

July 7, 2020

Linda Broekhuizen
Chief Investment Officer
Fatoumata Bouaré
Chief Risk & Finance Officer
FMO – Netherlands Development Finance Corporation
Anna van Saksenlaan 71
2593 HW Den Haag, Netherlands

RE: Public letter to urge FMO not to provide a new loan to Financiera Comercial SA. FICOHSA.

Dear Ms. Broekhuizen and Ms. Bouaré,

On June 9, 2020, the FMO disclosed an ex-ante investment for Banco Financiera Comercial Hondurena, S.A. (FICOHSA) of Honduras¹. We, the undersigning organizations, are writing you to urge you not to approve the FMO loan to FICOHSA.

Far from contributing to the development that the people of Honduras need, by providing a loan to FICOHSA the FMO would instead be providing support to the network of politically influential businesses involved in corruption scandals and violence that form part of FICOHSA's investment portfolio. There are ways of spurring development that is very much needed in Honduras, such as support for indigenous community development models that exist abundantly throughout the country.

FICOHSA is part of a powerful investment and business network² operating in Honduras that promotes economic policies and political agendas that negatively affect most Hondurans. FICOHSA's president, Camilo Atala Faraj, is one of the wealthiest men in Honduras, his name appeared on the Bloomberg billionaire list in 2015. Most of the wealthiest Honduran business families, of which the Atala family is part, in Honduras are believed to misuse their influence in government agencies, the military, paramilitary structures, the media and service providing companies to increase their own wealth. The existence and practices of the abusive and often criminal networks through which these powerful families operate have been widely documented^{3 4 5 6}. The families in these networks are the main beneficiaries of privatization policies implemented by the Honduran government, whereas the vast majority of the Honduran population face the growing hardships of extreme poverty, lack of healthcare and education, and widespread violation of human rights. As Sandra Chayes, the author of the report 'When

¹ <https://www.fmo.nl/project-detail/58148>

² https://carnegieendowment.org/files/Chayes_Corruption_Final_updated.pdf

³ https://carnegieendowment.org/files/Chayes_Corruption_Final_updated.pdf

⁴ <https://www.globalwitness.org/en/countries/honduras/>

⁵ <https://www.meneame.net/story/conozca-diez-familias-financiaron-golpe-estado-honduras>

⁶ https://fpif.org/behind_the_honduran_coup/

corruption is the operating system'⁷ writes: *'The kleptocracy benefits from significant external reinforcement, witting or unwitting, including not just military assistance, but much international development financing'* (p. 2).

For example, FICOHSA has long been under scrutiny for its finance of the Dinant corporation. Dinant is a palm-oil company operating on the Caribbean coast in Honduras which has employed private security forces that have been credibly implicated in acts of extreme violence including killings. Dinant itself has been accused of promoting violent paramilitary groups, benefiting from fraudulent land acquisitions⁸ and hosting drug trafficking operations on its farms. So grave are the concerns that the CAO Vice President of the World Bank took the unprecedented step of requesting that the Cao conduct an audit of the International Finance Corporation (IFC)'s direct investment in Dinant, and then second audit of the IFC's investment in FICOHSA, which, as an IFC financial intermediary, also facilitated financing to Dinant. In the FICOHSA audit the CAO documented FICOHSA's noncompliance with IFC's performance standards⁹. In 2017 communities, together with Earth Rights International, presented a civil suit in U.S. courts against the World Bank for negligence and unjust enrichment claims in relation to the IFC's investments in Dinant, both directly and through FICOHSA. On February 27, 2019 the United States Supreme Court ruled that the IFC does not enjoy sovereign immunity for commercial activities, allowing the lawsuit to proceed. Dinant has been one of FICOHSA's biggest clients.

Evidence from the trial against Douglas Bustillo, Sergio Rodríguez, Mariano Díaz, Henry Hernández and others as the material authors of the assassination of Berta Cáceres¹⁰ is reviewed in a report by a coalition of human rights organizations¹¹. This evidence revealed FICOHSA provided funding to DESA company shareholders which was used in the development and building of the Agua Zarca project. This Agua Zarca project was developed in violation of the right to prior consultation for indigenous peoples, for which four public officials have been criminally prosecuted. In addition, 16 public officials are currently on trial for fraudulently approving licenses and permits to DESA for the development of this project.

At least six people have been killed because of this project, including Berta Cáceres and five members of the community of Lenca community Rio Blanco.

Mr. José Eduardo Atala, a board member of the Las Jacarandas corporation and the biggest shareholder of DESA company, is a cousin of Mr. Camilo Atala Faraj. His son, Daniel Atala, is DESA's financial manager. Messages exchanged in 2014 between DESA president David Castillo, currently in prison due its involvement in the murder of Berta Cáceres, and Daniel Atala indicate FICOHSA financing went to DESA.¹² Although FICOHSA has denied any stake in the Agua Zarca project¹³, to date they have failed to provide any documentation proving otherwise. Mr.

⁷ https://carnegieendowment.org/files/Chayes_Corruption_Final_updated.pdf

⁸ <https://www.theguardian.com/global-development/2017/mar/08/farmers-sue-world-bank-lending-arm-ifc-over-alleged-violence-in-honduras>

⁹ http://www.cao-ombudsman.org/cases/case_detail.aspx?id=209

¹⁰ Court of Judgment in Criminal Matters National Jurisdiction, Chamber 1, Judicial file 388-2017 acu. 4-14. Murder to the prejudice of Berta Cáceres.

¹¹ <http://www.ghrc-usa.org/2019/08/davidcastilloreport/>

¹² <https://soaw.org/wp-content/uploads/2019/08/Violence-Corruption-Impunity-A-Profile-of-Roberto-David-Castillo.pdf>

¹³ <https://www.businesswire.com/news/home/20190306005625/en/FICOHSA-Denies-Links-DESA-Agua-Zarca-Project/>

Daniel Atala is being formally investigated by the Honduran Public Ministry in relation to the murder of Berta Cáceres.

Ms. Chayes' study of corruption in Honduras also describes the relationship between the FICOHSA bank and the Honduran Institute of Social Security (IHSS) corruption scandal, in which FICOHSA reportedly participated in an illegal transfer of IHSS funds.¹⁴

While the FMO's investment in FICOHSA as a financial intermediary is intended to strengthen Honduran Small and Medium sized Enterprises (SME), evidence shows that loans to financial intermediaries by development institutions are not sufficiently monitored and held to account¹⁵. Further, the FMOs definition of SME could include activities that result in significant harms to communities, for instance, DESA Company could be considered as an SME. FI's, and in this case FICOHSA, are not required to disclose information on their investments with DFI's loans. This is problematic, communities are unable to participate in decision making about the projects. It also impedes the possibility of holding financiers of harmful projects to account. A thorough analysis about the extent to which the FMO's support to FICOHSA enables the kleptocratic structures in Honduras is lacking.

We reiterate that we do not believe that the FMO's support to FICOHSA will in any way contribute to the development of Honduras and urge you once more not to approve FMO's loan to the bank.

Yours sincerely,

Asociación por el Desarrollo de la Península de Zacate Grande (ADEPZA)
Centro de Investigación y Promoción de los Derechos Humanos (CIPRODEH)
Colectivo de Trabajadoras y Trabajadores Sociales de Honduras
Comité Municipal de Defensa de los Bienes Comunes y Públicos
Consejo Cívico de Organizaciones Populares e Indígenas de Honduras (COPINH)
Coordinadora de Organizaciones Populares del Aguan (COPA)
Equipo de Reflexión, Investigación y Comunicación (ERIC-SJ)
Equipo Jurídico por los Derechos Humanos (EJDH)
Fundación San Alonso Rodríguez (FSAR)
Movimiento Amplio por la Dignidad y la Justicia
Red Nacional de Defensoras de Derechos Humanos en Honduras (RNDDH)

Asociadas por lo Justo Mesoamérica (JASS)
Bufete Justicia para Los Pueblos
Centro para la Acción Legal en Derechos Humanos (CALDH)
Colectivo de Abogados José Alvear Restrepo (CAJAR)

¹⁴ https://carnegieendowment.org/files/Chayes_Corruption_Final_updated.pdf

¹⁵ <https://www.inclusivedevelopment.net/campaign/campaign-to-reform-development-lending-through-financial-intermediaries/>

Fondo de Acción Urgente para América Latina y el Caribe (FAU AL)
Instituto Amaq'

Accountability Counsel

Association for Women's Rights in Development (AWID)

Bank Information Center (BIC)

BankTrack

Both ENDS

Center for International Environmental Law (CIEL)

Count Me In! Alliance (CMI!)

EnviroNics Trust (ET)

FIDH, in the framework of the Observatory for the Protection of Human Rights Defenders

Freedom House

Gender Action

Global Alliance for Green and Gender Action

Guatemala Human Rights Commission USA

Het Actiefonds

International Accountability Project

Just Associates

Mama Cash

OYU TOLGOI WATCH (OT WATCH)

Recourse

urgewald

Witness Radio - Uganda

World Organisation Against Torture (OMCT), in the framework of the Observatory for the Protection of Human Rights Defenders