

4 October 2022

**Joint DEG and FMO Management Response to the Independent Expert Panel's Third Monitoring Report for the Barro Blanco Hydroelectric Project in Panama**

On 4 October 2022, the Independent Expert Panel (IEP) issued its third and final Monitoring Report (Report) for the Barro Blanco Hydroelectric Project; a hydroelectric project more precisely defined in the Report (the "Project"). The Project was developed and built by the Honduran Generadora del Istmo S.A., a company established in 2006 and registered in Panama ("Genisa"). DEG and FMO were lenders to the Project. The Report outlines and reflects (among other things) on the negative impacts of the Project on the affected communities that are, for the most part, not yet mitigated or difficult to address and summarized by the IEP as substantive alteration of the living environment of the affected communities. FMO and DEG regret the negative impacts that the Project has caused for the affected communities and take the recommendations by the IEP very seriously.

The Report (i) includes findings of a monitoring visit in October 2021, (ii) assesses developments and follow-up actions by FMO and DEG with regards to the Project, (iii) addresses certain non-compliances identified in the Compliance Review Report in relation to the Project ([May 2015](#)) and (iv) monitors developments since the publication of the Second Monitoring Report ([November 2017](#)). The IEP concludes that the Project remains in non-compliance status on most issues laid out in the 2015 Compliance Review Report.

Both FMO and DEG as lenders regret the negative impacts that occurred by the construction and operation of the Project. We regret that we have not yet succeeded in helping address these impacts through our safeguard systems and contracts in place or through our efforts over the years to engage multiple actors towards a satisfactory solution. FMO and DEG recognize the substantive alteration of the livelihood and living environment of the affected communities and that no proper solution has been found until now to address these negative impacts. It is the explicit intention of FMO and DEG to help address the outstanding impacts reflected in the Report, notwithstanding that our financing of the Project ended in April 2021, following the repayment by the Project entity Genisa. We have the intention to help alleviate, within a reasonable timeframe, the negative impacts of the Project in cooperation with the affected local communities and in line with the recommendations in the Report. This also includes engaging with the other relevant stakeholders as identified in the Report which is essential for addressing the recommendations by the IEP.

Together with the affected communities, the M10 movement and their advisors - Civil Society Organizations Both Ends and SOMO, we are discussing the establishment of a fund to address the impacts in line with the recommendations in the Report, and we intend to bring this to a successful conclusion.

We want to express our gratitude to the IEP for the thorough process they have undertaken since the complaint was filed and declared admissible in June 2014 until this third and final Monitoring Report. The Project, including the complaints process, has resulted, as reflected in the Report, in several important institutional learnings for both DEG and FMO, and changes in our procedures and operations.

We want to thank the M10 movement for their continued willingness to further engage after the closure of the ICM complaint process.