

***Via Electronic Mail***

Philippe Le Houérou  
Executive Vice President and Chief Executive Officer International Finance Corporation  
2121 Pennsylvania Avenue, NW  
Washington, D.C. 20433

8 July 2020

**Re: IFC-supported financial intermediary Corporacion Interamericana para el Financiamiento de Infraestructura (CIFI) and the Barillas hydro-electric dam in Guatemala**

Dear Mr Le Houérou,

We write to draw your attention to the statement of the People's Assembly of Huehuetenango (ADH), Guatemala, about IFC's response to the Compliance Advisor Ombudsman audit report, released in June 2020.

The CAO's investigation vindicates the communities' concerns about the problems caused by the Barillas project: that they suffered violence, intimidation and repression after this project began, and that significant social impacts remain to this day. The audit shows IFC failed in its duties and obligations to ensure that its investments did no harm, especially in the context of poor and vulnerable communities in a high risk, post-conflict context.

The CAO concludes: *"Though aware of project impacts during the period of financing, IFC did not engage with its client to ensure that residual impacts of the project were assessed, reduced, mitigated, or compensated for, as appropriate, including at project closure, as required by the Performance Standards and the Sustainability Policy."*<sup>1</sup>

*"In these circumstances, contrary to the intent of IFC's Sustainability Policy, adverse impacts have been left to fall on the community."*<sup>2</sup>

In its response to the CAO audit, IFC argues that there is nothing to connect the project and the company building the dam (HSC) with the upsurge in repression and the state of siege declared by the Guatemalan government in May 2012. By denying this link, IFC can wash its hands of any responsibility for the suffering of local communities then and now – and therefore refuse to do anything about it in its Action Plan.

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<sup>1</sup> See P 40 CAO audit report

<sup>2</sup> See P 52 *ibid.*

IFC's response does admit some failures, for example in contextual risk analysis, monitoring of its client, and environmental and social supervision. Its Action Plan offers to address some systemic issues highlighted by the CIFI case: for example, by defining IFC's approach to 'responsible exit,' developing guidance on incident response for FI clients and improvement of Environmental and Social Review Procedures. Such systemic efforts are welcome, as are the many reforms IFC has undertaken to improve its E&S risk management in the 12 years since IFC's investment in CIFI.

However, since IFC denies any link between the project and the intense violence and repression suffered by local communities, it accepts no responsibility and offers no remedy for the harms that occurred and that continue to affect communities today. This despite the findings of a consultant for IFC's own client that firmly links to project to the harms suffered:

*"In response to the incident [of May 2012], the client commissioned its E&S consultant to prepare a review of the project.... The Social Monitoring Report represented an appropriate initial assessment in response to the conflict around the project. It concluded that the development of the project had generated significant negative impacts in the social context of the project area and was potentially non-compliant with Performance Standards requirements for consultation under PS1 and PS7, FPIC requirements under PS7, and requirements for use of security forces under PS4."<sup>3</sup>*

To show that the project is not associated with the violence and repression that was visited on local communities, IFC relies on a report by the United Nations High Commissioner for Human Rights.<sup>4</sup> IFC says several times in its defence: "The United Nations investigations did not identify HSC as responsible for any abuses." And again, "The United Nations review did not identify HSC as a responsible party." However, this United Nations report did not set out to complete an in-depth investigation of the causes of the violence in Barillas; on the contrary, the UN report in fact highlights instances of human rights abuses in Guatemala, including in Barillas, expresses concern over the impacts on indigenous peoples, calls for the actions of non-state actors including companies to be investigated, and appeals to companies to respect the rights of indigenous peoples.<sup>5</sup> By using that report as a means of exculpating HSC and by extension itself, IFC is misrepresenting the UNHCHR's report. Moreover, contradicting itself, IFC also points to the evidence of the Guatemalan Human Rights Ombudsman, saying it "references the HSC project as contributing to the wider conflict in Barillas."

For IFC to deny the connection between the project and the social conflict and repression, to offer no form of remedy whatsoever to the majority indigenous communities of Santa Cruz Barillas, and for it to base this response on misleading evidence, is unacceptable.

The statement from ADH that we enclose here, makes clear that they consider such a response from IFC to the situation, voices and concerns of indigenous peoples to be 'racist' and 'riddled with impunity' in its lack of regard or responsibility for the harms caused.

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<sup>3</sup> See P 4 CAO audit report

<sup>4</sup> Annual report of the United Nations High Commissioner for Human Rights, Addendum Report of the United Nations High Commissioner for Human Rights on the activities of her office in Guatemala (January 7, 2013).

<sup>5</sup> See paras 27, 28 and 50 of the Annual report of the United Nations High Commissioner for Human Rights, *ibid*.

We urge you to take these concerns into account, and to revise IFC's response to show that you are listening and acting.

We look forward to your response,

Best wishes



Kate Geary  
Co-Director, Recourse

Also signed by:

Accountability Counsel

Arab Watch Coalition

Asia Indigenous People's Network on Extractive Industries and Energy

Asociadas por lo Justo Mesoamérica

Both Ends, Netherlands

Bretton Woods Project, UK

Buliisa Initiative for Rural Development Organisation (BIRUDO), Uganda

Centre for Research on Multinational Corporations (SOMO), Netherlands

Corporate Accountability Lab

Environics Trust, India

Friends with Environment in Development, Uganda

Gender Action, United States of America

Green Advocates international, Liberia

Iniciativa Mesoamericana de Mujeres Defensoras de Derechos Humanos

Inclusive Development International

International Accountability Project

International Rivers

Jamaa Resource Initiatives, Kenya

Kapaeeng Foundation, Bangladesh

Oxfam

Social Justice Connection, Canada

The International Network on Displacement and Resettlement

Urgewald, Germany