

Indigenous victory as development bank withdraws investment and drafts exit plan following rights violation in Guatemala

In a historic advance, the Inter-American Development Bank has designed a responsible exit plan to accompany their divestment from two controversial large dams in the Yichk'isis micro-region of Guatemala. Affected Mayan communities celebrate the decision, a response to their 2018 complaint, while acknowledging that the Bank has several challenges left to confront.

Washington, DC, U.S.A. The Inter-American Development Bank (IDB) announced its decision to withdraw financing from the San Mateo and San Andrés hydroelectric projects, run by the company Energía y Renovación S.A. in the micro-region of Yichk'isis (Ixquisis) in northern Guatemala. The Bank designed a responsible exit and institutional strengthening plan to address the weaknesses the case revealed.

The Bank's decision stems from a complaint affected Mayan communities filed in 2018 before the IDB Group's Independent Consultation and Investigation Mechanism (MICI, for its Spanish initials). In resolving the complaint, the accountability office concluded that IDB Invest failed to comply with the bank's operational policies and safeguards in the framework of project financing, and opened the [possibility of a withdrawal](#) of investment.

"It's an opportunity for the bank to take into account the lessons learned from the case: among them the relevance of understanding the local contexts of projects, the socio-cultural dynamics of the populations that will be directly affected, and the local perspective of development at the local level to determine the viability of the financing," says Liliana Avila, senior attorney of the Human Rights and Environment Program of the Interamerican Association for Environmental Defense (AIDA). "It is also an opportunity for the bank to strengthen the monitoring and supervision of the projects it supports in order to prevent non-compliance."

The divestment was finalized in October 2021, when IDB Invest and Energía y Renovación S.A. signed settlement agreements. Notably, this is the first time that the IDB Group, as a result of a complaint, has drawn up a plan to make its exit responsible.

However, there are still challenges and pending issues that the financial institution must address in the process of exiting hydroelectric projects.

"In order to prepare the responsible exit plan, IDB Invest must carry out consultation processes with the affected communities, which will largely define the plan's capacity to effectively address and offer viable solutions to the damages recognized in the MICI report, such as the increase in conflict, the lack of knowledge of the existence of indigenous peoples and their rights, the effects on ancestral cultural heritage, the differentiated impacts on women and the lack of prevention and consequent environmental degradation," said Carolina Juaneda, of the Bank

Information Center. "If these issues are not addressed and included in the responsible exit plan, all this effort will not have been worthwhile since, ultimately, it will not lead to any improvement or reconstitution of living conditions for the affected people and the environment."

The action plan proposed by the entity establishes that IDB Invest will create a transition plan translated into the native languages of the affected communities, as well as a gender-differentiated impact assessment, and an investment to promote financial inclusion and women's empowerment in the area.

In addition, the plan contains actions to address MICI's recommendations for structural changes at the institutional level. In this regard, the bank plans to strengthen the environmental and social safeguards unit of IDB Invest in the area of indigenous peoples, as well as to establish a zero tolerance policy for gender-based violence, which will be included in the contractual conditions of operations approved by the bank.

Existing protocols will include tools to follow up on acts of violence associated with projects financed by IDB Invest. Regarding the categorization of projects, an update will be made so that the internal supervision classification will be modified to a higher one when circumstances are identified that raise the risks and impacts of a project after its financing was approved.

"The bank's responsibility in the investment process and in the non-compliance with its social and environmental safeguards is evident; therefore, it must promote during the exit process the effectiveness of the actions in a participatory manner, free of manipulation and in an inclusive manner with the community to reduce the risks of re-victimization and violation of the affected population," indicates Mara Bocaletti, Director of the International Platform against Impunity. "This experience is a first step to maximize the benefits in the territories so as to make amends for the damage caused."

The communities submitted their complaint to MICI in August 2018 with the accompaniment of AIDA, the International Platform against Impunity and the Plurinational Ancestral Government of the Akateko, Chuj, Q'anjob'al and Popti' Native Nations. In it, they requested that IDB Invest withdraw its investment due to the damage that the implementation of the projects has caused to the environment, indigenous peoples and women of Ixquisis.

In September 2021, the IDB Group Board of Directors approved the MICI report, which concluded that IDB Invest failed to comply with its own operational policies and safeguards for at least five reasons: 1) validating an inadequate characterization of the affected population, which denied the existence of indigenous peoples; 2) failing to verify the completion of an identification of gender-differentiated impacts on women; 3) failing to ensure that the client made an adequate identification and management of environmental impacts; 4) failing to ensure that the communities

were properly informed and consulted; and 5) failing to carry out adequate monitoring of local conflict risks that could be generated in the area because of the projects.

"The MICI report confirms that IDB Invest failed to comply with its policies, generating adverse impacts on the lives of the communities. The company Energía y Renovación did not act with due diligence in the framework of its operations and, on the contrary, has implemented strategies contrary to the respect of human rights. Currently, several indigenous authorities and human rights defenders are criminalized, making undeniable the continued risk for the communities," says Rigoberto Juárez, General Coordinator of the Plurinational Ancestral Government. "Given this evidence, it's important that IDB Invest guarantee actions aimed at repairing the damages caused to the communities in the framework of the financing of these projects, and more strongly recognize its responsibility."