

Sincerely yours,



Bernard Sheahan
Director

Infrastructure and Natural Resources Department
Africa, Latin America & the Caribbean

cc: Messrs./Mmes. Rashad-Rudolf Kaldany, Gabriel B. Goldschmidt, Luc V. Dejonckheere, William Bulmer, Bilal H. Rahill, Sofie Fleischer Michaelsen, Pablo Cardinale, Maria Victoria Guarin, IFC Files