

World Bank Linked To Brutal Repression By African Palm Producers In Honduras

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World Bank's Lending Arm Linked To Deadly Honduras Conflict

By [Kate Woodsome](#), 01/10/2014

http://www.huffingtonpost.com/2014/01/10/world-bank-honduras_n_4577861.html?utm_hp_ref=fb&src=sp&comm_ref=false#sb=3050522b=facebook

The World Bank's private lending arm failed to apply its own ethical standards in disbursing millions of dollars to a palm oil company accused of turning a region of Honduras into a war zone, according to an internal bank investigation.

The [audit](#), released Friday by the World Bank's Office of the Compliance Advisor Ombudsman, says IFC staff underestimated the social and environmental risks related to the security and land conflict associated with its investment in palm oil giant Corporacion Dinant.

The audit and the bank's response to it are a major test of World Bank President Jim Kim's pledge to [learn from mistakes](#) made in the multi-billion dollar business of providing loans and risk guarantees for IFC private sector projects.

The CAO investigation found the IFC disbursed \$15 million to Dinant in November 2009, even though the client was in "apparent non-

compliance with its [environmental and social] undertakings in a risk environment that had deteriorated significantly since appraisal a year earlier.”

That “risk environment” involved the killing, kidnapping and forced eviction of farmers, journalists and lawyers in Honduras’ northern Aguan Valley. Washington-based [Rights Action](#) and other advocacy groups accuse Dinant, owned by powerful businessman Miguel Facusse, of turning the area into a war zone. The CAO cites allegations that 102 members of subsistence farming associations in the Aguán Valley have been murdered in the last four years. Forty of the deaths were associated with Dinant property or its security guards. Dinant [denies wrongdoing](#) and says its staff are the victim of attacks by armed farmers.

The deteriorating risk environment noted by the CAO was caused in large part by the July 2009 overthrow of Manuel Zelaya, the left-leaning president who visited the Aguan Valley promising land reforms just days before his ouster. Subsistence farmers, without a political ally, took matters into their own hands in December 2009, illegally occupying land owned by Facusse that they say was wrongfully taken from them.

Dinant spokesman Roger Pineda denies Facusse, the uncle of a former president and one of the richest, most powerful men in Honduras, was knowingly involved in the political upheaval. [U.S. diplomatic cables](#), released by WikiLeaks, say Facusse backed the coup and that his plane was used to fly Zelaya’s foreign minister out of Honduras.

Pineda also denies Facusse was involved in drug trafficking. An estimated 87 percent of all cocaine smuggling flights leaving South America first land in Honduras, according to the [U.S. State Department](#). Accusations that Facusse’s plantations have been used to land drug-laden planes appeared in another set of U.S. [cables](#).

The World Bank's internal investigation found the IFC "was or should have been aware of a series of public allegations and negative perceptions in relation to its client." As a result, the independent watchdog found the IFC failed to comply with its own integrity due diligence process.

In other words, the IFC was ignoring evidence that its client was involved in a deadly land conflict that has terrorized the people of the Aguan Valley, according to David Pred, executive director of Inclusive Development International, which is following the case closely.

"You've got credible evidence that IFC's client was complicit in forced evictions, drug trafficking, and dozens of killings and was likely an accomplice to the overthrow of a democratically elected government, and there are zero consequences. It really makes you wonder what kind of crimes a company needs to commit before IFC will cut off its support," Pred said in an email.

The IFC's [response to the audit](#) said when it appraised the palm oil project in 2008, it thought the risks were "manageable." It also said there was no evidence of land claims in the legal system at the time. The IFC said the political turmoil following the 2009 coup "undermined law and order, exacerbating the trafficking of drugs and arms in the area," but that was no reason to pull out. "IFC chose to remain engaged and work with Dinant to deal with the significantly changed circumstances on the ground and to improve its policies and practices, particularly in security and community engagement in an effort to address the more volatile security environment," the global lending agency said.

The IFC does not acknowledge any wrongdoing by its client. However, it says it is supporting Dinant to implement a massive security review, including a new policy on when the use of force is appropriate. It's also supporting Dinant to work with local authorities to investigate alleged crimes and undertake more comprehensive vetting of security personnel.

Pred said the IFC's response makes a mockery of World Bank President Kim's commitment to ensure the IFC will "[address the issues identified in CAO's reports.](#)"

"Promising that its client will collaborate with local authorities to investigate crimes that the authorities are themselves complicit in is hardly an adequate response," Pred said.

Honduras, a country of just eight million people, has [the highest homicide rate](#) per capita in the world, according to the U.N. Office on Drugs and Crime. Deadly land conflicts, drug trafficking, gang violence and political unrest have created the perfect storm. And Honduras' north coast, where Dinant's private security forces operate alongside government military and police, is considered one of the most violent areas of the country.

The troubles date back to the 1970s, when agrarian land reform handed indigenous-occupied land to farmer cooperatives in the Aguan Valley. Neoliberal reforms 20 years later saw the land transferred and sold to wealthy elite, including Facusse, whose 22,000 acres of land are now growing Honduras' most lucrative crop. His African palm oil is used in food, biofuel and as a bargaining chip on the carbon credit market.

Although the IFC is defending its due diligence regarding Dinant, the institution took measures indicating it wasn't comfortable with the circumstances of its investment. It [halted](#) the second half of a \$30 million loan to Dinant in mid-2010, following [human rights complaints](#). It also called on Facusse to practice restraint in the land conflicts, according to the CAO.

Despite that, the IFC called Facusse a "very respected businessman" and later approved a \$70 million investment in one of Dinant's biggest lenders, Banco Financiera Comercial Hondurena (Ficohsa). That gave the IFC a 10 percent stake in Ficohsa and deepened its involvement with Dinant.

Peter Chowla, coordinator of the UK-based Bretton Woods Project, which monitors World Bank projects, called the IFC's investment in Ficohsa "wildly irresponsible," considering the Honduran bank's connection to the troubled palm oil company. "Some of the most damaging findings from this case are yet to come," Chowla said.

The World Bank's internal watchdog is conducting a second investigation into the IFC's investment in the Honduran bank, and its "[significant exposure to Dinant](#) and other potentially high-risk sectors and projects." The CAO says its investigation should be completed in June.

[Kate Woodsome covers international news from Washington, DC, where she landed after spending a decade reporting in Cuba, Cambodia, Hong Kong and beyond. Al Jazeera English, APM's Marketplace, NPR, Voice of America and others have featured her work. CORRECTION: An earlier version of this story misstated the size of Facusse's land holdings. He owns 22,000 acres, not 22 acres.]

World Bank Is Criticized for Honduran Loan

By Elisabeth Malkin, Jan.10, 2014

http://www.nytimes.com/2014/01/11/world/americas/world-bank-is-criticized-for-honduran-loan.html?smid=fb-share&_r=0

MEXICO CITY — The [World Bank](#) ombudsman issued a stinging critique Friday of the bank's private-sector arm over a loan to a Honduran palm-oil company engaged in a violent conflict with farm workers over land tenure.

[The study](#) concluded that the [International Finance Corporation](#), which lends to companies in developing countries, failed to follow its own requirements when it first approved the 2009 loan to Corporación Dinant, and that its supervision afterward was inadequate.

The lush Bajo Aguán Valley, where [a land dispute](#) boiled over after [a 2009 coup](#), and where Dinant is the largest single landowner, is a microcosm of many of the problems facing [Honduras](#), one of the poorest and most violent countries in the hemisphere. The vast gap between rich and poor drives continuing social conflict, and because the rule of law is so weak, impunity flourishes.

Since 2009, almost 100 people had been killed in Bajo Aguán, the country's human rights commissioner, Ramón Custodio, said in June. Most of them were farm workers, although some Dinant security guards were also among the dead. The killings occurred in a climate of violence "practiced by all parties and tolerated by different authorities," according to the commissioner's office.

Antonio Trejo, the lawyer for one of the main groups of workers, [was killed in 2012](#). His brother was killed the following year after complaining that the slaying had not been investigated.

"We practically have a war of psychological operations against peasants," said Juan Almendarez, director of [Friends of the Earth Honduras](#), one of the groups that requested the audit.

In a statement Friday, Dinant said it would defend its reputation against "unfounded comments" in the report, and pointed to a series of actions it was taking to improve its social and environmental standards, with the International Finance Corporation as a "strategic partner."

The corporation had agreed to lend the company \$30 million to expand its oil-palm plantations and snack-food business. It disbursed \$15 million in 2009; the rest has yet to be paid out.

In its response to the audit, the corporation defended its approval of the project, noting "there was no evidence of land claims in the legal system or otherwise," even though the audit found a series of public references to the conflicts in Bajo Aguán.

As turmoil spread in the region, the corporation “chose to remain engaged and work with Dinant” to improve its policies “particularly in security and community engagement,” according to a letter signed by Oscar Chemerinski and Morgan Landy, directors of two departments in the corporation with responsibility for the project.

Dinant agreed to hand over almost 10,000 acres to the Honduran government in 2012 as part of a plan to redistribute land to farm workers. But putting the plan into practice has been difficult, said Yoni Rivas Baire, a leader of the farm workers, because of disputes over the land’s value.

The nongovernmental groups that requested the audit said the World Bank’s president should withhold further financing to Dinant and press it more on human rights and land issues.

Activists Accuse World Bank Of Deadly Dealings In Honduras

Kate Woodsome, January 4, 2014

<http://www.globalpost.com/dispatch/news/regions/americas/140103/world-bank-honduras-dinant-african-palm?page=0,0>

WASHINGTON — A recent political coup. Drug trafficking. One of the world’s highest murder rates. With attributes like those, Honduras may not sound like an easy sell for international investment.

But that hasn’t dissuaded the World Bank, whose mission is to encourage development in the countries that need it most.

The bank’s private lending arm, the International Finance Corporation, is spearheading several multimillion-dollar projects in Honduras, one of the poorest countries in the Americas. However, some are questioning whether the money is doing more harm than good.

Human rights groups accuse the IFC of ignoring warnings that its funding for the Honduran palm oil industry is helping fuel a deadly land conflict that's turning the fertile Aguan Valley near the country's northern coast into a virtual military zone.

Farmworkers say they've been forced off land that's mostly taken up by oil palm tree plantations. The controversy is casting doubts about whether the bank and its 182 member countries can respect their own code of ethics while doing business in politically unstable, corrupt societies.

Concerns about the social and environmental impacts of the IFC's investment in Honduras have triggered an internal investigation that activists are anxiously awaiting.

"It's going to be very sensitive," says Peter Chowla, coordinator of the London-based Bretton Woods Project, which monitors World Bank projects. "We're talking probably explosive findings of the IFC's continuing support after they knew death squads were operating in the region."

Hondurans describe a state of terror in the Aguan Valley, according to [testimony](#) recorded by Rights Action, the International Federation for Human Rights and other advocacy groups. They say police, military and landowners' security forces are working together to blockade roads, burn farmers' homes and hunt down, torture and murder land activists, lawyers and journalists.

At least 92 people have been killed in land disputes in the Aguan Valley between 2009 and 2012, most of them land activists, according to the country's human rights commissioner.

At the heart of the issue is the IFC's client, Corporacion Dinant, an African palm oil and food giant run by one of Honduras's most powerful men, Miguel Facusse.

Although Facusse says he's committed to the community's welfare, human rights groups accuse the 89-year-old and his security forces of possible crimes against humanity related to the killing, kidnapping

and forced eviction of farmers in one of Central America's bloodiest recent agricultural conflicts.

Some of the allegations came in a submission to the [International Criminal Court](#).

Dinant spokesman Roger Pineda rejected accusations the company's security forces have been involved in violence against anyone claiming rights to Facusse's property.

"The most common incidents in which violence have taken place have always been against our security personnel during the trespassing events against our properties by the invaders that always carried heavy weapons such as AK-47s to perform the illegal invasions," he said.

But [Rights Action](#) co-director Annie Bird — who wrote the original report raising concerns to the World Bank — says landowners' private security forces, military and police on Honduras's Caribbean coast have "completely militarized" the area where Dinant operates. "It's basically like a war zone," she says. "And there's an absolutely non-functional justice system."

World Bank President Jim Yong Kim recently acknowledged the concerns in a [rare statement](#) that pledged an action plan to respond to the findings of the internal investigation. However, he was short on specifics and did not say when the audit would be published.

The audit has been in the works since April 2012, when the World Bank's internal watchdog, the Office of the Compliance Advisor Ombudsman, said it would look into whether the IFC's funding had negative social or environmental impacts on and around Dinant's plantations.

The [resulting inquiry](#) revealed the IFC was involved in an elaborate funding program that kept millions pouring into Dinant even after the bank registered concerns about the violent land conflicts.

Internal IFC documents quoted in the watchdog report show the IFC characterized Facusse in July 2010 as a “very respected businessman” and said nothing about the violent land conflict.

Nevertheless, the IFC held back the second half of a \$30 million loan to Dinant in mid-2010 following violent clashes over land in the Aguan Valley.

In December 2010, the IFC urged Facusse to use restraint after the Washington-based group Right Action sent a letter to the World Bank calling the situation a “human rights disaster” and accusing the financial institution of “gross negligence.”

But that didn't stop the IFC from approving a \$70 million investment in one of Dinant's major lenders, Banco Financiera Comercial Hondurena (Ficohsa), the following May. It gave the IFC a 10 percent stake in Ficohsa — increasing the IFC's exposure to Dinant — and enabled the Honduran bank to loan millions more to the troubled palm oil company.

Those circumstances triggered calls for a second investigation the CAO has promised will examine “[Ficohsa's significant exposure to Dinant](#) and other potentially high-risk sectors and projects.”

The crisis stretches back to the 1970s, when the government distributed land occupied by indigenous people to farmer cooperatives. After the cooperatives went bankrupt, the government and the cooperatives sold much of the land to a few rich Hondurans, including Facusse, in the 1990s.

The US-educated son of Catholic Palestinian immigrants and uncle of a former Honduran president, Facusse evicted the farmers and indigenous community using private security forces with the help of the military and police.

The land conflicts worsened after a July 2009 coup d'etat overthrew the left-leaning President Manuel Zelaya. He was forced out of Honduras days after visiting the Aguan Valley, scuttling a controversial land-reform effort that rural farmers had celebrated but the country's economic and political elites opposed.

Confidential [US diplomatic cables](#) released by WikiLeaks indicate the coup was backed by powerful figures including Facusse, whose [plane](#) transported Zelaya's foreign minister out of the country.

Dinant spokesman Pineda said Facusse didn't know about the plane's use during the coup until the following day. He said the pilot, summoned by the air force, "did not use his best judgment and should not have participated in such acts."

Pineda also rejected as baseless allegations that Facusse's landing strips were used to [transfer drugs](#).

The IFC's critics say problems often arise because more than half of its global lending portfolio is handled through financial intermediaries. The "hands-off lending" creates problems because the IFC "doesn't have a clue" about what happens to its money, Chowla says. "There's very little transparency on the side of the financial institutions in what they're investing in," he said in an interview. "Taxpayer money from around the world is financing what ends up in many cases with negative results."

The World Bank has declined to comment on what ethical standards the IFC has applied to its investments in Honduras until the internal investigation into Dinant is published. However, an IFC spokesman admitted the group is concerned about the land disputes.

"We have been in close contact with Dinant since 2010, when the land occupations began, and have worked with the company to improve its policies and practices, particularly in security and community engagement, in an effort to address the more volatile

security environment," the spokesman, who asked not to be named, said in an email.

Regarding Ficohsa, the spokesman said the IFC has supported the Honduran bank since 2008 in order to help expand its lending to small- and medium-sized enterprises.

"Our work through financial intermediaries provides much-needed access to finance for millions of individuals that we would never be able to reach directly," the spokesman said.

Although human rights groups suggest World Bank and IFC officials have lost their moral compass in Honduras and other developing countries, insiders say the issue is more complicated because it's far from clear what actions to take in corrupt societies.

Katherine Marshall, who worked on international development for the World Bank for 35 years, says it operates on the assumption that it's possible to make changes from within institutions.

"There's a whole level of cocktail party discussions about who's corrupt and who's taking payments," she says. "But if you don't have evidence, it's difficult to operate on that if you're an external partner."

Now a senior fellow at Georgetown University's Berkley Center for Religion, Peace and World Affairs, Marshall says international finance groups must weigh the costs and benefits of taking on each client.

"You don't want to be naive and stupid, but if you're involved in these countries," she says, "you're missing a major point if you're not ready to have a discussion about the dark side."

Last December, World Bank director Kim said the agency plans to hire more rule of law experts to fight corruption in international development. "You have a cancer and you have to treat it," he

said. "And by the way, we know it's treatable. If you don't treat it, it's malpractice on our part."

But Rights Action's Bird says the Aguan Valley's farmers are tired of such abstract talk. They want the IFC to stop funding Dinant directly and indirectly. "If international investors were held responsible for the consequences of their investments," she says, "it would go a long way in putting a rein on some of the abuses."

What to do?

In Honduras, Repression, Violence, Impunity And Corruption Are Policy

Americans / Canadians:

Keep on, keep on, keep on ... sending copies of this information, and your own letters, to your politicians (MPs, Congress members and Senators) and your own media. Since the June 2009 military coup, that ousted the last democratically elected government, Honduras has become the 'Murder Capital of the world'; repression has reached the levels of the worst years of the 1980s.

Since 2009, the U.S. and Canadian governments have legitimized a succession of illegitimate post-coup regimes. North American companies and investors, and "development" banks (World Bank, Inter-American Development Bank) have increased business activities in African palm, sweatshops, "model cities", tourism and mining.

The Honduran regime remains in power due in large part to its political, economic and military relations with the U.S. and Canada and the "development" banks. Across Honduras, community based organizations in the pro-democracy movement need considerably more human rights accompaniment, funding, media attention on

the harms and violations and education and activism in Canada and the U.S.

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To support this community-based work, make check payable to "Rights Action" and mail to:

- United States: Box 50887, Washington DC, 20091-0887
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