



Via Electronic Mail

Board of Directors
World Bank Group
1818 H Street, NW Washington DC

10 June 2020

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

Dear Board of Directors:

Further to our [letter](#) to you of October 2019, we wish to draw your attention again to the audit report of the Compliance Advisor Ombudsman (CAO) and IFC response, published today.

We thank you for your interest in this case and urge you to continue to ask questions about the way IFC has responded to the CAO's findings, since we consider this response to be inadequate.

The CAO's investigation vindicates the communities' concerns: that they suffered violence, intimidation and repression after this project began, and that significant social impacts remain to this day. The audit shows the 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."*¹

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

The 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.

¹ See P 40 CAO audit report

² See P 52 *ibid.*

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.

In its response to the CAO audit, the 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.

To show that the project is not associated with the violence and repression that was visited on local communities, the IFC relies on a report by the United Nations High Commissioner for Human Rights.³ 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.⁴ By using that report as a means of exculpating HSC and by extension itself, the IFC is misrepresenting the UNHCHR’s report. Contradicting itself, the 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 the 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. We urge you to raise these concerns with the IFC, demanding a more appropriate response, and to encourage IFC to send a mission to Barillas to offer communities the dignity of listening to them first hand and discuss jointly with them an appropriate solution and remedy to the harms suffered by local communities as a result of the IFC’s investment.

Please find here a [press reaction](#) we published today which includes a statement from community leader Cecilia Merida from the affected community of Santa Cruz Barrillas, Guatemala “We’ve been imprisoned, forced to flee our communities and some of us have lost our lives. We’ve waited five years to hear the result of our complaint. And for what? We are appalled by the IFC’s response. We want justice for our communities and justice for Andrés Francisco Miguel. This isn’t the end of the road for us”.

³ 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).

⁴ See paras 27, 28 and 50 of the Annual report of the United Nations High Commissioner for Human Rights, *ibid*.



With many thanks for your kind attention to this matter,

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Kate Geary
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Recurse

Cc: Philippe Le Houerou, Chief Executive Officer of IFC