

World Bank Loan To Honduran Bank Comes Under Scrutiny Criticism of multimillion-dollar loan to private sector comes after internal bank report censured funding of another Honduran firm

by Claire Provost, the guardian, 1 May 2014

<http://www.theguardian.com/global-development/2014/may/01/world-bank-loan-honduras>

The [World Bank](#)'s commitment to change its lending practices to the [private sector](#) has been called into question by campaigners over a proposed multimillion-dollar loan to a Honduran commercial bank. It comes months after a damning internal investigation into the bank's dealings with a palm oil company in the country.

In January, the bank's internal [auditor said](#) its private sector lending arm, the International Finance Corporation (IFC), failed to comply with its own policies and ethical standards when it loaned millions of dollars to Dinant, a Honduran palm oil company with alleged links to assassinations and forced evictions.

The bank's compliance adviser/ombudsman (CAO) said staff had been, in effect, encouraged "to overlook, fail to articulate, or even conceal potential environmental, social and conflict risk".

After a relatively unapologetic initial response, the IFC, which lends to companies in developing countries, acknowledged there had been "shortcomings" in how it had implemented its policies. [It said](#) it would not disburse further funding to Dinant until the company strengthened its environmental and social standards and reviewed its security practices. It also accepted that it must look in greater detail at the wider context of its investments.

Campaigners say a proposed \$15m (£9m) loan to commercial bank Davivienda in [Honduras](#) suggests the IFC has not learned its lessons from the Dinant affair. Twenty-eight international and Honduran NGOs and civil society groups have written to the World Bank's board expressing concerns over the proposed

investment, which has been classified by the lender as "medium risk", despite admissions that potential impacts could include child labour and land disputes.

"Given the highly sensitive context in the wake of IFC's Dinant investment, the risk of human rights violations and the history of land conflicts in Honduras, we find it disturbing that this project is not classified as high risk," says the letter, whose signatories include Oxfam, ActionAid, Madre Tierra and Eurodad (European Network on Debt and Development). "This loan proposal provides a test case for the IFC to demonstrate that it is learning lessons from the Dinant experience."

The organisations point to IFC project documents that list, as potential risks associated with the investment, pollution, child labour, land disputes, and impacts on indigenous and other vulnerable communities.

They say the lender should fully investigate and disclose whether there are any links between Davivienda and Dinant, noting that the CAO is investigating another Honduran bank and its relationship with the agribusiness giant.

Dinant is the largest landowner in the Bajo Aguán valley, where it has been accused of links to assassinations and forced evictions. The CAO cites allegations that 102 members of peasant associations in the Bajo Aguán have been murdered in the past five years. Dinant has repeatedly denied any connection to the killings.

The CAO is [investigating](#) IFC lending to Banco Ficohsa in Honduras, through which it may have had significant exposure to Dinant as the company is one of Ficohsa's biggest borrowers. The CAO is expected to issue its report this year.

Peter Chowla, of the London-based Bretton Woods Project, said the IFC seemed to be ignoring reports from auditors and NGOs that the organisation was "systematically flawed with an institutional culture that ignores environmental and social risks".

"The IFC's systemic failures are leading to people losing their lands and livelihoods all over the world. Claims that these are isolated incidents are attempts at wilful blindness to the realities of an organisation that fundamentally is not compliant with its mandate of poverty reduction," he added.

Serene Jweied, a spokeswoman for the IFC, said: "The proposed \$15m loan to Davivienda in Honduras is focused on providing much-needed access to finance for small and medium enterprises and will not be used to support large, high-risk operations. IFC is disclosing the environmental and social risks relevant in the country context, even though risks associated with this investment are limited.

"The risk categorisation is fully consistent with our policy. We remain committed to making a difference in one of the poorest countries in Latin America, while continually improving our practice based on lessons learned and an ongoing dialogue with stakeholders."

What to do?

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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