

# MICI investigation on the Generadora San Mateo and Generadora San Andrés projects (Guatemala)

## KEY FACTS

### The projects

The *Generadora San Mateo* and *Generadora San Andrés* projects involve the construction of two run-of-river hydroelectric plants and a transmission line in San Mateo Ixtatán (department of Huehuetenango) in northern Guatemala.

In 2013, construction work began on the hydroelectric plants, transmission line and substations. The construction of the hydroelectric plants was paralyzed in 2017 and the transmission line stopped in 2018.

### The context

The population of the area, of mainly rural and indigenous origin, registers high rates of poverty and marginalization. Violence, the armed conflict, and criminal organizations dedicated to smuggling and illegal trafficking of immigrants have affected for decades the social fabric and generated great distrust in the security forces of the state.

### Case management by MICI

In August 2018, community authorities and individuals from the Ixquisis (or Yich K'isis) microregion, belonging to the Maya Chuj and Maya Q'anjob'al indigenous peoples, from five communities in San Mateo Ixtatán filed a complaint with the MICI related to the environmental and social impacts of the projects and potential noncompliance with IDB Invest's due diligence and oversight obligations. The communities, represented by the Plurinational Government, Q'anjob'al, Popti, Chuj, Akateko and Mestizo, have the support of the Inter-American Association for the Defense of the Environment (AIDA) and the International Platform against Impunity.

Following the registration and eligibility review process of the complaint, in June 2019 Board of Executive Directors of the IIC (IDB Invest) approved a Compliance Review. After several extensions for the investigation, in July 2021 MICI submitted to the Board the result of the investigation and its 29 recommendations for consideration.

## THE PROJECTS

Country: **Guatemala**

Sector: **Energy**

Project number: **GU3794A-01** and **GU3798A-01**

IDB Invest financing: USD **7,000,000** and USD **6,000,000**

Environmental category: **B**

Type of Project: **Loan operation**

## THE COMPLAINT

Date received by MICI: **August 6, 2018**

Public Registry: **MICI-CII-GU-2018-0136**

# A THOROUGH INVESTIGATION

## The investigation, in figures

- Analyzed more than 750 documents related to the projects
- 470 people interviewed
- 70 meetings in Guatemala City, Huehuetenango, and Barillas, as well as in the communities of Ixquisis, Yulchén Frontera, and Bella Linda



Download the investigation report.

1

### Indigenous peoples

Despite the extensive information that points to the indigenous identity of the majority of the population in the area, IDB Invest validated inadequate characterization of the directly affected population, and therefore the safeguards for indigenous peoples were not activated.

2

### Gender

IDB Invest did not ensure that the potential gender-differentiated impacts on women and girls in the area were assessed, despite indications of possible differentiated or aggravated impacts by their traditional practices. Nor did it ensure that there was an equitable participation of women in the projects or that the risk of gender-based violence that could be generated by the migration of workers and the installation of new police and army detachments was addressed until 2019.

3

### Community engagement and disclosure

IDB Invest failed to ensure that the consultations conducted with affected communities were truly meaningful, participatory, and representative of all stakeholders. However, it did comply its obligation to publish the required information on its website and some environmental impact studies of the projects.

#### 4 **Conflict and violence**

Projects are developed in a complex context, in which multiple underlying causes of conflict interact, and polarization with respect to projects has affected social cohesion within communities. In this context, IDB Invest's review of the risk of social conflict has been insufficient and incomplete and has focused mainly on the risks that social conflicts could pose to projects, and not on the risks that projects could generate for communities. Multiple gaps in compliance with security safeguards identified in 2015 have not been corrected, and IDB Invest did not adequately assess the capacity to manage social risks.

#### 5 **Cultural heritage**

IDB Invest demanded actions to protect and conserve the archaeological site of Ixquisis, in compliance with the Sustainability and Cultural Heritage Policy, but did not request that local and indigenous communities be consulted on the value that this heritage has for them.

#### 6 **Environmental impacts**

IDB Invest adequately monitored the measures related to pollutants and sediments entrainment; but it did not do the same with water quality control monitoring. Nor did it ensure that an adequate assessment of impacts on ecosystem services or appropriate identification of critical natural habitats and internationally recognized areas present in the area was carried out.

#### 7 **Cumulative impacts**

IDB Invest did not ensure that the projects had a cumulative impact assessment due to the presence of other projects in the area.

#### 8 **Environmental and social categorization**

IDB Invest attributed category "B" to these projects that presented potential risks or impacts that were more important and typical of a category "A".

# RECOMMENDATIONS

The Executive Board approved the 29 recommendations made by MICI, both for these projects specifically and to prevent noncompliance from occurring again in other operations. MICI will monitor the action plan that IDB Invest will prepare to implement these recommendations.

## **18 recommendations to redirect projects to compliance**

The first group of measures includes actions such as raising a social baseline, which includes indigenous characterization of the affected communities; conducting a gender-differentiated impact assessment; carrying out a meaningful consultation process with all the communities in the area of influence of the projects; and dispatching a monitoring team of the Voluntary Principles of Security and Human Rights (VPSHR) before the restart of construction activities and advise projects on relation and communication with opposition groups, among others. In addition, IDB Invest must ensure that construction activities are not restarted until the requirements established in 2020 regarding water quality control, ecosystem services, and critical habitats are met. MICI also urges that these two projects be supervised under the requirements of category A projects (higher level of risk due to social and environmental impacts).

## **10 recommendations for IDB Invest's institutional improvement**

Recommendations aimed at strengthening IDB Invest's system of environmental and social safeguards include tools to Strengthen the capacities of its specialists on the area of indigenous peoples; regarding the requirements of gender safeguards; and on situations of insecurity, social conflicts, and violence, among others. For example, developing a training program on IDB Invest's note Addressing the Risks of Retaliation Against Projects Stakeholder.

## Responsible exit from the projects

This is the first case managed by the MICI in which a recommendation has been included, and approved by the Board, to ensure a responsible exit from operations, in the event that IDB Invest wants, by business decision, to withdraw from the projects. In such a case, IDB Invest should prepare, in consultation with the communities, a transition plan guided by the principles of no harm, transparency and accountability. MICI recommendation details eight aspects that, as a minimum, that transition plan should incorporate.