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Folder Title: President Wolfensohn - Briefing Book for President's Meetings and Events - Corporate Management - Massacre Allegations in Guatemala and Protests Against Resettlement Under Bank Financed Chixoy Dam - May 15, 1996

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THE WORLD BANK

Washington, D.C.

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The World Bank

1818 H Street NW

Washington DC 20433

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President Wolfensohn - Briefings Books for Presidents Meetings - Corporate
Management - Massacre Allegations in Guatemala and Protests Against Resettleme

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WBG Archives

Archive Management for the President's Office

Document Log

Reference # : Archive-00555

1805

Edit

Print

A. CLASSIFICATION

- ☐ Meeting Material
- ☐ Trips
- ☐ Speeches

- ☐ Annual Meetings
- ☒ Corporate Management
- ☐ Communications with Staff

- ☐ Phone Logs
- ☐ Calendar
- ☐ Press Clippings/Photos

- ☐ JDW Transcripts
- ☐ Social Events
- ☐ Other

B. SUBJECT: Background on Massacre Allegations in Guatemala (and protests against resettlement under Bank-financed Chixoy Dam.
Follow-up Note to C. Koch-Weser from S.J. Burki on 06/10/96

DATE: 05/15/96

Prepared by Zafer Ecevit, LAC.

C. VPU

Corporate

- ☐ CTR
- ☐ EXT
- ☐ LEG
- ☐ MPS
- ☐ OED
- ☐ SEC/Board
- ☐ TRE

Regional

- ☐ AFR
- ☐ EAP
- ☐ ECA
- ☒ LAC
- ☐ MNA
- ☐ SAS

Central

- ☐ CFS
- ☐ DEC
- ☐ ESD
- ☐ FPD
- ☐ FPR
- ☐ HRO

Affiliates

- ☐ GEF
- ☐ ICSID
- ☐ IFC
- ☐ Inspection Panel
- ☐ Kennedy Center
- ☐ MIGA

D. EXTERNAL PARTNER

- ☐ IMF
- ☐ UN
- ☐ MDB/Other IO
- ☐ NGO
- ☐ Private Sector

- ☐ Part I
- ☐ Part II
- ☐ Other

E. COMMENTS:



No.: EXC-08840

CORRESPONDENCE MANAGEMENT FOR THE PRESIDENT'S OFFICE

CHORUS

External Correspondence Profile

FOR ACTION: Javed Burki

STATUS: Filed

VPU: LAC Room #: I-8467 Telephone: 82332	Log Date: 05/10/96 11:15:28 AM Logged in by: Elvira Scott Response Date:
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CORRESPONDENCE DESCRIPTION:

From:	Owen Lammers, Paul Scire
Organization:	International Rivers Network
To:	Mr. Wolfensohn
Dated:	05/09/96
Topic:	Enclosing a copy of "A People Dammed: The Impact of the World Bank Chixoy Hydroelectric Project in Guatemala"

ACTION INSTRUCTIONS:

3. FOR INFORMATION ONLY. NO COPIES REQUESTED BY THE CORRESPONDENCE UNIT IF ACTION IS TAKEN.

Thank you.

SPECIAL INSTRUCTIONS:

None

INFORMATION COPIES:

For information, please contact: Correspondence Unit, Room E1247 (Ext. 82441)

INTERNATIONAL RIVERS NETWORK

May 10 1996

8840

9 May, 1996

Mr James Wolfensohn
President
The World Bank
1818 H Street, NW
Washington, DC 20433

Dear Mr Wolfensohn,

Please find enclosed a copy of *A People Dammed: The Impact of the World Bank Chixoy Hydroelectric Project in Guatemala*, a new report from human rights group Witness for Peace. *A People Dammed* describes a series of massacres of people from Río Negro, a community which had opposed being evicted to make way for the Chixoy Dam. Some 376 people — around one in ten of those supposed to be resettled — were murdered before reservoir filling began in late 1982. The World Bank lent \$72 million for Chixoy Dam in 1978 and gave a second loan of \$45 million in 1985, three years after the worst of the massacres.

Despite the close link between the reservoir resettlement programme and the massacres documented in *A People Dammed*, no mention of the atrocities occurs in any World Bank documents to which we have been able to gain access, including the Latin America and Caribbean Regional Office's 1991 Chixoy Project Completion Report and the Operations Evaluation Department's 1992 Project Performance Audit Report.

Witness for Peace conducted extensive research in the region around Chixoy Dam and interviewed many massacre survivors and other local people. They have found that everyone at the dam site and virtually everyone in the region knew about the massacres. It is thus extremely disturbing that the nine World Bank missions which visited the dam between January 1983 and June 1989 either did not report on the massacres, or if they did report on them, this information was not referenced in the Project Completion Report. The Bank was directly involved in the resettlement programme: according to the PCR, in early 1984 the Bank 'retained the services of an expert on resettlement policy to assist in the supervision function.'

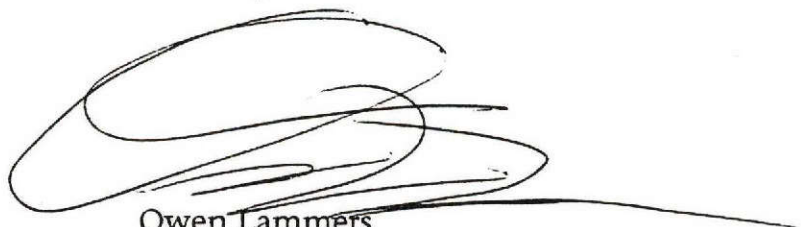


We believe that this matter requires an independent and comprehensive investigation to discover whether or not Bank project staff knew about the massacres and if they did know why this was not reported in subsequent Bank documents. If it is concluded that Bank staff were unaware of the massacres then it should be investigated how they were able to remain ignorant of the atrocities.

Although these events occurred more than a decade ago, we believe that they hold important lessons for the consequences of funding forced resettlement in countries with repressive regimes. We also believe that an investigation into this matter is extremely important given the tendency seen in other projects for Bank staff involved in project appraisal and monitoring to mischaracterize the impacts of Bank-funded projects on local people.

We look forward to hearing from you on this important matter.

Sincerely,

A large, stylized handwritten signature in dark ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Owen Lammers
Executive Director
International Rivers Network

A handwritten signature in dark ink, appearing to read 'Paul Scire' with a stylized, cursive script.

Paul Scire
Executive Director
Witness for Peace

cc: Enrique Iglesias, President, Inter-American Development Bank

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street N.W.
Washington, D.C. 20433
U.S.A.

8501
(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

May 6, 1996

Reverend Lester and Mrs. Jane Bill
1015 White Oak Drive
South Bend, Indiana 46617

Dear Rev. and Mrs. Bill:

Thank you very much for your letter to Mr. Wolfensohn, who has asked me to respond on his behalf. Let me state at the outset that we at the World Bank understand the revulsion you feel and have expressed in your letter. I understand that the attack on the village of Rio Negro in 1982, to which you refer, did indeed occur and many people were killed. However, the Bank had no reason to believe that this attack was related to the resettlement of villagers to make room for a reservoir of the Chixoy Power Project. As you know, the Guatemalan highlands were the scene of major insurgency and counter-insurgency activity during this period. Rio Negro was one focal point for the insurgency movement, and we understood that the attack had been a military operation aimed at the rebels.

This civil war, as you may know, has festered for a long time. Many people have been killed and the country has suffered enormously. It is only in the last year, that peace negotiations seem to be leading to a sustainable peace accord. We are hopeful, as I am sure you are, that the peace process will continue, and we will do everything possible to help Guatemala achieve this result.

I would also like to respond to your more general concern regarding the World Bank's policy with respect to large dam projects. First, I want to assure you that our current policies require that: the affected parties participate at all stages in the project cycle, including at the earliest conception stage; that resettlement plans be drawn up and implemented to ensure that the affected parties are properly resettled and compensated; and that adequate environmental impact assessments are carried out and appropriate safeguards are put in place. The Bank's policies in these areas have been evolving over the past several years and, at present, are much tighter than in the past.

With regard to the resettlement of villagers under the Chixoy Power Project, it is clear that this aspect of the original project encountered difficulties from the start. The original resettlement planning efforts of the agency responsible fell well short of Bank expectations, and implementation suffered major delays due to these deficiencies. The Government and the Bank were able to assess and improve the situation when, in 1985, working with the affected people and the Government, and as a condition of a new loan, an entirely new approach to resettlement was agreed. I am happy to inform you that this

Cleared with & cc: M. del Carrill, LACEA
W. Partridge, LATEN

cc: Messrs/Mmes. McColgan-Mohamed, EXC (Ref.: EXC-08501)
Burki, Forgues, Cosenza, Miranda, Lopez-Calix, LAC
Project Files (Loan 1605-GU), LAC ISC

MStaab/ysb
M:\GTR\ONEGRO.DOC

CORRESPONDENCE MANAGEMENT FOR THE PRESIDENT'S OFFICE
CHORUS
External Correspondence Profile

Reference #: EXC-08501

For Action: Javed Burki
VPU: LAC Room #: I-8467 Telephone: 82332

Log Date: 04/29/96 12:00:45 PM
Status: Open
Response Date:

CORRESPONDENCE DESCRIPTION:

From: Rev. Lester and Mrs. Jane Bill, South Bend, IN.
To: Mr. Wolfensohn
Dated:
Topic: Requesting that all large dam lending to Guatemala be halted because of the massacre that took place by the Patrollers and the Army in Guatemala while building the Chixoy Dam.

ACTION INSTRUCTIONS:

Due Date: 05/08/96

1. Please handle/respond on behalf of Mr. Wolfensohn and provide a copy to EXC.

SPECIAL INSTRUCTIONS:

None

INFORMATION COPIES:

Please return to:
Rachel McColgan-Mohamed, EXC, E1247, 82441

8501

1015 White Oak Drive
South Bend, IN 46617

Mr. James Wolfesohn, President
The World Bank
1818 "H" Street NW
Washington, DC 20433

Dear Mr. Wolfesohn:

We have just heard a testimony of a young man from Rio Negro in Guatemala. He told us of the massacre that took place by the Patrollers and the Army in Guatemala regarding the building of the Chixoy Dam on the Rio Negro River in central Guatemala. His mother and father and younger brother were murdered along with scores of men, women and children in Rio Negro. They murdered the dwellers in the village in order to clear the land ~~in order~~ to make the lake above the dam. Such a HOLOCUAST will haunt the U.S. forever!!

All large dam lending should be halted. Significant changes should be made in financing big dams. A thorough investigation should be made on the policy of obligating a poor nation to service large loans that they have had no voice in authorizing.

The Chixoy Dam is a failed project costing huge overruns of dollars. This debt should be cancelled.

It is totally unconscionable to murder innocent people because of a wild, unrealistic scheme without considering the lives and livelihood of the people involved. PEOPLE, not PROFITS should be the main consideration.

A new policy should be implemented for the WORLD BANK. Impoverishing residents of the land to foster some greedy speculators is a crime against humanity.

We trust that you will give this matter humanitarian concern.

Sincerely yours,

Lester H. Bill

Jane E. Bill

Rev. Lester and Mrs. Jane Bill

Ent. 1582

THE WORLD BANK / IFC / M.I.G.A.

OFFICE MEMORANDUM

.. DATE: May 29, 1996

TO: Mr. Caio Koch-Weser, EXC

FROM: Shahid Javed Burki, Vice President, LAC 

EXTENSION: 82332

SUBJECT: GUATEMALA - Chixoy Hydroelectric Project
NGO Allegations

1. A recent report by Witness for Peace¹ contends that, between 1980-82, some 376 villagers in the Guatemalan highlands were massacred by the military and para-military death squads, and claims that this was done to make way for the Chixoy Hydroelectric Project, co-financed by the Bank and IDB (Bank: \$72 million in 1978 and \$45 million in 1985; IDB: \$105 million in 1975 and \$70 million in 1981). The accusation is that, if the Bank knew about the massacres, continued support for the project was an act of complicity. If we did not know, gross negligence is presumed. Another NGO (International Rivers Network) has joined the cause, citing this as one more example of a mishandled large dam project. Witness for Peace and International Rivers Network have sent Mr. Wolfensohn a letter, dated 9 May, 1996, copied to Enrique Iglesias, asking for an "independent and comprehensive" investigation (see attachment). Our External Relations people are beginning to receive inquiries from journalists, and the matter may be raised with senior Bank managers during dealings with the press.

2. Since hearing of the report last month, the Region has begun a review, based on our files and interviews with staff who worked for the Bank or IDB during the relevant period, to try to ascertain what was known at the time. We expect to complete this in the next week. What we have learned so far is that both of the IDB loans and the first of the two Bank loans were made with only very deficient resettlement arrangements, and there was clearly a lot of opposition by local communities. This project was designed and implemented long before environment and resettlement issues began to receive serious attention in the Bank. On-site supervision was quite limited, at least in part because of the widespread violence in the highlands at that time. The Bank did learn that one of the communities, Rio Negro, had been attacked and burned, but understood that this was part of the broader military-guerilla insurgency conflict, rather than because of the project per se. Bank staff explain that their main concern at that stage was with the

1. *A People Dammed: The World Bank-Funded Chixoy Hydroelectric Project and Its Devastating Impacts on the People and the Economy of Guatemala*. Witness for Peace, Washington, D.C., May 1996.

survivors in Rio Negro, and the other communities: indeed, our second loan was held back until a suitable resettlement program could be negotiated with the Guatemalan government, including the then-President. The PCR and OED reports are frank about the resettlement weaknesses in the original project design. They conclude that Chixoy was also a disaster from an economic and financial standpoint.

3. The question, now, is what course of action to take. The accusations are serious, and the letter from Witness for Peace and International Rivers Network requires a considered reply. At the same time, I would like to stress the importance of looking forward. The Guatemalan peace process has made excellent progress of late, and the Bank is very closely involved in providing technical support to the U.N. moderator, the Peace Commission and the U.R.N.G. (union of guerilla factions). A cease fire is in progress; agreements have been reached on indigenous, agrarian and socio-economic issues; and negotiations are starting on the role of the military, possible amnesty arrangements, etc. A final agreement is expected for September 15 (Guatemalan Independence Day). All parties are looking to the Bank's playing a major role in implementation of the agreement, with special attention to land and social development issues in the highlands. We are likely to establish an office in Guatemala City to help coordinate the donor-financed economic activities supportive of this peace process. I am scheduled to visit Guatemala in the week of June 10 to hold discussions with senior officials. All these developments underscore the need to be keenly aware that the way we handle our public response to the Rio Negro incident (and accusations concerning who may or may not have been responsible and why) could affect both the peace process itself and the Bank's role in it. We have notified the Minister of Finance, the Peace Commission and the Guatemalan Ambassador to Washington. They express similar hopes: namely that we can handle the matter with discretion, in view of the broader concerns right now about the peace process.

Recommendation

4. I recommend the following:

- (a) We will conclude our internal review of the Bank and IDB records, concerning how we handled resettlement and supervision of the project, and what information the Bank had about the Rio Negro incident. We will send that report to EXC in about a week. One possibility would be for EXC to consider planning to have it reviewed by someone external to the Region (e.g., Maurice Strong). **Some guidance from the President's Office on this is required to provide the basis for a letter of response to the incoming attached.**

- (b) Beyond what is in our files and staff recollections, the Bank has little to contribute to an investigation in Guatemala of the facts of what actually transpired in Rio Negro. However, a UN Human Rights Commission was created last year as part of the peace process, and a Truth Commission will be established later this year. This could provide an appropriate forum within the country and **within the framework of the final peace agreement** to examine whether the alleged atrocities did occur, what were the circumstances and whether any further action is required.
- (c) If senior managers are asked questions by the press, we suggest telling them the Bank takes the accusations seriously and is undertaking an internal review of our records on the matter. We know that the project was a very weak one from an economic perspective, and our own post-project reports have acknowledged that. We have also acknowledged the severe weakness in the original resettlement planning. The second effort in the mid-1980s was much better (and, of course, the Bank has come a long way in this area more generally over the last 10-15 years).

cc w/ attachment: Mmes/Messrs. Lomax, Horiguchi (EXC), Malloch Brown, Cullen (EXT).

cc w/out attachment: Mmes/Messrs. Dowsett-Coirolo, Bannon (LAD), Del Carril (LACEA)

INTERNATIONAL RIVERS NETWORK

→ T. Ody
RECEIVED

96 MAY 16 PM 5:35

OFFICE OF THE V.P.
L A C REGION

9 May, 1996

Mr James Wolfensohn
President
The World Bank
1818 H Street, NW
Washington, DC 20433

Dear Mr Wolfensohn,

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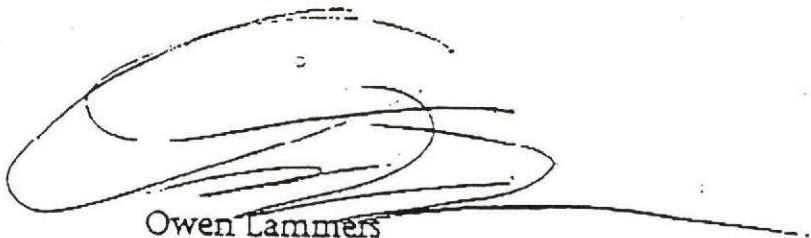


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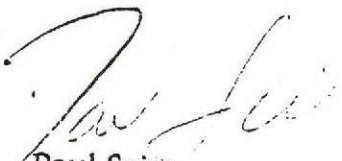
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We look forward to hearing from you on this important matter.

Sincerely,

A large, stylized handwritten signature in dark ink, appearing to read 'Owen Lammers'.

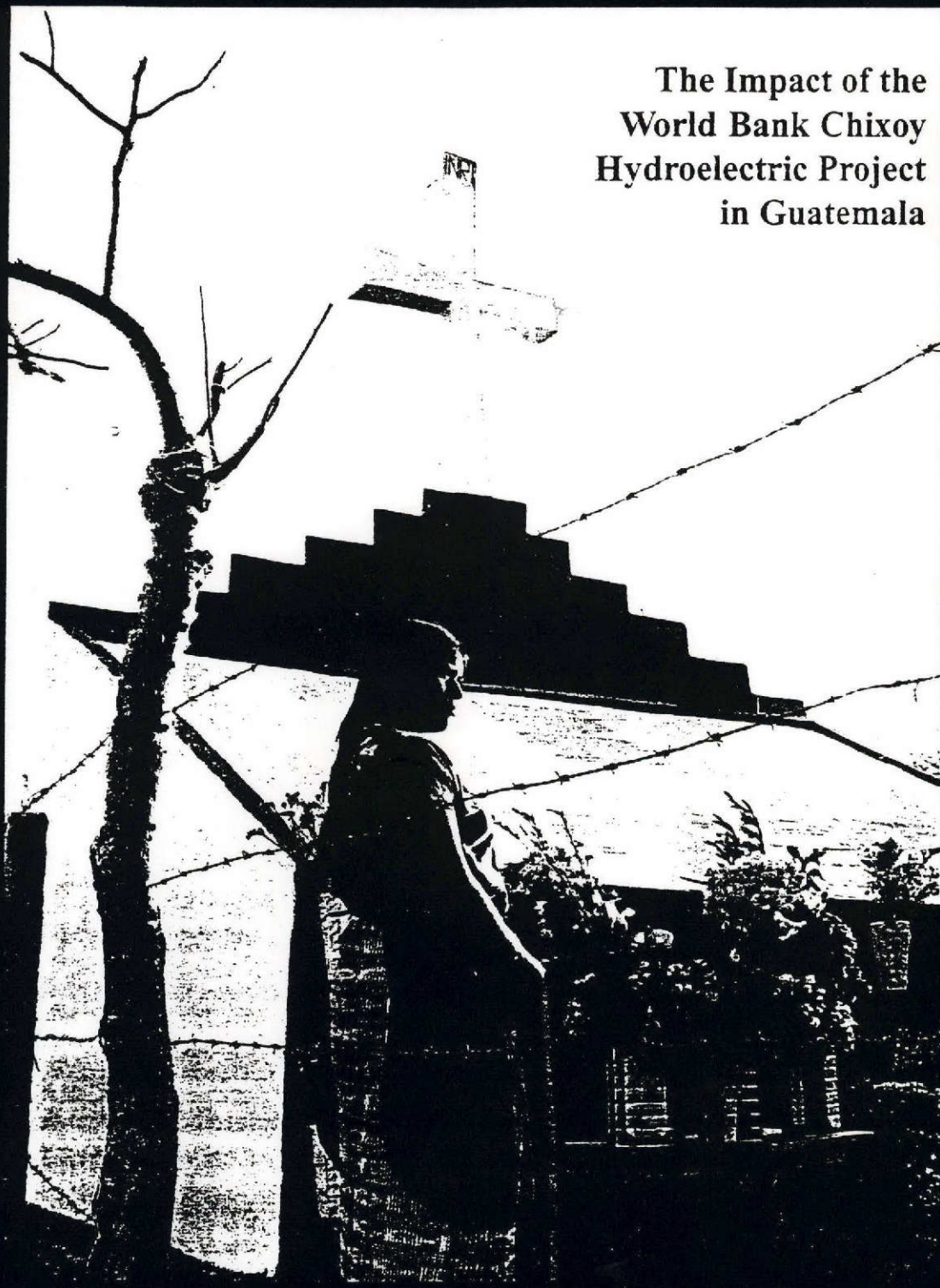
Owen Lammers
Executive Director
International Rivers Network

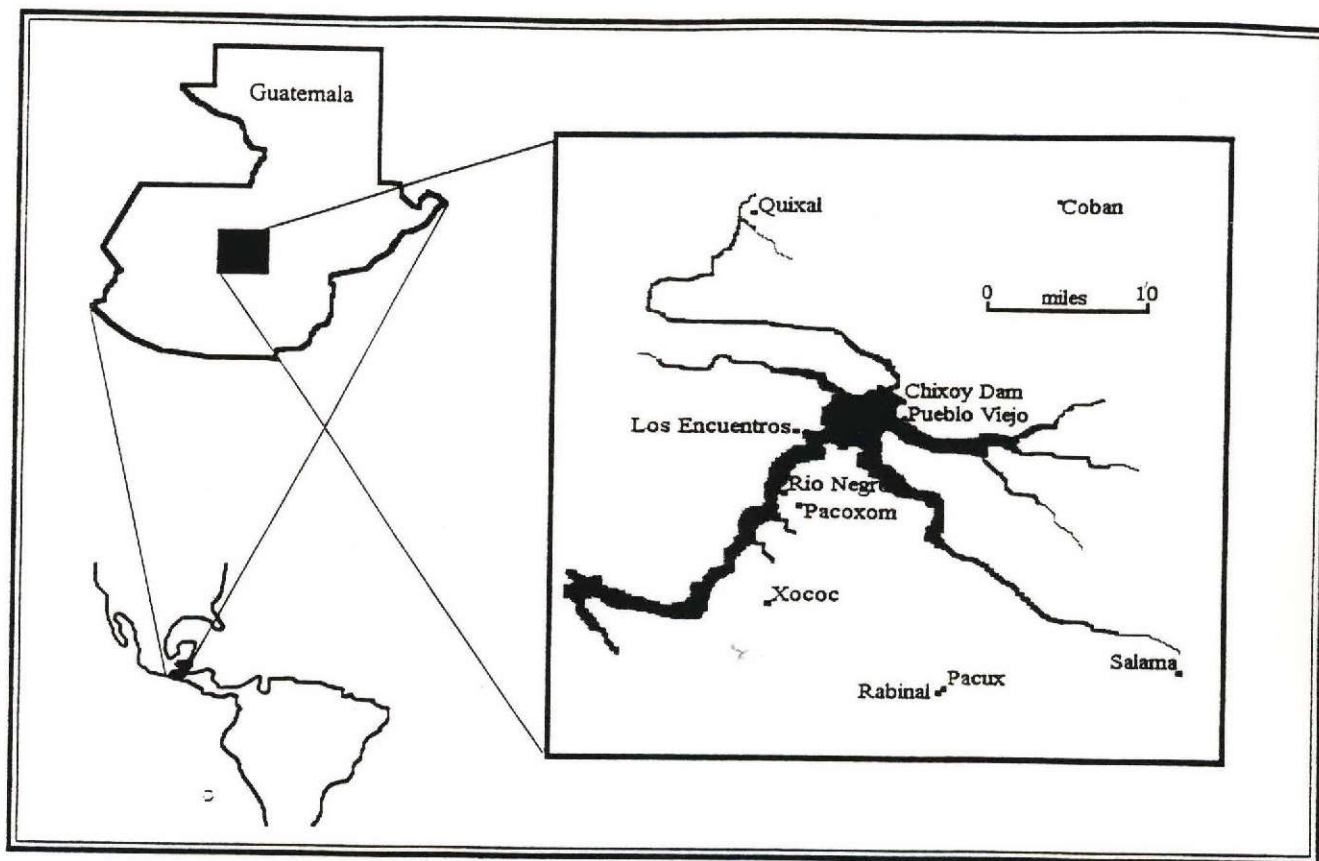
A handwritten signature in dark ink, appearing to read 'Paul Scire'.

Paul Scire
Executive Director
Witness for Peace

cc: Enrique Iglesias, President, Inter-American Development Bank

**The Impact of the
World Bank Chixoy
Hydroelectric Project
in Guatemala**





Acknowledgments

Many individuals and organizations have provided invaluable assistance in our year of research, interviews, writing, and editing of *A People Dammed*.

Our deepest thanks to the International Rivers Network, particularly Patrick McCully, Campaigns Director. Patrick and the IRN staff granted us a wide range of excellent background material on large dam projects and the World Bank. Additionally, we thank Patrick for his important comments and advice on several drafts of *A People Dammed*.

We also wish to thank the others who took valuable time to read and comment on a preliminary draft of the study: Grahame Russell of Guatemala Partners; Carol Richardson and Paul Sciré of the WFP National Office; Timothy Welsh, Leia Raphaelidis, and Metta Morton of the WFP Nicaragua Team; Sharon Hostetler WFP Central American Program Coordinator; Clark Taylor, and Paul Jeffrey.

Additionally, we thank Jonathan Moller, Jane Covode, the Guatemalan Anthropological Forensic Team, and Mary Beth Kaufman for contributing their excellent photographs.

We dedicate *A People Dammed* to the people of Río Negro and Pacux, dead and living. Their words, memories, and bravery continue to inspire us. Their courageous testimonies about the 1982 massacres forced us to take a close look at our own country and policies. We hope that our study lends some enlightenment to support their ongoing struggle for peace and justice.

A People Dammed

Written by: Julie Stewart, Kevin O'Connell, Marian Ciborski, and Matthew Pacenza
of the WFP Guatemala Team

Layout and Design: Matthew Pacenza

Cover Photo: (c) Jonathan Moller, 1995

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A People Dammed

Introduction

Aurelia*, pictured on the cover, remembers March 13, 1982 with horror and profound sadness. She and 196 other women and children were forced by local civil patrollers and the Guatemala Armed Forces to climb a hill several miles above their riverside village of Río Negro. Upon reaching the peak, the patrollers and soldiers began to rape and murder the women and children. Witnessing this carnage, Aurelia turned to her mother and said, "It is better that I die by their bullets than by their hands."**

With those words, she threw herself into a ravine and escaped, one of only two adults who survived. All told, 107 children and 70 women were murdered. "It gives me such pain and sadness to remember," Aurelia explains. "They killed my grandmother, my mother, my aunt, my sister, and my little girl. And why did they do it?"

The brutal March 13 massacre was one of four mass killings Río Negro suffered between February and September of 1982. In total, 369 people were murdered, more than half of the community's entire population. The people of Río Negro, at the time of this violence, were on the verge of losing their homelands to a World Bank-funded large dam project: the Chixoy (chi-SHOY) Hydroelectric Project. The Chixoy Project, presented to the Guatemalan public in February of 1975 as a "development dream" that would meet Guatemala's growing electricity needs, was begun in 1976 and flooded the Chixoy valley and the community of Río Negro in late 1982.

A People Dammed examines the Chixoy Project as a case study in destructive World Bank lending, suggesting links between the project and the 1982 Río Negro massacres and demonstrating that the Chixoy was a social and economic failure. Instead of stimulating economic growth, it has plunged the nation further into debt and done little to address the ongoing electricity crisis.

An investigation of the failed Chixoy project provides a powerful critique of the World Bank, the world's eminent development institution. Mohammad Yunus, Bangladesh founder of the Grameen Bank, writes con-

vincingly of the Bank's power, "The World Bank is the flagship of all the development banks in the world. All regional development banks, specialized development banks, bilateral development banks, and national development banks follow the lead of the World Bank. Even non-bank development institutions follow the lead of the World Bank without ever raising a question. The World Bank's influence is global and total."¹

It is essential to challenge the World Bank to meet its mandate to "alleviate poverty." Today's world, more than ever, demands that multilateral development institutions like the Bank provide poor people with the resources needed to improve their living conditions. Global poverty increases daily, claiming the lives of millions - from the poor indigenous villages of Guatemala to the slums of Nairobi to the wards of AIDS hospitals in Bangkok. The gap between rich and poor worldwide has widened dramatically: currently the richest fifth of the world receives 150 times the income of the poorest fifth.

Chapter 1 provides a general understanding of the history and structure of the World Bank and outlines the Bank's critical flaws that have negatively impacted men and women worldwide: its lack of citizen participation, defective project approval process, and close ties to U.S. policy. This section also looks at U.S. policy towards Guatemala and illustrates how Bank loans like to the Chixoy project have acted to support the interests of the U.S. rather than those of poor nations.

Chapter 2 details the Bank's intimate involvement in the planning, funding, and implementation of the Chixoy project. The World Bank began its relationship with the Guatemalan electricity sector by funding a hydroelectric master plan in the 1960s which recommended the construction of large dams. Other Bank loans in the late 60s and early 70s funded smaller dam projects and electricity sector restructuring. Between 1978 and 1985, the Bank loaned a total of \$116 million to the Chixoy; during that time, Bank experts travelled frequently to the project site.

* Names marked with an asterisk are pseudonyms, given to protect the names of community members often the target of violence for their efforts to tell the truth.

** Testimony from Pacux and Río Negro residents, unless otherwise cited, was obtained in interviews conducted by the Witness for Peace Guatemala Team in 1994 and '95.

The section also underscores the many flaws in the technical, social and economic plans developed by the Chixoy funders and builders. It also raises significant questions about the criteria used by the Bank to fund development projects. The most damning element is the lack of attention paid to the Maya Achi people of Río Negro, who had inhabited the Chixoy Basin for many centuries and were to be resettled by the project. **Chapter 2**

describes Río Negro and its inhabitants' formerly peaceful life, details their relationship with the Chixoy Project, and through the testimonies of survivors, relays the betrayals and massacres they have undergone.

In **Chapter 3**, the analysis moves to the present day and demonstrates that the Chixoy Project has been a failure for Guatemala. Even the World Bank admits that "it is no longer possible to conclude that the project was economically justified." This section examines the resettlement project funded by the Bank, showing that Río Negro massacre survivors living today in the village of Pacux (pa-COOSH) continue to suffer the fall out from Chixoy tragedy.

The third section also highlights the project's multiple technical and economic failures. The Chixoy has never provided more than 70 percent of the power it was designed to produce, is burdened with costly repairs, and has failed to lower electricity rates or provide electricity service to Guatemala's poor majority.

Chapter 4 demonstrates that the Chixoy failure is not unique. The World Bank continues to fund large dam projects with a disregard for indigenous culture, human rights, and both economic and environmental sustainability. A 1994 Bank resettlement review found that for Bank projects in Latin America and the Caribbean, "few of the resettled people...can be said to have improved their living standards as a result of the resettlement process."



Residents of Pacux

This section assesses Bank efforts at reform, showing that policy changes have failed to improve the Bank's lending record. **Chapter 4** calls for the transformation of the World Bank into an institution that is built on the foundations of citizen participation, sustainable development, and accountability.

A People Dammed ends with **Tools for Action**, providing the reader with resources to become active in campaigns to transform the World Bank, including a reading list, specific actions, and information about Witness for Peace.

As responsible citizens in an increasingly interdependent world, we must become actively involved in campaigns to question and demand reform of the institutions that are shaping our collective future. *A People Dammed* details the results of one World Bank project and provides the analysis and resources necessary to help us hold development institutions to the ideals they espouse.

Chapter 1

A World Bank and U.S. Policy Context

WORLD BANK HISTORY

In July 1944 with Allied victory assured in World War II, the leaders of 44 countries led by the United States and Great Britain met in Bretton Woods, New Hampshire to discuss postwar financial and development issues. With the massive physical destruction the war caused in Europe, Asia, and Africa, they foresaw the need for large multilateral institutions to guide the reinsertion of war-torn economies into a liberal, capitalist world economy.¹

Allied leaders established the International Monetary Fund (IMF) to encourage world trade by reducing foreign exchange restrictions.² They also founded the International Bank for Reconstruction and Development (World Bank), designed to provide infrastructure loans to post-war Europe. Several years later, this mission was expanded to include project loans to poorer, developing countries.³

The World Bank got off to a slow start, making few loans in its first decade. It failed to take the lead on rebuilding Europe: Only \$497 million was loaned, while the U.S. Marshall Plan provided \$41.3 billion. Additionally, the Bank funded very few projects in the developing world. Bank President Eugene Black told the United Nations in 1950 that the problem was "not the lack of money but the lack of well-prepared and well-planned projects."⁴

The Bank needed to justify its existence and expand its lending. Thus, World Bank officials took the initiative in identifying and designing projects to fund. Lending grew dramatically, particularly in the developing world; the United Nations labelled the 1960s and 70s "the first two development decades." In 1968, the Bank lent \$953 million; in 1981, \$12.4 billion.

The World Bank's prestige and influence also grew. As the Bretton Woods Commission (the official body designed to examine the institution after 50 years) noted, "in the 1970s and 80s the Bank became involved with almost every aspect of investment and policy advice in different developing countries."⁵ Additionally, the Bank became a powerful arbiter in cases of countries with difficult debt situations and problems meeting loan payments. Without approval from the Bank and the IMF, countries today are excluded from virtually all international funding sources.

The World Bank has 176 member countries and is governed by a President and 24 Executive Directors, five permanently assigned to the U.S., the United Kingdom, France, Germany, and Japan. In 1993, the Bank approved 259 loans totalling \$25.6 billion. Approximately 75 percent of Bank loans fund "economic growth" projects like the Chixoy, including roads, power plants, schools, and irrigation networks. The remaining loans fund programs to restructure economic systems, known as "structural adjustment loans."⁶

THE BANK'S MISSION

As the World Bank grew into the world's leading development institution, it determined that it needed to tackle fundamental global problems. In the Bank's 1973 annual meeting, then-President Robert McNamara announced, "the extremes of poverty and deprivation are simply no longer acceptable. It is development's task to deal with them."⁷

Former Bank President Lewis Preston reaffirmed this mission in 1994 stating, "poverty reduction is the benchmark against which our performance as a development institution must be judged."⁸

And so we shall judge them. *A People Damned* as a case study in World Bank lending demonstrates that Bank loans have not reduced poverty, but rather have impoverished the very men and women that this development institution should benefit. Citizens from around the globe have strongly criticized the Bank in the past decade, detailing its multiple structural flaws.

A FLAWED INSTITUTION

"The World Bank was created to encourage 'development.' To the World Bank, development means growth. Single-mindedly, it pursues growth to the best of its ability. But, as others have noted, unrestrained growth is the ideology of the cancer cell." --Bangladesh Muhammad Yunus⁹

The World Bank's problems are many and fundamental: a record of supporting questionable projects which create social and environmental destruction, failing to include the perspectives of developing countries' poor majorities, hiring a distant and elite staff whose priority is personal advancement and acting in the interests of U.S. policy.

An internal Bank study, the Wapenhans Report, studied 1300 World Bank projects in 1991 and found 37.5 percent of the projects' performance "unsatisfactory." This percentage rose from 15 percent in 1981 and 30.5 percent in 1989. The failure rates were high in all major lending areas: water supply, poverty, environmental, energy, and public sector reform.¹⁰ Even the Bank acknowledges that its lending record has worsened, not improved.

Even if Bank projects were successful, would they in fact benefit poor nations? Consider the numbers: in 1992, the Bank loaned \$16.4 billion and received \$10.1 billion in loan payments, a difference of \$6.3 billion. However, in 1992 poor countries spent \$6.5 billion on goods and services from wealthy nations in order to carry out World Bank projects. Therefore, poor nations provided wealthier nations with \$200 million more in 1992 than was loaned to them.¹¹ Is this development for the poor?

Pierre Galand, a Belgian activist who served as a consultant to the World Bank for several years, left the institution in 1993. He wrote to his former employer, "You are one of the principal enemies of the poor... You are today, a most incredible and extraordinary public relations machine which has imposed on the world a disastrous feeling of fatality regarding the development which is reserved for the few and the inevitable poverty for those who are considered not to be sufficiently competitive and performing."¹²

Other critics have shown how the Bank's lending failures can be traced to its internal structure. A recent Bank report criticized Bank staff for using project appraisal reports, the internal Bank mechanism for determining whether an idea is sound, as "marketing devices" to advance personal careers. This Bank "approval culture" rewards staff for making big loans, and rarely is any project idea criticized, no matter how unsound.¹³ This "approval culture" is evidenced by the fact that as of 1994, the Bank's Board of Directors had never turned down a project proposed by the staff.

Bank officials rarely meet directly with those affected by their projects, preferring instead to communicate with in-country bureaucrats who share their perspectives. This tendency is reflected in the lifestyle and work environment of Bank staff. Former Bank employee Michael Irwin cites its "bloated, overpaid bureaucracy, its wasteful practices, and its generally poor management." Irwin believes that "the Bank staff, living and working comfortably in the Washington area and venturing forth in luxury, with first-class flights and hotels, are out of touch with the realities and causes of poverty in the Third World."¹⁴

British journalist Graham Hancock describes Bank staff: "Their offices are in... the plushiest business districts. Staff residence, too, are to be found in the very best areas, as far away from the poor as it is physically possible to get. There is a great gulf fixed between the 'developers' and those that they have come to develop: on the one side rich men in their castles; on the other paupers and peasants at the gate."¹⁵

Mary Beth Kaufman



Making tortillas in Pacur

THE WORLD BANK AND U.S. POLICY: A SINISTER TOOL

Despite its multilateral nature, the Bank since its inception has acted to serve the foreign policy interests of the U.S. and its allies. Why is the U.S. able to wield control over a supposedly global institution? The U.S. has the most voting stock, 17.6 percent, more than the critical 15 percent needed to veto

major lending decisions.

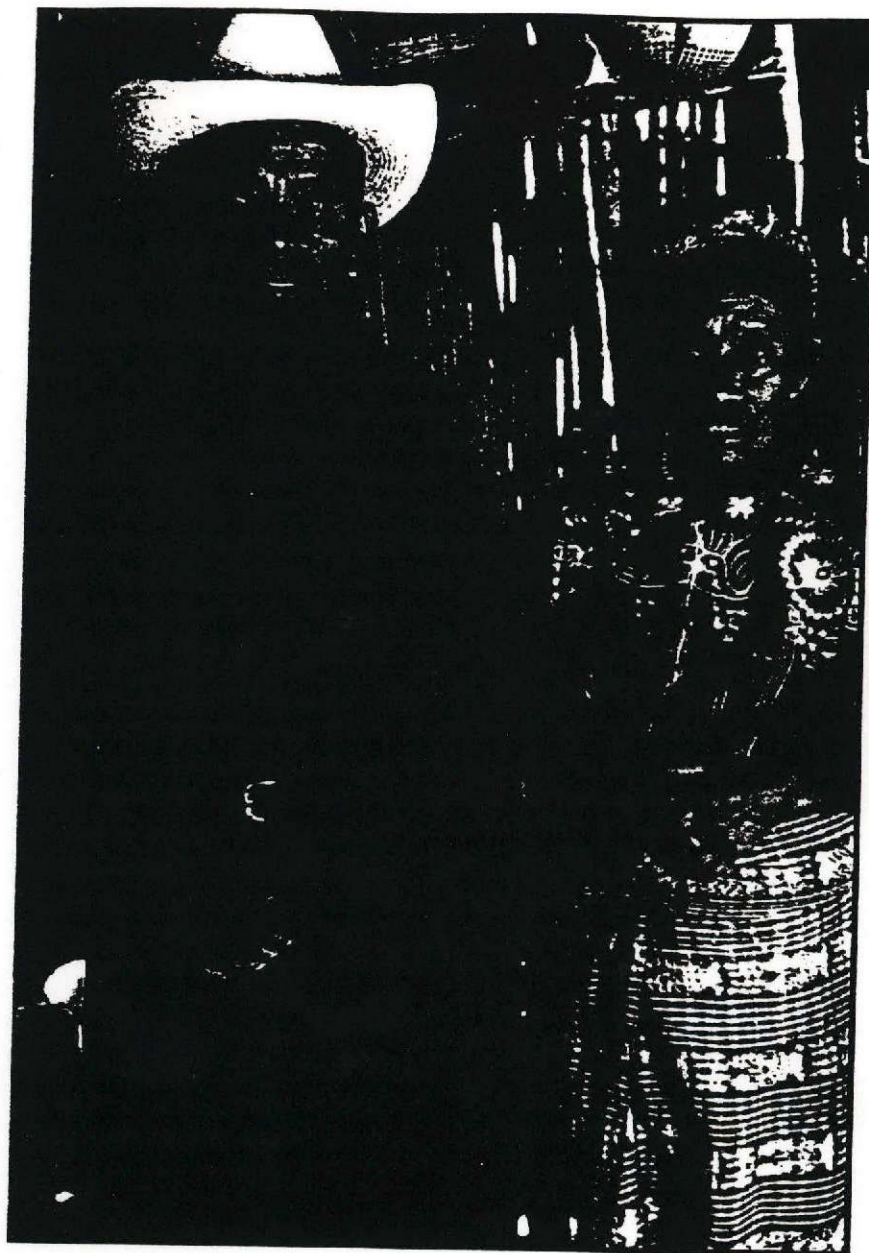
Additionally, the U.S. has a permanent place among the Executive Directors and appoints the Bank's President (all nine have been from the U.S.). Perhaps most importantly, the Bank has its headquarters in Washington, D.C., providing easy access to U.S. policymakers.¹⁶

Though the Bank ostensibly supports independent objectives such as reducing poverty, in fact, it consistently promotes the goals of U.S. policy. Food First Director Walden Bello describes the Bank as a "closely held and controlled arm of U.S. foreign policy, largely free from the constraints of legislative, judicial, or popular influence."¹⁷

The U.S. has long used the World Bank to discipline those countries that have challenged U.S. domination and rewarded those that have cooperated. A clear example is Chile. The Bank cut funding to democratically elected President Salvador Allende. The Nixon Administration bragged that it had used the Bank to "make the Chilean economy scream." In the first three years after the bloody military coup led by General Augusto Pinochet, the Bank rewarded Chile with \$350 million in loans.¹⁸

The Bank's penchant for funding bloody dictators friendly to the U.S. is not confined to Chile's Pinochet. Throughout the 1970s, the Bank made huge loans to South Korea, Brazil, Argentina, the Philippines, Uruguay, and Ethiopia--all ruled by military dictators widely condemned for violating the most basic human rights. In 1979, 15 of the world's most repressive governments received one third of all Bank loans.¹⁹

In 1982, when the Sandinista government in Nicaragua instituted reforms which provided a development alternative to U.S. domination, the Bank meekly followed President Ronald Reagan's orders and froze all loans to Nicaragua. This was despite the fact that a high Bank official at the time noted that "project implementation has been extraordinarily successful in Nicaragua perhaps better than anywhere else in the world."²⁰



An elderly couple in the new Río Negro

An examination of U.S. policy towards Guatemala, particularly in the 1970s and 80s when the Bank funded the Chixoy Project, shows that Bank lending has also served to defend U.S. interests with little regard for democracy or human rights.

U.S. POLICY, THE WORLD BANK, AND GUATEMALA

Trade and investment have been an important force behind U.S. relations with Guatemala since the 1870s, when the U.S.'s burgeoning industrial economy began to seek expansion in Central America and the Caribbean.²¹ By 1906, the U.S. had established a solid foothold in Guatemala, as a series of dictators gave generous concessions to U.S. monopolies. Within a few years,

Guatemala's banana, railroad, and electrical industries were controlled by U.S. corporations led by the United Fruit Company.²²

U.S. capital expansion into Guatemala was made easy by the country's semi-feudal economy established during the colonial period (1524-1821) and entrenched during the nineteenth century. The economy was dominated by an oligarchy which controlled the majority of the nation's wealth by systematically exploiting the impoverished indigenous majority.²³

The alliance between U.S. capital and the Guatemalan oligarchy was strengthened by Jorge Ubico's ascent to power in 1930 and his re-election in 1936. Supported by the U.S. in both elections, the dictator demonstrated his appreciation by granting additional concessions to the United Fruit Company and other U.S. interests.²⁴

In 1944, Guatemala entered its first democratic period with the rise to power of progressive leader Juan José Arévalo whose reforms were designed to benefit the country's majority. These reform efforts expanded after Jacobo Arbenz's election in 1950. By the early 1950s, U.S. interests had had enough of Guatemala's experiment with democracy. Arbenz's land reform policies enraged Guatemala's largest landowner, the United Fruit Company, which kept 87 percent of its land idle and stood to lose some 387,000 acres.²⁵

In an effort to thwart such reforms, the U.S. halted all economic aid to Guatemala. The World Bank and other multilateral lending institutions followed suit.²⁶ Secretary of State John Dulles and his brother, CIA director Allan Dulles, were among several members of the Eisenhower administration closely linked to the United Fruit Company. They urged the administration to act decisively against the Guatemalan government.²⁷

The CIA's 1954 "Operation Success" ousted Arbenz and installed Colonel Castillo Armas, whose bloody regime murdered thousands of Arbenz supporters after the coup. Castillo Armas was supported in his first few years by \$90 million in U.S. economic aid, as well as funding from the World Bank. The number is astounding when one takes into account that U.S. annual economic aid for all of Latin America at that time was just \$60 million.²⁸

In 1955, U.S. support of the Castillo Armas dictatorship paid handsome dividends to U.S. investors when the regime granted favorable rights to foreign oil companies. World Bank-funded infrastructure projects continued to strengthen the dictatorship, and World Bank advisors designed Guatemala's Five-Year Development Plan for 1955-1960.²⁹

In the 1960s, a leftist guerrilla movement emerged in Guatemala to challenge a series of military dictators. The U.S. strongly supported the Guatemalan military's resulting counterinsurgency. A U.S. agency trained thousands of Guatemalan police, U.S. Green Berets led Guatemalan counterinsurgency raids, and U.S. pilots napalmed peasants.³⁰ Writer Susanne Jonas notes "the U.S. was crucial in training and directly organizing the previously inefficient army, participating directly in its operations."³¹

Guatemala's brutal counterinsurgency continued full force in the 1970s. One U.S. supported dictator, Colonel Carlos Arana, declared that he would not hesitate to "turn the country into a cemetery in order to pacify it."³² Between 1970 and 1973, 15,000 Guatemalans died as a result of political violence.³³

The Carter administration halted military aid to Guatemala in 1977 due to the country's deplorable human rights situation, which worsened after the fraudulent election of General Romeo Lucas García in 1978. However, Guatemala continued to receive military aid from countries friendly to the U.S. During the supposed cut-off in U.S. military aid from 1977-1983, the U.S. approved sales of over \$100 million in military equipment to Guatemala. The U.S. also continued to send economic aid to Guatemala, funding AID "development" projects which were often located in areas of conflict and supported military counterinsurgency programs.³⁴

Furthermore, the U.S. continued to vote to approve World Bank funding to Guatemala, including the 1978 \$72 million loan to the Chixoy Project. Analysts such as anthropologist Shelton H. Davis have stated that such international funding supported the Guatemalan military's interest in "the economic modernization of the country," although these supposed development funds were not "military" in name. In June, 1983, Davis testified before the U.S. Congress that:

"...it appears as if hydroelectric development in Guatemala was related to the modernization of the Guatemala Army and its concern to turn the northern lowlands into a vast cattle ranching, petroleum, mining, and timber frontier.

By carrying out this frontier-development program, with international assistance, the Guatemalan Army hoped to consolidate its own political and economic power."³⁵

It seems that the Bank's support of the Chixoy Hydroelectric Project directly served the U.S. policy objective of supporting the Guatemalan military at a time when its military regimes were too brutal to support publicly.



Pacux children

By 1981, the U.S. had discarded its pretense of concern about human rights in Guatemala. The State Department exonerated the Lucas García regime for its human rights atrocities, and the U.S. Embassy in Guatemala denounced human rights groups as "communist-backed" sources of "disinformation."³⁶

In 1982, The U.S. supported Guatemala's newest military dictator — General Efraín Ríos Montt — despite a UN resolution which condemned him for human rights atrocities. President Reagan declared before the U.S. Congress that Ríos Montt got a "burn rap"³⁷ and by 1985, U.S. economic aid to Guatemala had increased to \$100 million.³⁸

Funding from the World Bank continued to flow into Guatemala during this period, the bloodiest in Guatemala's history. In 1984, a leading human rights group referred to Guatemala as a "nation of prisoners." An average of 100 political murders a month and ten "disappearances" a week were reported.³⁹ Yet the very next year, the World Bank loaned \$44 million more to Guatemala for the Chixoy project.

By 1985, the Guatemalan army's counterinsurgency policies had razed 440 villages and left tens of thousands "disappeared."⁴⁰ Hundreds of thousands of Guatemalans had fled the country, over a million had been internally displaced, and over 200,000 civilians had been killed by the counter insurgency campaign supported by the U.S. during the whole period.

The billions of dollars pumped into Guatemala by the World Bank, other multilateral lenders, and the U.S. government since the 1950s have helped to maintain a favorable climate for U.S. capital, while bolstering a series of successively more brutal military dictatorships. Today, approximately two percent of the population still control nearly 70 percent of the arable land, while 85 percent of the population live in

poverty.⁴² The Guatemalan military wields enormous economic power and enjoys complete impunity for the atrocities it has committed and continues to commit; more than 150,000 refugees still live in Mexico; the Guatemalan oligarchy continues to pay virtually no taxes, while the poor struggle under the debt burden incurred from lenders such as the World Bank.

CONCLUSION

U.S. policies in Guatemala clearly have served to support military and economic interests that violently oppress the country's poor majority. The World Bank has closely followed the U.S. lead. It refused funding to the early 1950s Arbenz government whose social programs were making authentic steps towards alleviating poverty and then eagerly supported the military dictatorships that for 30 years brutally opposed anyone working to upset the status quo.

The World Bank is an institution riddled with flaws: not only its tendency to act as a tool for U.S. policy, but also its support for socially and environmentally destructive projects, its failure to listen to the perspective of the world's poor, and its development model which ends up benefiting rich nations. In the next two chapters, a close examination of the World Bank-funded Chixoy Hydroelectric Project demonstrates the enormity of one project failure.



A Mayan Priest from the Community of the Populations in Resistance (CPR) of the Sierra, holding a cross that lists ages of family members killed in a 1980s massacre.

Chapter 2

From Development Dream to Nightmare: The Plan for the Chixoy Project and the Río Negro Massacres

The 1970s and early 80s were tumultuous years for Guatemala. In these years, development and destruction coexisted. The country's principal development venture – the Chixoy Hydroelectric Project – was built in the midst of military dictatorships and their violent counterinsurgency war.

THE PLAN FOR THE CHIXOY HYDROELECTRIC PROJECT

AND THE ROLE OF THE WORLD BANK

In February 1975, Guatemala's National Institute of Electrification (INDE) unveiled the Chixoy Hydroelectric Project as the solution for the energy crisis plaguing Guatemala. The project's principal objective was to develop a reliable source of cheap and abundant energy. A council of technical experts presented the plan to the President of Guatemala, predicting that the giant hydroelectric plant, built on the Río Chixoy in central Guatemala, would begin operation in 1981. The Minister of Public Finances announced a plan to solicit the majority of project funding from international development banks, particularly the World Bank and the Inter-American Development Bank (IDB).¹

Despite the optimism which surrounded the Chixoy Project, it was riddled with problems from the onset. A deficient design, an unrealistic timeline, construction difficulties, and inadequate cost projections shackled its progress. However, it had one steadfast supporter through all of its difficulties – the World Bank. Beginning in the 1960s and enduring through the 1980s, the Bank was intimately involved with the Guatemalan energy sector, evaluating energy potential, conducting sector reviews, and funding projects.

Guatemalan Energy Sector and Electricity Crisis

INDE and the Electric Company of Guatemala (EEGSA) comprise the Guatemalan energy sector. The Guatemalan government created INDE in 1959, giving it the responsibility of generating the nation's electricity, as well as broadening electrical service into rural areas. EEGSA is responsible for electricity distribution, buying power from INDE and selling directly to consumers.²

As in most underdeveloped nations, electricity production and distribution has always been inadequate in Guatemala. In the early 1960s, the World Bank began to assist the restructuring effort of Guatemala's energy sector. From 1960 to 1962, the Bank served as the executing agency for a United Nations survey project which evaluated Guatemala's hydroelectric resources and later created a master plan for their exploitation by the energy sector. According to the Bank, a reliable source of electric power was essential to enhance economic growth and improve the standard of living.³

Based on this master plan, the World Bank approved loans totaling \$22 million to fund two small hydroelectric plants. These projects soon encountered technical and financial difficulties, failing to meet the needs the Bank had earlier identified. By the early 1970s, Guatemala found itself in the midst of an energy crisis.

The energy sector in Guatemala traditionally used geothermal plants and low grade diesel fuel to generate electricity. During the 1970s, the government spent 60 percent of its annual export earnings (approximately \$286 million) on oil imports for electricity production. Guatemala's electricity was thus twice as expensive as other Central American countries.⁴ By the middle of the 1970s, an availability crisis erupted when production capacity fell short of electricity needs.

The situation deteriorated as demand for electricity increased.⁵ In 1976, Guatemala experienced a 111-hour, nationwide blackout, and severe limits on the availability of electrical power continued throughout the next year. During the first four months of 1977, blackouts occurred so frequently that the powerful Chamber of Industry publicly accused INDE of incompetence and irresponsibility, and threatened local action for financial losses caused by the lack of electricity.⁶

In the midst of this crisis, the Chixoy Project was portrayed as INDE's knight in shining armor. The project would provide the additional capacity required to maintain consistent and reliable service as well as decreasing the reliance on costly imported fuel.⁷ The project would diffuse the electricity crisis, rescue INDE from a

barrage of national criticism and provide a way for INDE to fulfill its pledge of rural electrification.

The Chixoy: A Development Dream

The development of the Chixoy Project began in 1972 before the energy crisis reached its peak. INDE contracted a consortium of engineering consultants from three international companies to determine the hydroelectric potential of the Río Chixoy. Experts from West Germany, Switzerland, and the U.S. comprised the consultant group, the Consorcio Lami. In a pre-feasibility study released in June 1973, Lami identified 32 possible project sites for hydroelectric plants along the Río Chixoy.⁸

Lami released the final report of a second, more detailed feasibility study in 1974 and officially recommended the construction of four hydroelectric dams to generate a total of 550 megawatts (MW) which would more than triple the country's generating capacity.⁹ The Guatemalan press heralded the Chixoy Hydroelectric Project as the largest and most promising infrastructure development project in the history of the country.

The plans recommended the immediate construction of the "first stage" of the project — the Pueblo Viejo dam, the Quixal powerhouse, and the tunnel connecting them — for an estimated total cost of \$270 million.¹⁰ The design document detailed the construction of a rockfill dam at the convergence of the Chixoy and the Salamá rivers. The 100 meter high dam was to create a reservoir in the Chixoy valley approximately 31 miles long and one mile wide. Water from the reservoir would flow from the dam through a 16 mile tunnel to the Quixal powerhouse located at the convergence of the Quixal and Chixoy rivers, taking advantage of a 350 meter drop in altitude between the two points. The powerhouse was to contain five turbines capable of producing up to 60 MW each, generating a

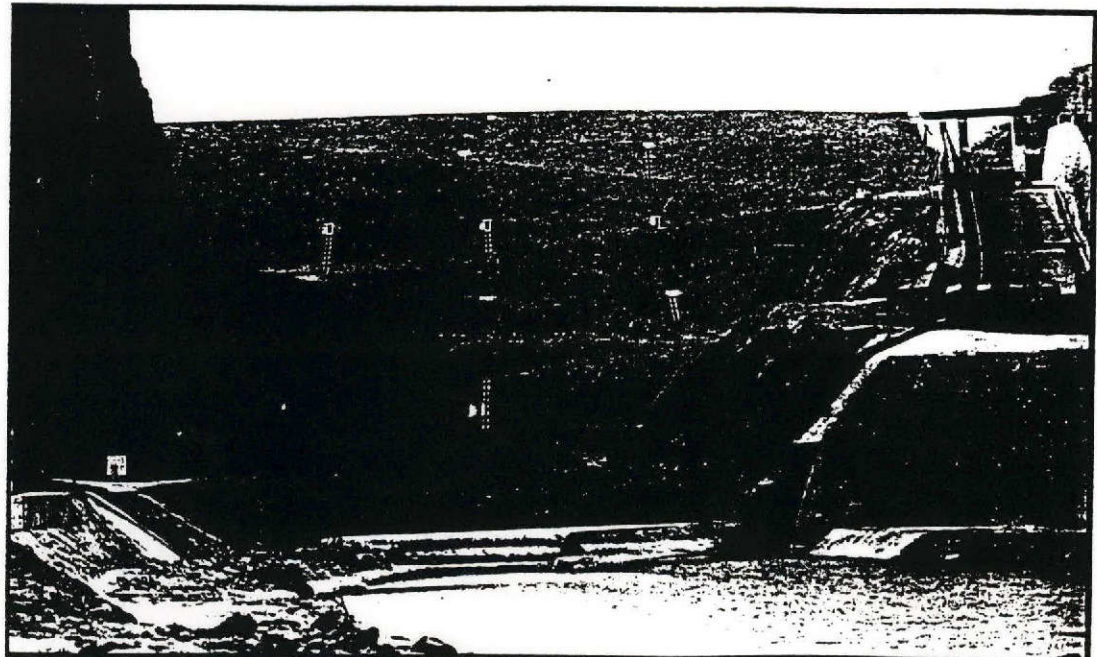
total of 300 MW.¹¹

Lami confidently predicted that the benefits of the Chixoy Project would outweigh its costs, and that the plant would soon more than pay for itself. INDE in turn projected that in the first year of operation alone, the Chixoy Project would save Guatemala between \$30 - \$33 million in oil costs. They estimated that savings would reach \$340 million by the year 1990.¹²

Funding for the Project

The government of Guatemala began to solicit international financing for the project as soon as Lami completed the feasibility study in 1974. International lending institutions quickly approved funds for this "engineering miracle" which was to transform Guatemala's "third world" economy with cheap electricity by the year 2000.¹³ Despite the project's promise, the World Bank was aware of fundamental institutional problems which even an "engineering miracle" could not fix.

The failure of the two earlier hydroelectric projects funded by the World Bank prompted it to perform a comprehensive review of Guatemala's entire energy sector in 1975. The review painted a bleak picture of INDE, citing weak financial status, inefficiency, poor management, general failure to expand electrical generation, and significant conflicts between INDE and EEGSA as some of the institution's leading problems. The evaluation also noted that the Bank could have played a more beneficial and decisive role in ironing out these problems within the energy sector in the early 1970s.¹⁴



Matthew Pacenza

Back side of Chixoy Dam

Consequently, a \$55 million Bank loan granted in 1977 for a third small hydroelectric plant provided \$250,000 for an internal improvement program for INDE, earmarked to strengthen personnel and financial management, increase efficiency, and improve office procedures.¹⁵ Despite the enormity of these problems, the Bank did not wait to see if its \$250,000 investment had paid off before supporting the Chixoy Project.

In December 1975, the Inter-American Development Bank (IDB) approved a \$105 million loan, estimating the project's total cost to be \$340.9 million.¹⁶ In June 1978, the Guatemalan government signed a \$72 million loan contract with the World Bank. By August 1978, INDE had disbursed millions of these dollars to a variety of foreign companies contracted to develop the project, and the project was well underway.

By the time INDE solicited the 1978 loan for the Chixoy Project, the World Bank had already invested 18 years

and \$77 million in development of Guatemala's hydroelectrification, with little success up to that point.¹⁷ Regardless of this poor track record, the Bank approved the \$72 million loan thereby maintaining its presence within the Guatemalan power sector. The Bank rationalized the 1978 loan for the Chixoy Project because it "would allow the Bank to participate in the financing of a needed project, and equally important, to continue assisting the Government in the implementation of sector reforms and the institutional strengthening of INDE."¹⁸ Although the IDB lent more money to the project than did the World Bank, the Bank — the "flagship of all development banks" — set the example for other international financial institutions to follow.

Construction Problems, Shoddy Planning

In 1976, 70 kilometers of newly cut access roads wound through the project site and the construction of the Chixoy Project officially began. But a devastating earthquake shook Guatemala in February of that year, delay-

ing dam construction for 15 months. The discovery of seismic faults in the area forced the project's planners to substantially change the dam design.

By 1982, Lami's projected cost had skyrocketed from \$270 million to \$800 million — an increase of almost 300 percent — and the scheduled start date was postponed until 1983.¹⁹ Serious problems existed in the project's original design, partly due to the region's geology. The dam needed to be capable of withstanding an earthquake measuring 7.7 on the Richter scale, and its foundations needed to be strengthened to counter the geological weakness of its location.²⁰ In addition, the construction of the 16 mile tunnel was complicated by the adjoining rock which broke down upon contact with water.²¹

Not surprisingly, the geological make-up of the site created ongoing technical complications for the build-

Chronology of the Chixoy Project

February	1975	INDE announces plans to build Chixoy Hydroelectric Project
February	1976	Earthquake disrupts initial construction, forces dam redesign
Late	1976	INDE informs people of Río Negro that Chixoy will displace community
June	1978	World Bank approves \$72 million Chixoy loan
March	1980	INDE's Military Police kill seven Río Negro residents
July	1980	Río Negro community leaders disappeared and murdered en route to INDE office
February	1982	73 Río Negro men and women killed in Xococ
March	1982	177 Río Negro women and children murdered in Pacoxom
May	1982	84 Río Negro residents killed in Los Encuentros
September	1982	92 people murdered in Agua Fria, including 35 Río Negro children
Late	1982	Filling of the Chixoy Reservoir begins, Río Negro is submerged
June	1983	Chixoy Hydroelectric Project begins operation
November	1983	Engineers shut down Chixoy fearing tunnel collapse
March	1985	World Bank approves additional \$44.6 million Chixoy loan
June	1985	Chixoy Project reopens
November	1993	Forensic team excavates Pacoxom massacre site
March	1994	Río Negro survivors bury dead. Gravesite monument destroyed
March	1995	Río Negro survivors inaugurate new Monument to Truth

ers. Dam designers often sidestep the lengthy and expensive process of site suitability analysis by recommending construction after conducting only partial investigations.²² In the case of the Chixoy Project, Lami itself likens the methods they used to evaluate the dam site to playing the lottery.²³ The outcome was a project plagued by profound technical failures.

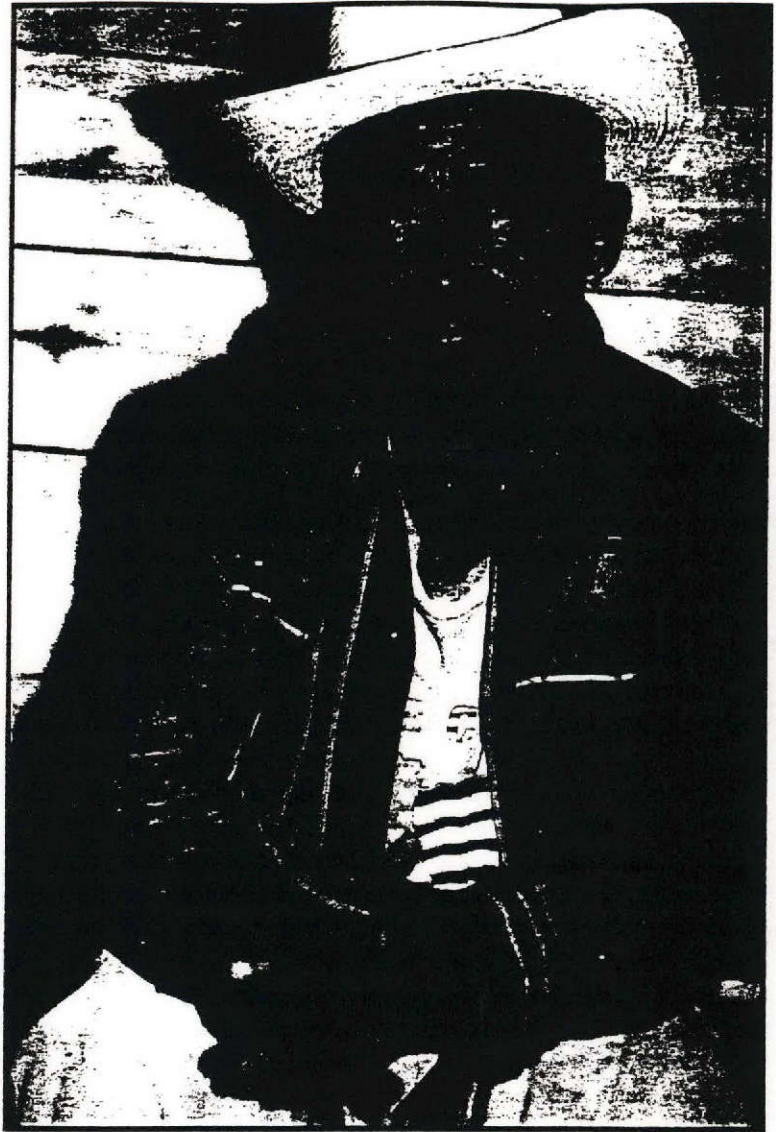
Even though Lami continued to laud the project as a "great socioeconomic benefit" for Guatemala,²⁴ their original predictions, including the timeline, costs and geological analysis, quickly became obsolete.

Analyzing the planning and development of the Chixoy Project raises serious concerns about the World Bank. The Bank based support for the Chixoy on severely flawed plans, and justified its participation by reiterating the need to maintain its involvement within the Guatemalan energy sector. As the 1975 sector review shows, the Bank was fully aware of the disorganization and weakness of INDE before the construction of the Chixoy Project. It acknowledged that construction risks existed given the "unfavorable geological conditions" of the project site.²⁵ But its 1978 loan facilitated the project's completion and legitimized the view that the project would solve Guatemala's electricity problems.

The Fatal Flaw

The most damning criticism of the planning process for the Chixoy Project is that it disregarded the people displaced by the dam. While the studies recommending the project praised its anticipated economic value, they made little mention of the project's potential impact on the environment or the inhabitants of the Chixoy Basin. According to an independent environmental expert, Lami never conducted a significant analysis of the possible effects of the Chixoy Project on the climate or the affected area's plant and animal life.²⁶

Only briefly and superficially did planning documents mention the 1500 people to be displaced from their homes by the flooding of the reservoir. Those who would be directly affected by the project merited the following phrases in Lami's pre-feasibility document: "... the population in the area of the studies is mainly indigenous. In the tract of the study ... there is almost no population."²⁷



A 75 year old man speaking of life in Río Negro before the dam

The Chixoy Project planning and funding agencies clearly found it unnecessary to consult with the people who would be displaced by the project. No one asked their opinion or carefully examined the impact the reservoir would have upon their lives. Neither did anyone factor their input into the decision of whether the project was feasible. This lack of consultation with the affected population highlights the World Bank development model in which Bank staff, international consultants, and Guatemalan bureaucrats planned and approved their grandiose scheme without communications with those immediately affected — several communities of Maya Achi who had maintained a rich cultural heritage cultivating land on the banks of the Río Chixoy for hundreds of years. The largest of these communities was Río Negro.

THIS LAND HAS ALWAYS BEEN OUR LAND

This land has always been our land. Before they built the dam and the reservoir, our ancestors lived to 80 and even 90 years of age in the village that was Río Negro. But our ancestors were spared the horror which was to come.

--Pedro, former resident of Río Negro

For generations, the Maya Achi of Río Negro lived on the banks of the Río Chixoy. The Río Chixoy and its tributaries carved a winding basin through the departments of Alta and Baja Verapaz, a region home to approximately 75,000 Achi speaking Maya people. A Mayan legend recounts that the Achi gained possession of this land when all the groups of the K'iche federation

"In Río Negro, we lived peacefully. And then they began the dam, and the violence started".

met on a mountaintop and divided the territory among themselves. Another traditional story narrates that the Achi people won the territory currently known as Baja Verapaz in battle during the Late Post Classic period, 1200 A.D. to 1524.

Until 1982, Río Negro lay in a flat valley where the river had created rich and fertile floodplains unlike the sandy, arid

soil of the hills rising above the community. In the late 1970s, approximately 500 people lived in Río Negro. Each family farmed its own parcel of land, growing the traditional staples of corn and beans, as well as tomatoes, tropical fruits, peanuts, and coffee. Most families raised animals including chickens, cattle, mules, and horses.

In Río Negro, survival depended on the success of subsistence farming. Most of the year, families worked their own plots of land, fueling their cooking fires with wood gathered from the surrounding hills and selling petates – woven straw mats – in nearby communities.

Occasionally, when their own harvests failed to support them, families from Río Negro joined the thousands of Guatemalan subsistence farmers who spend several months a year harvesting cotton, sugar or coffee on the large plantations on the southern coast or in the northern province of the Petén. The meager income from these months of difficult work supplemented their subsistence farming, enabling them to purchase clothes and staples, like salt and cooking oil, which they could not produce themselves.

No road led to Río Negro. Rabinal, the nearest market and county seat, was an eight hour walk on a mountain path. The village had its own school, staffed by government-paid teachers, and was governed by a Development Committee and municipal representatives.

During the 1960s and 1970s, the Catholic Church maintained a strong presence in Río Negro.²⁸ The village catechists functioned as some of the principal leaders in local activities, leading prayers at the church services and organizing civil and religious ceremonies on holidays.

Mario*, a resident of the area, offered this description of life in Río Negro before the dam:

... life was hard, but it was good. The people were content. Everyone lived nearby, we all knew each other, and we lived peacefully. But when they began the construction, many strangers came to our communities. The army arrived, the guerrillas arrived, and then the violence started.

DECEIT AND MASSACRE: THE CAMPAIGN AGAINST RIO NEGRO

Chixoy Project officials waited more than a year after making the decision to build the Chixoy to inform the people of Río Negro that they would lose their homelands. After notification a dialogue began between the people of Río Negro and the officials of the Chixoy Project. However, communication about the resettlement plan was soon broken by deceit, and eventually, violence.

Bad News and False Promises

In 1976, INDE representatives descended upon Río Negro in helicopters to inform residents of the plan to build a dam four miles downriver at Pueblo Viejo. They told the villagers that the dam would stop the Río Chixoy and thus create a giant reservoir which would flood the entire 31 mile length of the middle Chixoy Basin.

Community members reacted with anger as INDE officials impressed upon them that the flooding would force them to leave Río Negro and the valley that their people had lived in for centuries. Some residents advocated using force against INDE, but cooler heads prevailed. "What can be achieved by such a struggle?" they argued. "What good can machetes and sticks do against INDE and the military?" Instead of taking an aggressive stance, the community elected a committee to negotiate resettlement on its behalf.

Initially, INDE offered to resettle the community to a farm in the northern lowland jungles in the Petén. The people of Río Negro rejected this offer because the Petén

was "too hot and too far away." INDE then offered a farm near Chisec in the province of Alta Verapaz, which the community refused for the same reasons.

Eventually, the Río Negro committee and INDE agreed on a site: the Pacux farm just outside the nearby town of Rabinal. INDE, whose stated purpose was "to improve the social and economic levels" of the community's inhabitants, agreed to provide the following:

- cement block houses with duralite roofs
- potable water and free electricity
- five acres of fertile land for each family
- a community truck
- compensation for crops and orchards lost to flooding
- a church, schools, a health center and access roads
- a boat
- social services²⁹

Dubious Intentions, Deceit and Violence

In 1978, INDE began construction of the Pacux resettlement village. In early 1980, INDE transported dozens of Río Negro residents to Pacux to show them what would later become their new home. The urban setting, cramped houses and lack of land contrasted sharply with the abundant space and natural beauty of Río Negro. Upon seeing the houses, many of the Río Negro people, disillusioned by the condition at Pacux, began insulting the INDE officials present.

One community leader conjectures that this is when the dialogue between Río Negro and INDE about the resettlement plan effectively ended, and that INDE thereafter chose not to comply with its earlier promises. He stated, "You have to understand that the people were upset by the construction of the houses and layout of the community. Seeing Pacux that day was difficult for a rural people who felt such a strong bond to their land in Río Negro. They were getting swindled, and they knew it."

Difficulties also arose in relation to the INDE-contracted archeological excavation taking place in their ancestral homelands. The community maintained a strained relationship with the French archeological team which spent two years excavating many of the Mayan ruins that lined the banks of the Chixoy. Several individuals from Río Negro were employed as laborers in this endeavor. However, the community soon prohibited the team from excavating sites near the village. The archaeologists, in turn, accused several members of the community of stealing Mayan artifacts, accusations that were met with indignation. "How can we steal what is already ours?" they asked.

The community learned that INDE trucks were carting away tons of gravel and sand from the land they shared with the neighboring communities of Pajales and Xococ, at Los Encuentros, just two miles from the dam. Río Negro confronted INDE and negotiated an agreement to sell INDE the sand and gravel from its section of the land. The \$12,000 settlement was divided unequally among community members, causing a disgruntled Río Negro resident to go to Xococ (sho-KOK) and falsely report that Río Negro had sold all of the communal land to INDE. Río Negro's problems deepened as angered Xococ residents began to denounce Río Negro as a hotbed of guerrilla activity.

Shortly thereafter, in early 1980, INDE representatives persuaded Río Negro residents to turn over their land titles, promising to return them promptly. Months later, when the community requested that the titles be returned, INDE officials claimed they never received them and



A Child from Pacux

knew nothing of their whereabouts. The loss of the land titles was significant because with them the community lost its most important legal documentation of the right to compensation for the lands it would lose. "That's one way INDE tricked and cheated us," comments one former Río Negro resident. On March 4, 1980, three military police assigned to the dam's security force came to Río Negro on the pretext of arresting several community members whom they accused of stealing beans from the project's storehouse. The community was meeting in the church discussing their upcoming eviction from Río Negro. One former Río Negro resident relates the following:

For us, this was just another example of INDE intimidation. We refused to hand over the alleged thieves, and we told the soldiers to leave. The soldiers began shooting, killing seven of us, and then they attempted to flee. We caught one of them, whom we released a few hours later. One of them escaped. And the third one tried to escape by swimming across the river, but he drowned. INDE and the army accused us of murdering him and of keeping his rifle. But we did neither. The rifle must have sunk to the bottom of the river. It was never found. It was then that INDE began to denounce us as guerrillas.

In early July, 1980, two representatives from the Río Negro committee went to Pueblo Viejo, the dam site, at the behest of INDE officials. They were carrying their *Libro de Actas*, the community's only documentation of the resettlement and cash payment agreements it had signed with INDE. Both men were "disappeared" that day. Their mutilated bodies were found a week later. The *Libro de Actas* was never found.

The PACs and Xococ: Instruments of Terror

In 1981, the Lucas García regime introduced Civil Defense Patrols (PACs), a nationwide network of community-based militias to work in tandem with the military. The PACs were armed and indoctrinated against the "evils" of communism and subversion. They targeted community leaders, human rights workers, development specialists, religious workers, and sometimes entire communities.³⁰

The PACs were an extremely effective counterinsurgency tool. Terror in Guatemala became epidemic as victims became victimizers. Neighbors denounced each other as subversives. The accusers hoped that such denunciations would exonerate them from the climate of suspicion in which no one was safe.³¹

In the Maya Achi village of Xococ, this sentiment manifested itself in the extreme. After its long years of suffering torture, murders, and disappearances as a result of counterinsurgency, its residents formed a PAC called the "Combative Village of Xococ."³² They lashed out violently against their neighbors, settling old scores by denouncing them as guerrillas. In the words of one Río Negro resident who was tortured but escaped death in Xococ on February 6, 1982, "Xococ had turned into hell and its patrollers into the devils agents."

The 1982 Massacres

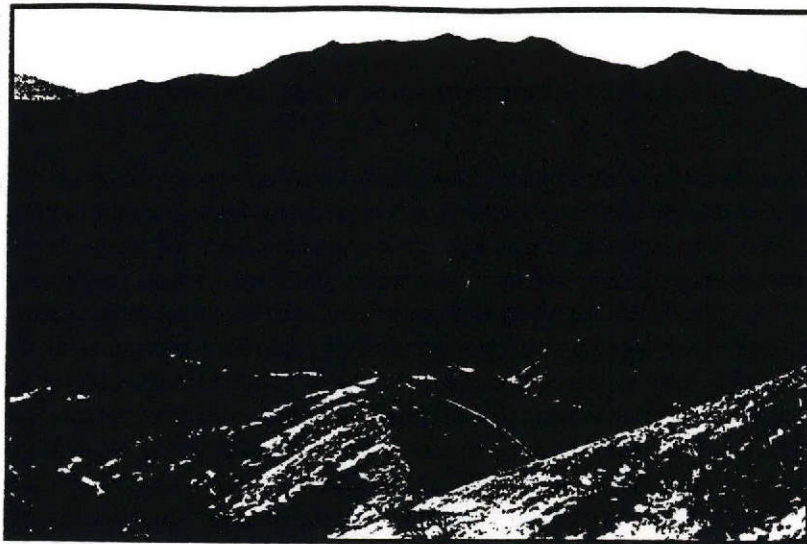
In the following passages, massacre survivors recount what happened in Río Negro in 1982. These words are their own - brutal, difficult, and painful to read.

On February 13, 1982, 73 men and women from Río Negro were ordered by a local military commander to report to Xococ where they were tortured, raped and murdered by the PAC. One woman escaped while the patrollers were raping some of the adolescent girls. She ran all night, arriving at dawn in Río Negro to tell her people what had happened. The men in the village immediately took to the hills to hide themselves, but the women refused to go, saying that they and the children could not survive "eating roots and living like animals in the mountains." Several Río Negro residents related, "They thought that it was only the men that the patrollers from Xococ wanted. That's what we all thought."

Exactly a month later, on March 13, 1982, approximately ten soldiers and 25 patrollers from Xococ arrived in Río Negro at dawn. They were infuriated not to find any men in the village. "Where are the guerrillas?" they demanded. The

women responded that they did not know any guerrillas. The soldiers and patrollers began to raid the huts, pulling out the women and children and pillaging their possessions. They marched the women and children up the mountainside behind the village, telling them that they were going to have a meeting at the Palo Guanacaste, the landmark tree on a bare ridge about half a mile above the village. One of the survivors said that they were marched up the steep hillside in single file with the soldiers and patrollers "prodding us with thorned

In July, 1980, two Río Negro leaders were disappeared on their way to a meeting with INDE officials. Their mutilated bodies were found a week later.



The steep mountainsides rising above Río Negro that the women and children climbed on March 13, 1982

sticks and saying 'ox-ox-ox-ox' - the sound you make when you are herding cattle."³³

When they reached the Palo Guanacaste, the patrollers and soldiers put on marimba music with cassettes and tapeplayers looted from the village. They grabbed some of the women and commanded them to dance. "Dance! Dance like you dance for the guerrillas!" The women replied that they did not know any guerrillas and that they did not know how to dance. "Dance!" they were told.³⁴

As they danced, the patrollers and soldiers taunted and insulted them. "Your dancing will not save you today, guerrilla whores!" Then one of the patrollers forced 14-year-old Justa Osorio Sic into the weeds and raped her. When she came back, "her clothes were torn and she was crying, but the soldiers and patrollers just laughed and taunted her."³⁵

From the Palo Guanacaste, they continued to march the 197 women and children up the mountainside, "hitting us with sticks and thorned branches and treating all of us like animals."³⁶

One of the survivors, Jaime*, who was 10 at the time, describes how he carried his 3-year-old brother up the mountainside on his back. When they reached the summit of the mountain, a place they called Pacoxom, the patrollers and soldiers divided the women and children into several groups. Jaime and his brother, along with about 18 other children, were forced to lie face-down in the grass and told not to look up. He said that he could see everything by raising his head a little. The soldiers and patrollers began forcing the teenage girls into the weeds and raping them. He got up to take his little brother into the weeds to relieve himself. "Two of the soldiers

were raping one of the girls. They saw me and yelled at me, but I told them that I was only there because my little brother had to pee."³⁷

When he returned to where he had been lying in the grass, he saw that the patrollers had begun killing. They were strangling many of the women by putting ropes around their necks and twisting the ropes with sticks. They were also beating other women with clubs and rifles, and kicking and punching them. "I remember one woman," he relates, "a soldier jumped up and kicked her in the back. He must have broken her spine, because she tried to get up but her legs wouldn't move. Then he smashed her skull with his rifle."³⁸

The patrollers killed the children by tying ropes around their ankles and swinging them, smashing their heads and bodies into rocks and trees. "They were grabbing the women one by one," he continues, "and dragging them to the edge of the ravine about 15 yards away from where I was lying. There they would slaughter them and throw them over the edge. The sandals of the patrollers were covered with blood."³⁹

Two of the woman climbed to where Jaime and the other children were lying face-down in the grass. Some of the patrollers followed them and asked them what they were doing. Jaime continues:

Their names were Petromila Sanchez and Paula Chen. 'We want to go to Xococ,' they said. The patrollers put ropes around their necks and strangled them.⁴⁰

Then a patroller grabbed me and my brother. I started crying. He asked me if I wanted to go live with him in Xococ. He said that I could go with him, but my little brother couldn't because it was a long walk to Xococ. I told him that I'd carry my brother. Another patroller grabbed me, while the first one put a rope around my little brother's neck and started dragging him away by the rope. I broke free and ran after him. He picked up my brother by the ankles and smashed his head into a rock. I stayed on the spot where he killed my brother. I didn't know if he was dead. Then the patroller said, 'Let's go!' The same patroller who killed my brother was the one who took me with him to Xococ.⁴¹

Seventy women and 107 children from Río Negro were massacred on March 13, 1982. Two women, one of them carrying her infant on her back, escaped by throwing themselves into a ravine. Eighteen children, including Jaime, were taken to Xococ, where they lived as slaves

for several years in the homes of the patrollers who had murdered their families.

"Not Even the Birds Sang"

The next day, Guillermo*, who had been hiding with a group of men, returned to his village:

"When I first arrived, I didn't realize what had happened. But when I saw, I wanted to wake from that horrible dream. Maybe it wasn't true what my eyes were seeing: my loved ones mutilated, beheaded, throats slit, tortured, raped...I asked God to help me. I wanted to be dead in the place of my brothers and sisters. That day was silent, so silent that not even the birds sang - as though they too had died. The village sat silent, the laughter of the children when they played was no more..."

Guillermo lost 17 family members on March 13.

Many of those who survived, because they were not in Río Negro on that day, spent the next two years hiding in the mountains. Military helicopters and planes sprayed the mountainsides with bombs and machine gun fire. Soldiers and PACs also patrolled the area on foot. Those who lit fires were often captured and killed, their whereabouts revealed by the smoke or glow from their fires. One survivor recounts:

We lived like animals, surviving on roots and reeds and raw fish. Many of us were barefoot or naked. The old and the weak and the young ones, most of them died in the mountains. Life was too hard for them.

The slaughter of Río Negro did not end there. On May 14, 1982, 84 Río Negro refugees were massacred by the Xococ PAC and government soldiers at Los Encuentros, five miles from Río Negro. Fifteen women were taken away in a military helicopter, never to be seen again. Witnesses assert that a short time before the massacre, the assassins stopped at the INDE office in Pueblo Viejo, borrowed an INDE truck, then drove to Los Encuentros and committed the massacre.

On September 13, 1982, 92 people in Agua Fria, another village in the vicinity of the dam, were machine gunned and burned to death by the Xococ PAC and government soldiers. Thirty-five of the victims were children from Río Negro, orphans from the previous massacres, whom the people of Agua Fria had taken into their homes.

All told 376 people from Río Negro - more than half the population - were massacred by soldiers and Xococ patrollers between March 4, 1980 and September 13, 1982. Filling of the Chixoy Reservoir began in late 1982.

The Project and the Massacres

While some attribute the Río Negro massacres to the counterinsurgency war of the early 1980s, a careful analysis suggests that the Río Negro victims died because they blocked the "progress" of the Chixoy Project. This analysis is based largely on confidential interviews with trusted longtime residents of the Chixoy region. Due to the extraordinarily sensitive nature of this issue - the link between the Project and the massacres - "official" research or interviews within Guatemala to corroborate testimony could not be conducted. However, local sources strongly assert the connection.

The people of Río Negro complicated matters for INDE, the Guatemalan government and the World Bank, who chose to either ignore or cover up the crime inflicted upon this population by labelling Río Negro residents "guerrillas."

A Río Negro resident responds:

How can innocent children and women, many of them pregnant, be mistaken for guerrillas? They couldn't be. None of us were. We were peasants trying to make a living from the soil like our parents and our ancestors. I'll tell you the real reason for the violence: they wanted our land for their cursed reservoir and dam, and we were in the way.

A local observer notes that violence in the Chixoy region was virtually nonexistent before the onset of dam construction in 1977, but that once construction began "strangers began arriving and with them, the violence."

Many of the survivors from Río Negro concur with this analysis. "INDE knew about and collaborated in the violence against our village because we were refusing to leave Río Negro." Or as one survivor puts it, "The Chixoy Project was built with the blood of our people."⁴²

A Catholic leader in Cobán believes that INDE's original intention may have been "to benefit rather than victimize" the affected Achi populations in the Chixoy Basin.⁴³ However, he believes that the "corruption of INDE officials" contributed to the deterioration of resettlement efforts. "The project was a goldmine for INDE and the army generals. There was so much money coming in from the outside that many strange things occurred as the project progressed - including violence and disappearances, and then the massacres."⁴⁴ He

One massacre survivor says, "the Chixoy Project was built with the blood of our people."

speculates that INDE officials may have had something to gain by minimizing or eliminating cash payments to displaced communities.

A Catholic priest who has worked in the area for more than 30 years added a further element to explain the government's fervor:

The interests of INDE were the interests of the government. They wanted to transform the Chixoy Basin into a tourist center after they flooded the reservoir. They didn't want a bunch of indigenous people living on the hill-sides above the reservoir; they saw them as personas non-gratas. They saw violence as a means of 'cleansing' the area for later tourist development.⁴⁵

A construction worker from the nearby city of Cobán who worked on the Chixoy Project from 1977 to 1982. says:

Of course INDE knew about and condoned what was happening in Río Negro because they stood to gain from it! The violence minimized or eliminated the problem of cash payments. Dead or terrorized peasants aren't going to demand their rights. The generals, politicians, and INDE people pocketed all those cash payments. Everybody knew about the corruption and the violence, but we were all too terrified to say anything. But the poor people from Río Negro were those who truly suffered.⁴⁶

A Guatemalan journalist in Cobán who investigated INDE's compliance with resettlement and cash payment agreements asserts:

In most cases, the monies were never paid. It was all a big scam. All of the officials involved in the project, from the little guys to the big shots,

were robbing it blind. The violence facilitated the corruption. The whole area was under siege. One of the heads of security at the project was responsible for orchestrating much of the bloodshed. His brother was a high ranking army officer right here in Cobán at the time. There's no doubt that INDE encouraged – and benefited from – the massacres.⁴⁷

Testimony corroborates that INDE was both aware of the Río Negro massacres and condoned the army's savagery. More likely, it encouraged the army and PAC to eliminate the obstacle that the organized community of Río Negro represented.

The Exhumation and the Monuments: Signs of Hope

After years of living in fear, and despite repeated death threats from the military and the Xococ patrollers, in 1993 the survivors of Río Negro broke the wall of silence and impunity. They publicly denounced the massacres and petitioned the official exhumation of the remains of their loved ones on the mountain above their former village of Río Negro.

In November, 1993, a forensic team unearthed the remains of most of the 177 Río Negro victims at Pacoxom. The team reported that most of the women's pelvises were broken and that "the great majority of victims died from blunt-force trauma. It was a brutal death."¹

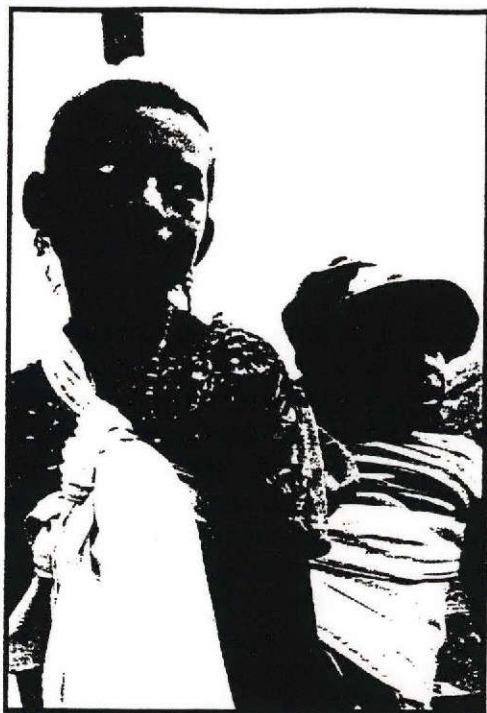
In April, 1994, surviving family members gave their loved ones a dignified burial in the Rabinal cemetery near Pacux. The small monument they erected paid homage to the "Río Negro martyrs ... who gave their life for peace, whose blood fertilizes our land and represents the seed of truth, justice and hope." Two weeks later, the monument was destroyed in the middle of the night.

In March, 1995, the community dedicated a different monument at the gravesite - this one a huge concrete and steel structure (pictured on the cover.) "They'll need tanks to knock this one down," one community member told the international journalists and human rights advocates who attended the dedication ceremony.²

At the ceremony, Doña Flor*, a leader in the Orphans and Widows Committee, the organization largely responsible for mobilizing the community to denounce the massacres after ten years of silence, told the world:

"We build this Monument to Truth so that our children know what happened in the time of violence. We write the names of the 177 murdered women and children so that our children will know who died: their parents, their aunts and uncles, their grandparents."

The Monument to Truth in Rabinal, funded by a coalition of U.S. faith-based solidarity organizations, testifies to the suffering inflicted on the people of Río Negro in the name of development and counterinsurgency. It is also a testament to the courage of a noble people.



Pacux residents

Business As Usual For The World Bank

The question is what did the World Bank know of the four massacres perpetrated against the Achi community of Río Negro over that eight month period in 1982.

According to the individuals interviewed in the Chixoy region - priests, church workers, a journalist, and a construction worker who worked on the Chixoy project from 1977 to 1982 - everyone who worked on the project and virtually everyone in the region knew about the violence associated with the project, particularly the violence at Río Negro.⁴⁸

World Bank documents indicate that Bank personnel worked in supervisory capacities at the Chixoy site for up to three months each year from 1979 to 1991, including 1982.⁴⁹ In 1984, the Bank even hired an "expert on resettlement policy to assist in the supervision function" of resettlement.⁵⁰

In light of the testimony, it is reasonable to assume that World Bank staff — particularly project supervisors — knew about the violence against Río Negro as early as 1982. In a 1991 internal document, the World Bank's senior sociologist Michael Cernea asserted that "the turmoil surrounding resettlement in Guatemala's Chixoy dam project eventually became so severe that the entire area was declared a national disaster zone."⁵¹

In its 1991 Chixoy Project Completion Report, the World Bank made an oblique reference to violence associated with the Chixoy's resettlement and compensation program, which it called a "flawed concept" because "there

were delays due to the insurgency activity in the project area during the years 1980 to 1983 — two resettlement officers were killed while performing their duties..."⁵²

However, both of these reports minimized the violence in the area during the Chixoy's construction and made no reference to the Río Negro massacres. In fact, the Río Negro tragedies were never mentioned in World Bank documents on the Chixoy.

Apparently, the Bank chose to ignore the massacres, pretending instead that, with the exception of the minor delays caused by "insurgency activity" and the death of two resettlement officers, things were going relatively well with the Chixoy.⁵³ With a vested interest of \$72 million in the project, the Bank continued business as usual. Despite the widespread violence surrounding project implementation, in March 1985, three years after the Río Negro massacre at Pacoxom, the Bank approved a supplemental loan to the Chixoy project for \$44.6 million.

If the Bank knew about the massacres, then giving an additional loan to the project was at best a calculated cover up and at worst an act of complicity in the violence. If the Bank did not know about the slaughter, then it was guilty of gross negligence. Either way, the Bank is implicated in the horrors perpetrated against the village of Río Negro in 1982.

Chapter 3

The Legacy of the Chixoy Project: Its Social, Environmental, and Economic Impact

Examining the Chixoy Project thirteen years after the Río Negro massacres reveals the immense proportions of its failure. The people, the environment, and the economy of Guatemala are still paying for this costly mistake. The World Bank, intimately involved in the project from inception to completion, shares responsibility for the corruption and the technical and financial problems which plagued the project.

In the years following the 1982 massacres, Río Negro survivors trickled into Pacux, the community built for them by INDE. Life in Pacux reveals the failure of the INDE resettlement plan and implicates the World Bank, which refuses to take responsibility for the Project, although it promoted and funded it.

Under the Watchful Eyes of the Army

Inscribed in the mountainside above the meandering road which leads to Pacux is the word *LOBOS* (wolves), the local military troop's logo. It rises over the departmental military base which guards the entrance to the community. Visitors and residents alike pass the army station staffed by stern faced soldiers who monitor all comings and goings. In the village, 150 houses, a school, a church and community buildings conform to the town's rigidly designed grid. Although Pacux is purportedly a resettlement community provided for the people displaced by the Chixoy Project, it closely resembles the "model villages" of the early 80s. Model villages, a key part of the Guatemalan military's counterinsurgency campaign, were concentrated resettlement camps which allowed the army to control civilian populations in war zones.

Fidel* compares the strain of living next to a military base with his previous life in Río Negro:

Our people lived peacefully for centuries on the banks of the Río Negro. We got along with the neighboring communities and when there were problems, we settled them amicably because we all spoke the same language, Maya Achi. But now, we literally live under the shadow of the army base. We still live in terror after all these years.

"A TREE UPROOTED":

AN EVALUATION OF RESETTLEMENT

What resettlement goals did the World Bank and INDE hope to meet in Pacux? The Bank states publicly that "the fundamental goal of the Bank's [resettlement] policy is to restore the living standards and earning capacities of displaced people and when possible, to improve them."¹ Similarly, INDE pledged to compensate Río Negro residents for their losses with the promise of infrastructure, land, cash payments, and economic and social assistance.

INDE failed to fulfill its promises to the people, and the World Bank fell far short of its goal to restore the community's living standards, let alone improve them. INDE designed and constructed the community, yet INDE itself describes Pacux as "desolate, without trees, inhospitable, dirty and moderately uninhabited."²

In the words of a local Catholic Priest:

For more than 15 years the people have suffered, far from their community, far from the land that gave them food, without the bare necessities of life ... the Calvary they have lived for 15 years still has not ended.

Infrastructure and Services

In contrast to the space and relative freedom in Río Negro, life in Pacux is cramped and contained. People's basic needs are met; they have roofs over their heads, a place to worship and to attend school, electricity and a sporadic water supply, but as one Pacux resident explains, "The houses are badly built. They promised houses of cement block, but they gave us wood, and now they're starting to fall apart."

Despite the guarantee of free electricity, one resident reveals that "INDE is saying that soon it is going to start charging us." INDE also promised community development programs and technical support,³ but admits that the social services are not functioning "for lack of teaching staff, doctors, and equipment."⁴

And while Pacux did receive a water system, it is unreliable – weeks, even months go by without even a drop

of water. Regardless, people have to pay Q3 (\$0.55) a month, and late payment fines are over 100 percent, not an insignificant expense for people with marginal incomes. When the community organized to protest the water crisis, they received a veiled threat from the local military commander, who "reminded us of the Río Negro massacre and recommended that we avoid problems, like demanding justice around the water issue."

Land

Joaquín, a former Río Negro resident, reminisces about life before the dam:

We lived in a river valley where there were vast corn fields, abundant fruit and coffee. We all had animals — our cattle and horses could wander and graze freely.

In contrast to the 561 acres promised to the resettled community in Pacux, INDE has provided only 240 acres. Two farms are an hour's walk from Pacux and the other land adjoins the village. Joaquín says, "The only part that is any good is in Pacux. The other is mostly useless scrub-land." As early as 1984, community representatives began making repeated and costly trips to the capital to demand that INDE comply with its promises. Pacux residents have yet to give up the struggle.

While some families eke out a living by farming their tiny plots of marginal land, most cannot support themselves on the land as they did in Río Negro. In the words of one resident, "We are like a tree that was violently uprooted and then hastily replanted in another place. It is very difficult for that tree to grow again."

Economic Situation

The village of Pacux is located on the outskirts of Rabinal, home to approximately 25,000. In the Rabinal region, poorly maintained roads limit commerce. Most people survive on subsistence corn cultivation. Without land in Pacux or hope of work in Rabinal, the people of Pacux are forced to look elsewhere to survive. The village women spend 8 to 10 hours a day shelling pumpkin seeds or weaving *petates*, to earn at most \$0.20 a day. This arduous labor scarcely yields enough cash to buy a day's ration of corn for a family.⁵

Because permanent jobs are virtually impossible to find, men and women leave their homes each morning in search of day labor; odd jobs such as planting, weeding or harvesting pay them between \$1.75 and \$2.00 for a 10 to 12 hour day. The overall lack of employment opportunities forces many family members to seek jobs as domestics in Guatemala City. Sometimes entire families go to the south coast to work seasonal harvests. Labor on the south coast is backbreaking, the living conditions primitive, and sanitary conditions deplorable. At most, men earn \$1.75/day, and women half that.

The most attractive job opportunity for many young men in Pacux is a three year stint in the army where they are clothed, housed, fed and paid a \$60/month salary,⁶ a considerable sum for most rural peasants. Ironically, the children and siblings of those who died at the hands of the Guatemala army in the early 1980s are now themselves becoming part of that oppressive apparatus.

Titles and Cash Payments

A young community activist asserts that "the biggest problem here in Pacux is the lack of titles to our houses." Of the 107 families INDE identified as directly affected by the dam, only 33 have received titles. Further, INDE claims that another third of the current population does not have papers, so they have to undergo time-consuming and costly procedures to prove their identities.

Titles to land and houses are important because without them people have no legal claims and consider their surroundings temporary. In a 1991 resettlement evaluation, INDE noted this problem, describing people as "insecure due to lack of property titles and thus not wanting to improve their situation."

INDE Compliance with Río Negro Resettlement Agreement

Agreement

Block houses
Potable water
Free electricity
Five acres of fertile land per family
Community truck
Cash payments for lost crops
Church, school, health center and access roads
Boat
Social services

Compliance?

Houses constructed, but titles not granted
Expensive, infrequent supply
Complied
Only 2.2 acres provided, most of it infertile and no titles given
Never granted
Minimal payments to fewer than 20% of families
Complied
Never granted
Minimal

INDE has yet to make good on its repeated promise of cash payments for the financial losses of the Río Negro community. Although a few families received minimal compensation in the late 1980s in a difficult and time-consuming process, the vast majority are still struggling to receive payments which are to range from \$8 to \$172. The community also claims that because these appraisals were based on 1977 property values, they should receive interest and payments which reflect the real value of the land and goods they lost.

Overall Resettlement Evaluation

The many widows who are the sole heads of their families face the double burden of domestic tasks and financial responsibility. In light of the difficult economic situation in Pacux, Lucía asks:

Because I have no money, what am I going to do now that I am alone? Life is so hard. I can work for two whole days shelling pumpkin seeds to earn just enough for a little bit of corn. It is not worth it, it is just too hard. Each day is a struggle and each day we must search for a way to find food for our families, only to rise the next day to begin the struggle again.

One visit to Pacux reveals the difficulties the community faces. Pacux is not prospering. Yet the World Bank officially stated in 1991 that "there is insufficient data available to document whether the project achieved its resettlement objective."⁸ In other sections, the Bank admits resettlement was somewhat unsatisfactory, but removes the onus of responsibility, saying that resettlement problems "reflected the lack of commitment by management and the government to ... take care of those displaced by the project."⁹

In a document evaluating the Pacux resettlement program, INDE echoes the Bank's stance when rating its compliance with resettlement objectives. Despite clear evidence to the contrary, INDE states that the "affected population experienced an increase in well-being, in health, education, housing, food, etc."¹⁰ In the same document, INDE also admits that it has failed to keep



Rio Negro woman weaving petate

its promises of land and titles but because of social, cultural and economic factors "considers it impossible to satisfy the most elemental and vital subsistence needs."¹¹

Through these contradictory statements, some truth emerges: neither the Bank nor INDE wants to label the resettlement program a failure, and neither wants to take responsibility.

Who gained from this resettlement project? Documents analyzing the project state that \$8 million was slated for land purchases and relocation.¹² One local priest says he heard as much as \$12 million was supposed to be spent on relocation, but that only \$3 million was ever invested. Where did the rest of the money go?

Everyone questioned in the community, including a local priest, verifies that infrastructure in Pacux was completed by 1983. But World Bank and INDE documents state that construction of infrastructure continued until as late as 1989. During those six years, did funding end up in the pockets of corrupt officials never reaching the people for whom it was intended? Did the World Bank conduct an independent on-site evaluation of resettlement, or did it rely upon INDE's reports? Did the Bank responsibly exercise fiscal oversight?

"While they are making fortunes from the dam, we from Río Negro continue to suffer."

The New Río Negro

Disillusioned and frustrated with the conditions in the failed resettlement community, 18 families have left Pacux to return to Río Negro.

They have returned to their ancestral home and rebuilt on the sandy ledges overlooking the reservoir. Residing in houses built with palm fronds and sticks, they fish, hunt, and cultivate the steep mountainside above the reservoir. Life is difficult – no electricity and insufficient food – but many prefer life in the new Río Negro to what Pacux offers.

Paula*, standing knee-deep in the reservoir scrubbing clothes says:

Life here is difficult, but it's better than in Pacux. There we had to buy everything. There was no firewood to gather, no straw for petate and no money.

A community elder says he left Pacux because life is too contained there:

In Pacux you can't keep your chickens, your mule or your pigs because the houses are too close together and there's nowhere for them to run. There is a market in Rabinal, but what good is a market if you have nothing to sell and no money to spend? At least in Río Negro we have some corn fields, we can gather straw and we have space. Río Negro is not like it was, but at least we are close to where our ancestors lived and died.

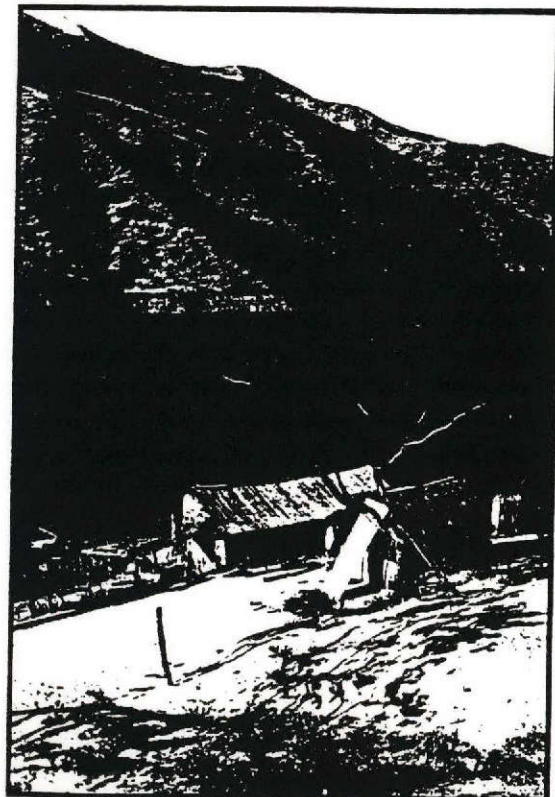
The new Río Negro, like the Monument to Truth in Rabinal, is a living testimony to the Achi struggle. It symbolizes resistance to the coercive forces trying to bury the Achi heritage and culture. Life is difficult in the new Río Negro, but it also symbolizes hope and a refusal to surrender.

A Demand for Justice

From a resettlement perspective, the Chixoy Project clearly failed. A local priest comments, "The process of dealing with the affected population was tragic." People in Pacux want others to know their story: "We want to tell the world of the injustices INDE has subjected us to, and make known that INDE's claims of fulfilling its promises to us are false." Because Pacux residents have dealt directly with INDE, they place more blame on a local level. But one resident says if he could talk to the World Bank, he would "ask that they find a solution, an immediate solution, because it happened over ten years ago, and all that was promised hasn't been fulfilled. While they are making fortunes from the dam, we from Río Negro continue to suffer."

BREAKDOWNS, EROSION AND DEBT: THE TECHNICAL, ENVIRONMENTAL, AND ECONOMIC LEGACY

Despite the enormous technical difficulties, cost overruns, natural disasters and delays in the construction of the Chixoy project, there was still optimism that once it began to operate Guatemala's energy worries would be over. The project planners hoped for a reliable, abundant and cheap source of electricity to meet the growing need of Guatemala's economy.



Mary Beth Kaufman

Homes in the new Río Negro

Cracks in the Dam

With great fanfare and high hopes, the Chixoy began official operation in June 1983, albeit producing less power than was originally intended. But after only five months of operation, the plant shut down as engineers feared the collapse of the tunnel.¹³ Two years and \$57 to \$287 million later, the dam reopened.¹⁴ Not only were the repairs costly, but during those two years of repair, Guatemala spent over \$400 million in petroleum imports to compensate for the power the Chixoy should have been producing.¹⁵

In the following decade, problems continued to plague the project. Although the Chixoy Project was supposed to produce 300 MW of electric power, it has never operated above 70 percent capacity.¹⁶ Although reliance on petroleum imports has decreased, Guatemala continues to spend \$150 million annually to fuel additional electricity generation.¹⁷

The Chixoy Project requires constant and costly maintenance, a minimum of \$8 million annually. Turbines are frequently shut down for repair which further limits the project's energy producing capacity. Major infrastructure additions are not uncommon.¹⁸ For example, in September 1995 the dam was saved from possible collapse by the construction of an additional tunnel and drainage system which cost \$15 million more.¹⁹

When operating, the Chixoy supplies between 50 and 70 percent of Guatemala's current energy needs, but it has not been reliable or cheap. Former INDE president Roberto Balsells says, "The engineering companies overlooked warnings. They knew it was a lousy site."²⁰ Project consultants and supervisors admitted inadequate understanding of the geological constraints the project faced, but as previously mentioned likened the process of studying and choosing the site to the lottery; sometimes you win, sometimes you lose. However, those who made the bet are not those who are paying for this costly mistake.

And the consumer? In 1984, Guatemala faced the highest energy prices in the hemisphere due to reliance on thermal energy and oil.²¹ In the following decade, electricity rate increases were announced almost every year, with a 40 percent increase in 1995 to generate income to "invest in new projects and diminish commitments to financial institutions."²²

Analysts attribute these increases to the need to raise revenue to compensate for the huge cost overruns of the Chixoy Project. They also say the increases are due to the desire to force consumers to pay the "real" price of energy. But despite the enormous sums of money invested in the Chixoy, the majority of Guatemalans still

have no access to electricity. A major objective of the Chixoy was the extension of electricity to those without, but today only 30 percent of the population have electricity.

The nail in the coffin is the productive life of the dam: the World Bank initially estimated that the Chixoy's useful reservoir life would be 200 years.²⁴ However, despite the Bank's supposed expertise in large dams, more recent estimates state that due to increased erosion and silting which reduces the reservoir's usable water volume, the Chixoy could cease to operate in as few as twenty years.²⁵

"Throwing Away the Richness of the Region"

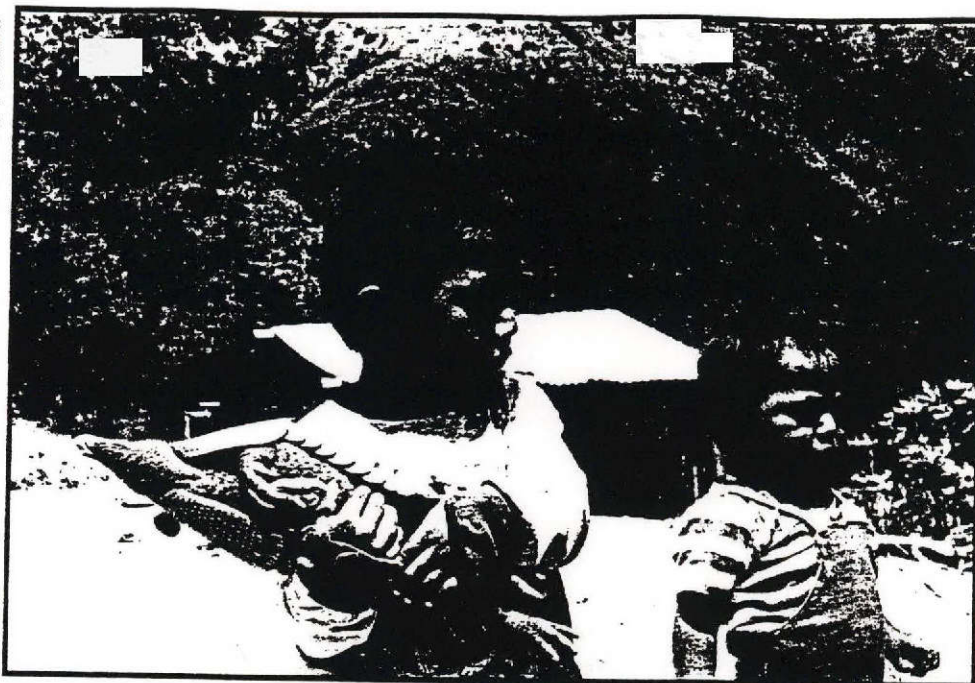
Historically, the main environmental impacts of hydroelectric projects have been loss of agricultural land, pollution of river water, change in river flora and

fauna, and reduction in biodiversity.²⁶ If an area is fragile, like the Chixoy Basin, problems of environmental degradation are exacerbated. Although the Chixoy river valley was rich and fertile before the dam, the surrounding canyon had been deforested long before. This arid region presented considerable environmental constraints for the planners of the Chixoy, but environmental issues were barely taken into consideration.

An environmental expert familiar with the project comments, "This project was not designed to limit environmental impacts." She believes the inadequate environmental assessment conducted prior to construction was equivalent to "throwing away the richness of the region."²⁷ Because virtually no environmental studies were done, it is almost impossible to evaluate what the impact has been. By its own account, INDE acknowledges that it has insufficient data to evaluate environmental impacts.²⁸

Independent studies on the region point to increasing erosion in the area. One analyst estimates that arable land in the region will disappear in 100 years.²⁹ Periodically, INDE and the government have attempted reforestation and soil conservation projects, but the barren and eroding brown hills which surround the Chixoy reservoir bear testimony to the failure of these projects.

Although the World Bank estimated the Chixoy would have a useful life of 200 years, recent estimates state the project will cease to produce electricity in as few as twenty years.



Rio Negro boy holds an armadillo the family dog killed for supper. One of the reasons families have returned to Rio Negro is the availability of game.

Due to the area's fragility, a thorough environmental impact assessment would have been key to the project's success. A local agricultural engineer says development projects of this magnitude should invest 10 percent of the total project cost in environmental conservation,³⁰ but in the case of the Chixoy no funding of this type ever came through. In 1991, a mere \$1.5 million was allocated for an environmental protection plan, but that investment was unable to conserve the fragile region.³¹

Clearly, the World Bank and INDE erred by not conducting extensive environmental and hydrological studies for the Chixoy project. If the responsible institutions had done a careful, objective analysis, the Chixoy project likely would never have been approved. But even as is, the Bank's and INDE's failure to implement a conservation plan threatens to shut down the dam decades early. The arid, deforested region, inadequate rainfall, and severe erosion have drastically reduced the dam's productive life.

A Development Dream Turns Into a Repayment Nightmare

In addition to the social, technical and environmental problems spawned by the Chixoy, former INDE president Roberto Balsells in 1987 described it as "a financial disaster ... which never should have been built."³² Eight years after Balsells expressed his disgust with the project, criticism has only increased. A Public Finance Ministry official recently commented, "From a financial perspective, this project can only be described as a

white elephant in which everyone was complacent: INDE, government officials and foreign lenders."³³

It is difficult to quantify the financial disaster of the Chixoy project because of conflicting cost estimates and the devaluation of the local currency. Until 1986, the dollar and the quetzal were equal in value, \$1=Q1. Loans were contracted and paid in dollars. However, due to international pressure to regulate local currency, in 1986 the Guatemalan government devalued the quetzal. Virtually overnight, the exchange rate went from

\$1=Q1 to \$1=Q2.5. Because INDE — part of the Guatemalan government but independently responsible for debt it incurs — receives its income almost exclusively in quetzales, this effectively more than doubled its debt.³⁴ Since then, the quetzal has devalued further to \$1=Q6, making debt repayments even more difficult. Currently, the final cost of the Chixoy Hydroelectric Project is estimated at approximately \$1.2 billion, 521 percent higher than the 1974 Lami feasibility study predicted.³⁵ Some analysts claim it is as high as \$2.5 billion.³⁶ The inflated price tag can be attributed to several significant factors: construction delays of three years, severe technical problems, devaluation of the quetzal, and corruption. Further, the savings in petroleum imports were much less significant than anticipated due to a drop in petroleum prices from their crisis levels of the 1970s.

In 1991, the World Bank admitted this financial failure. "With hindsight, [the Chixoy Project] has proved to be an unwise and uneconomic [sic] investment ... It is no longer possible to conclude that the project was economically justified."³⁷ INDE takes this analysis one step further, saying the results of the Chixoy project are crucial because they have determined that "hydroelectric power is not financially viable."³⁸ Little dissension exists regarding the financial appraisal of this project. What is controversial is the discussion of who is responsible and who will pay for these costly mistakes.

Perhaps due to its intimate involvement in the project, the World Bank follows its negative appraisal by say-

ing, "There is little to be gained by further investigating whom [sic] is to blame and how much."³⁹ Nevertheless, the report minutely describes all of INDE's inadequacies and the incompetence of the foreign contractors and consultants. INDE fired back, filing legal suits against several of the foreign contractors and ultimately laying blame squarely at the World Bank's door. In 1992, INDE explained, "The Bank kept quiet on estimated costs and approved the project and continued to consider it feasible at all times, up to the end ... If all of these teams of experts could not protect the Borrower, then our conclusion should be that the entire structure is inadequate."⁴⁰

INDE President Balsells claims, "We were taken advantage of by the lending institutions, the engineering companies, everyone."⁴¹ Regardless of who took advantage of whom, it is the Guatemalan people who are being made to pay for this failure. INDE contracted a total of almost \$404 million in foreign debt for this project.⁴² Local sources financed the remaining portion. Of INDE's foreign debt, approximately \$78 million is still owed, which means for the last decade hundreds of millions of dollars which could have been invested in improving and extending electricity service have instead flowed North. As of 1991, INDE's debt accounted for 45 percent of Guatemala's foreign debt.⁴³

INDE paid the World Bank over \$5 million in October, 1995.⁴⁴ The foreign debt continues to drown INDE, with an estimated 51 percent of its revenue going to foreign banks.⁴⁵ INDE's current general manager says, "The Board of Directors should decide if it is going to continue to pay the debt or if it is going to fortify the institution, in terms of the electrical infrastructure the country needs."⁴⁶ Balsells' evaluation of the debt is more extreme, saying, "Paying for the Chixoy will mean go-

ing without medicines and food. We were poor before. Now we are miserable."⁴⁷ Certainly, INDE's past and current debt payments for a project that was not "economically justified" have prevented the institution from extending electricity service in rural Guatemala.

Lining the Pockets of the Rich

The wheeling and dealing behind the Chixoy Project took place during the regime of General Romeo Lucas Garcia, known to be one of the bloodiest and most corrupt dictators in Central American history. Various sources estimate that between \$350 and \$500 million dollars were lost to corruption during the implementation of the Chixoy project.⁴⁸ Rafael Bolaños, dean of the School of Civil Engineering at Guatemala's San Carlos University, says, "the dam was the biggest gold mine the crooked generals ever had."⁴⁹ The Chixoy has come to be synonymous with illicit enrichment of public officials. It also represents the frequent link between international financial institutions, foreign firms and corrupt, undemocratic governments.

CONCLUSION

The Chixoy Project has further impoverished a country and people already struggling to survive. The destitution of Pacux, continued high electricity rates for the Guatemalan consumer, frequent nationwide blackouts and electricity rationing, and INDE's debt all bear witness to the failure of the Chixoy Hydroelectric Project.

The World Bank itself admits that the Chixoy was an "unwise investment." However, it denies responsibility for the failure of the project despite decades of intimate involvement with the Guatemalan electricity sector and its role as a key funder. Tragically, the World Bank's record with the Chixoy Project is not an isolated incident, as demonstrated in the next chapter.

Matthew Pacenza



One of the many houses abandoned in Pacux.

Chapter 4

World Bank Large Dam Lending: A Failure to Reform

The World Bank, whose self-described mission is to "alleviate poverty," was intimately involved in the planning and funding of the Chixoy Project. Clearly the Chixoy has not reduced poverty. In fact, it has worsened the living standards of the displaced villagers and failed to increase electricity access to the majority of Guatemalans. The Bank itself admits that the Chixoy was not "economically justified."

The Bank would likely claim that the Chixoy Project is an isolated failure and that it has instituted reforms to prevent such dismal results in the future. Are these claims valid?

WORLD BANK LARGE DAM LENDING: AN ASSESSMENT

The World Bank is the most important public funding source for large dam lending. In 50 years, it has given 527 loans totalling \$58 billion, helping to build at least 604 dams in 93 countries.¹ How have the resettled populations fared? How have the dams performed technically? What have been the environmental impacts? Were the projects cost-effective? Were alternatives considered?

Resettlement: Alleviating Poverty?

"Past Bank-assisted projects....failed to restore, let alone improve, the social and economic well-being of the displaced population." --Bank staff Michael Cernea in 1991.²

World Bank-funded dams have displaced at least 10 million people worldwide.³ This massive population shift has increased recently. While Bank projects resettled 750,000 from 1979-85, 2.5 million people were moved between 1986-93.⁴ All authorities, from the Bank to its NGO critics, agree that poorly implemented resettlement plans can destroy peoples' lives.

Recognizing the frequent problems of displacing populations, the Bank in 1980 established a policy on resettlement which it further modified in 1986, 1988, and 1990. Its basic tenets are:

1. Involuntary displacement should be avoided whenever possible.

2. Resettlement should improve or restore previous living standards.

3. Displaced populations should be compensated for losses.

4. People should be moved in large groups whenever possible.⁵

In practice, the Bank has consistently ignored its own policy and regularly approved loans that have led to the impoverishment of resettled populations. Three different Bank internal resettlement reviews have found that Bank loans rarely if ever meet their stated goals. In the most recent of these, a 1994 review found that for Latin America and the Caribbean, "few of the resettled people...can be said to have improved their living standards as a result of the resettlement process." Even more disturbing, the 1994 review found that more than half of all projects had no resettlement plans at all when the Bank approved the loans.⁶

The Kedung Ombo, an Indonesian dam built with \$165 million from the Bank, displaced 5,390 people in 1989. An internal bank study found that 72 percent of the population is worse off now than before the project.⁷ Another key example is the Sardar Sarovar Project in India (see next page).

If the Bank's mission is truly to "alleviate poverty," its resettlement record posts a consistent failure. Despite a sound resettlement policy on the books, Bank staff continue to approve loans and projects which violate this policy. As an Environmental Defense Fund activist writes: "Bank management and the Executive Directors have been fully apprised of the same problems for over a decade, and each time management has said 'yes there are problems, but that is the past and we are taking measures to improve things,' yet the situation has gone from bad to worse."⁸

Technical Problems:

Catastrophes Waiting to Happen?

Bank-funded dams have faced significant technical problems. First, sedimentation shortens the estimated lifespan of most dams. The International Rivers Network notes that "reservoir sedimentation is the Achilles heel of all dams." Soil flows from hillsides and rivers into the reservoir and builds up behind the dam. This

The Sardar Sarovar: the World Bank and Human Rights

The Sardar Sarovar Project (SSP) is a massive dam project on the Narmada river in western India designed to provide hydroelectric power, irrigation water, and drinking water.

In 1985 The Bank approved a \$450 million loan to India for the SSP, of which \$280 million was disbursed.¹ Indian NGOs, led by the Save the Narmada Movement (NBA), have struggled against the project, believing that its environmental and social costs outweighed the potential benefits. Representatives of the more than 100,000 people to be affected by the project have joined them.

Indian authorities have reacted ruthlessly against activists fighting the project. Human rights violations include arbitrary arrests, torture, and beatings.² In November 1993, police shot and killed a boy when a confrontation developed between villagers that were to be resettled and government officials.

When several hundred villagers went to the district government seat to protest the shooting, they were beaten brutally by police. At least 125 went to the hospital. A local doctor said "there were numerous broken bones and fractured skulls that day."³

These villagers first learned of SSP when they were served with eviction notices, a clear violation of Bank policy. One angry villager calls the resettled land offered by the government "a joke," saying it is arid, rocky, and offers neither trees nor grazing land.⁴

The World Bank withdrew from the SSP in March 1993 after years of citizen pressure and activism, both in India and abroad, an important victory for the anti-dam movement.⁵ Construction on the dam has been stalled because of financial difficulties, legal action, and the affected people's refusal to move from their homes.

reduces the benefits supplied by the dam, whether power generation, irrigation, or drinking water supply.⁹ The Bank routinely assumes 100 year life spans for all dams, failing to take into account the inevitable process of sedimentation. Thus the reality is that many Bank-funded dams are facing early retirement, like the Chixoy.¹⁰

The single greatest danger large dams pose is collapse due to natural disaster. Both earthquakes and large floods can cause the release of billions of gallons of water and the consequent massive loss of life. After nearly 20 years, a story was recently leaked of such a catastrophe in China. In 1975, two large dams collapsed in Central China during a flood, killing as many as 230,000 people. Human Rights Watch Asia estimates that 85,000 were drowned instantly by the killer wall of water, while another 145,000 Chinese died due to epidemics and famine in the ensuing weeks.¹¹

This is not an isolated incident: since the mid-19th century, several hundred dams have failed worldwide.¹² Could the same catastrophes happen to World Bank dams built recently? Evidence suggests that they could. A 1994 World Bank study in India found that of 25 dams examined, none could withstand the possible levels of water from a serious flood. Of the two largest dams studied, a Bank official noted that "the consequence of a dam failure during a major flood would have to be described with some adjective beyond disastrous."¹³

Environmentally Friendly Power?

World Bank officials often tout large dam projects as "environmentally friendly" alternatives, particularly when they produce electricity. They claim that hydroelectric power is much cleaner than burning coal or oil. While this can be true, it ignores the reality that large dam projects have many negative impacts on the environment.

Dams often flood huge forested areas, destroying natural habitats and releasing methane and carbon dioxide into the atmosphere. The World Bank-funded Akosombo Project in Ghana, flooded 8,500 square kilometers, 4 percent of the country's total land mass.¹⁴

Large dams also eliminate free-flowing rivers, destroying natural fisheries and river floodplain habitat. In addition, roads built for project construction often create avenues for exploitation of previously inaccessible wild areas. Dams can also lead to epidemics, as rotting vegetation and stagnant water provide a breeding ground for disease-bearing flies and mosquitos. In the case of a Bank dam in Ghana, the incidence of one waterborne disease, safari fever, rose from less than 2 percent to 75 percent among local adults.¹⁵

The Bank acknowledges that its dam projects have caused environmental destruction: "the World Bank has been part of the problem in the past" noted President Barber Conable in 1987. However, even though the Bank has created numerous policies to encourage environmental assessments of projects, its lending record has not significantly changed.¹⁶ Environmental assessments have been little more than a rubber-stamp procedure, as

the Bank has failed to seriously include environmental criteria in large dam project appraisals.¹⁷

Cost, Corruption, Debt:

Are Dams Worth It?

The most direct method of measuring a dam's success is through a simple cost/benefit analysis. Is the water, irrigation, or electricity produced worth the pricetag?

Large dams have cost much more than their original estimates in most Bank projects. One 1994 study found that cost overruns averaged 30 percent on 70 hydropower dams funded by the Bank since the 1960s.¹⁸ Given the Bank's "approval culture," loan appraisals often optimistically estimate total expenses in order to win project acceptance.

Project costs often rise dramatically when Bank officials turn their backs on blatant corruption in borrowing countries, as happened in Guatemala. An International Rivers Network document notes that "some of the tens of billions of dollars for large dams owed to the World Bank by developing countries, was borrowed by corrupt and often dictatorial governments which found dams a convenient vehicle for moving large sums of money – in their direction."¹⁹ As noted in Chapter 1, Bank loans to these corrupt and dictatorial governments most often support leaders favorable to the U.S. economic and military interests.

Reservoir sedimentation, technical failures, and decreased rainfall often significantly limit a dam's production. Among the many examples of poor performance is the Bhumibol dam in Thailand which produced only 66 percent of its planned electricity output in the 1980s.²⁰

Regardless of the costs or benefits of a World Bank-funded dam, borrower nations are always required to repay their loans. *The World Bank has never reduced or forgiven a debt, even in cases where their projects have been complete failures.*

These payments cripple the economies of the poorer nations which receive Bank funding. Bangladeshi Muhammad Yunus writes, "countries are made to pay these debts through their noses, surrendering the bulk of their export earnings, leasing out valuable resources at throw-away prices to make extra income, sacrificing social and environmental considerations to earn enough to pay their huge debts. Causing misery to people and to nations cannot be banking."²¹

No Alternatives?

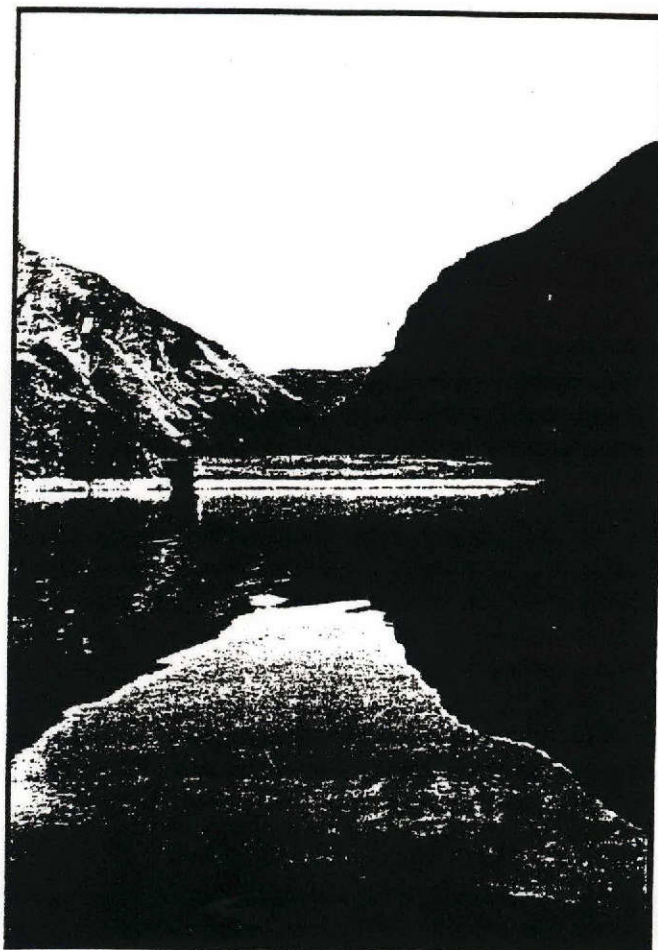
Despite the massive and systematic problems associated with large dams, the Bank continues to fund these

projects, stating that they are the only option to meet growing water, agriculture, and energy needs. Is this true?

UNICEF estimates that 80 percent of the more than 1 billion people worldwide that lack clean drinking water and adequate sewage systems could be provided with these services using low-cost, low-tech methods at one third the cost of traditional technologies. Yet, in the 1980s only 0.4 percent of Bank loans went to small-scale irrigation, 0.6 percent for watershed management, and 2.3 percent for water conservation.²²

The potential for reducing worldwide energy demand through energy efficiency and conservation is enormous. Before the World Bank approved the Pak Mun Dam in Thailand, a government study revealed that for the equivalent cost of building the dam, 15 times as much power could be made available to meet increased demand through readily available conservation technologies.²³ Despite numerous similar studies, between 1980 and 1990 less than 1 percent of the Bank's energy loans were directed to efficiency and conservation.²⁴

Examining the results of large dams illustrates the consistently poor track records of World-bank funded dams.



Matthew Pacenza

Chixoy Dam and Reservoir

If the Bank is truly interested in development, it must consider alternatives to environmentally, economically, and socially destructive large dam projects.

WORLD BANK REFORMS AND CURRENT POLICY

In the last decade, as worldwide citizen criticism of the World Bank has grown, the institution has publicly ac-

In 1994, China became the World Bank's biggest recipient of large dam funding, despite the fact that Chinese authorities had recently disappeared 179 anti-dam activists

knowledgeed some errors, and instituted reforms. Have these reforms made a difference in its large dam lending?

The Bank revised its resettlement policy in 1986, 1988, and 1990, further tightening its guidelines on displaced populations. "Implications of resettlement must be pondered from the earliest stages of

project preparation," reads one recent addition.²⁵ Its 1991 operational directive on indigenous peoples adds, "the Bank will not appraise projects until suitable plans are developed by the borrower and reviewed by the Bank."²⁶ Another document, "Tribal Peoples and Economic Development," states that the Bank will not carry out projects affecting tribal peoples "unless the tribal society is in agreement with the project."²⁷

If instituted, these policies requiring indigenous peoples' approval would represent a significant step forward for the Bank. Instead, the Bank is actually taking a step backward. Current projects may displace even more people than before the Bank made these recommendations. At least another 600,000 will be uprooted by projects awaiting approval through 1997.²⁸ Resettled populations continue to criticize the Bank and borrower nations for ignoring their needs when identifying and designing projects.

In April, 1994 the Bank loaned \$460 million to China to build the Xiaolngdi Dam, a \$3.5 billion project that will displace 200,000 people and function for only 20 years.²⁹ The Bank approved this loan the same year it was revealed that Chinese authorities disappeared at least 179 activists who were opposing another project, the massive Three Gorges Dam, and that the government was recommending a special secret police force to provide a "swifter and heavier punishment policy against any conspiracies aimed at disturbing the construction."³⁰ De-

spite its heavy-handed attitude towards resettled populations, China recently replaced India as the Bank's single biggest recipient of funds for large dams, and the Bank unashamedly trumpets resettlement in China as an example for other countries: "resettlement in China is now generally considered to work well."³¹

International Rivers Network activist Owen Lammers asserts "alternatives to large-scale uneconomic infrastructure investments are part of the Bank's vocabulary but not its lending practices. The Bank has rarely met a socially and environmentally destructive project it didn't want to fund."³²

CONCLUSION:

RECOMMENDATIONS FOR CHANGE

The people of Río Negro have seen their lives devastated by the World Bank-funded Chixoy Hydroelectric Project. Their loved ones were massacred, their homes and crops burned, and the new village provided for them has thrust them into extreme poverty. The Chixoy also has failed to improve the lives of Guatemala's poor majority. Electricity service remains costly and inaccessible, and massive debt payments have restricted the nation's ability to address widespread development needs.

While the Chixoy may represent one of the worst cases of how the World Bank "develops," Bank lending worldwide has wreaked devastation on the lives and environments of the people it supposedly helps.

Despite its damning record, there are many critics who believe that the Bank can be transformed into a positive institution. To quote Grameen founder Muhammad Yunus, "we need the Bank on the side of the poor. From the example of the Grameen [an extraordinarily successful grassroots development bank in Bangladesh] we see that banking can be pro-poor and humane. With all urgency and seriousness, we need to bring the full force of the World Bank behind this effort."³³

Large Dam Lending

Citizens around the world are demanding that the Bank reconsider its funding for large dam projects. The Manibeli Declaration, a statement endorsed by more than 2,100 organizations in 44 countries, calls for:

1. A comprehensive independent review of all Bank-funded dam projects, and the implementation of mechanisms to ensure compliance with recommendations.
2. A World Bank fund to provide compensation for people forcibly evicted from their homes and lands.

3. Public release of all information on past and current large dam projects.
4. The cancellation of debt for projects in which the economic, environment, and social costs are found to outweigh the realized benefits.
5. World Bank regulations that require large dam projects be only a last resort after cheaper and less destructive alternatives for drinking water, irrigation, flood control, and power supply are thoroughly considered.³⁴

Debt

The World Bank also must be challenged to change its stance on Third World debt. Numerous nations share Guatemala's fate: paying millions of dollars for failed World Bank projects like the Chixoy. Worldwide, poor nations' debt has grown from \$58 billion in 1970 to \$1.7 trillion today. Seventeen percent of this, \$278 billion, is owed to the Bank and its sister institution, the IMF. The Bank and IMF have an important role in the entire debt crisis because their debt policies are followed closely by other multilateral development institutions, commercial banks, and even foreign governments.

The debt crisis has profoundly negative consequences for poor nations struggling to meet their payments. As the 50 Years is Enough Campaign (see sidebar) illustrates, "the pressure of debt...has put many countries on an accelerating treadmill, forcing them to sell their assets, mine their natural resources and cut spending with little prospect of relief or success in sight."³⁵

The Bank is intimately involved in the identification, design, and funding of its projects. As Muhammad Yunus notes, "They give you all the ideas, the expertise, and everything else...The World Bank is eager to assume all the responsibilities. They don't want to leave any responsibility for the borrower, except the responsibility for the failure of the project."³⁶

It is time for the Bank to assume responsibility for its failures, and to draw upon its reserve funds (\$17 billion in 1994) to ease the debt burden on the world's poor. The 50 Years is Enough Campaign calls for the World Bank to:

1. Write off debt for all failed projects.
2. Cancel 100 percent of Bank debt to the world's severely indebted extremely poor nations (those with an average per capita income below \$675.)
3. Cancel 50 percent of Bank debt to the world's severely indebted poor nations (per capita income between \$675 and \$2695.)³⁷

Overall Recommendations

"The World Bank is an institution out of time and place...the World Bank must literally remake itself, open its files, end its secret ways and learn from its mistakes...It needs to trade in the policies developed by old cold warriors and grasp the essential meaning of its favorite new phrase: sustainable development." --Environmental activist Bruce Rich.³⁸

Guatemala is a nation of people mired in poverty, particularly its indigenous Mayans, 60 percent of the population. Only half of Guatemalans have access to health services, and just 60 percent have access to safe drinking water. At least 50 percent of the population cannot read or write: the average Guatemalan spends scarcely four years in school. The people of Guatemala also lack economic opportunities. Only 34 percent of adult popu-

50 Years is Enough: A Platform for Change

To mark the 50th anniversary of the World Bank and IMF, a diverse group of U.S. and international organizations came together to form the *50 Years is Enough Campaign*. This slogan was chosen to express the belief held by growing numbers of people around the globe that the development that the World Bank and the IMF have been promoting must not continue.

If the Bank and the IMF are to play a positive role in support of equitable and sustainable development, the following is required:

1. Openness and full public accountability of the Bretton Woods Institutions and the systematic integration of affected women and men in the formulation, implementation, monitoring, and evaluation of World Bank and IMF projects and policies
2. A major reorientation of World Bank- and IMF-financed economic policy reforms to promote more equitable development based upon the perspectives, analysis, and development priorities of women and men affected by these policies
3. An end to environmentally destructive lending and support for more self-reliant, resource-conserving development
4. The scaling back of the financing, operations, role and power of the World Bank and the IMF and the rechanneling of financial resources thereby made available into a variety of development assistance alternatives
5. A reduction in multilateral debt to free up additional capital for sustainable development



Pacux

lation have a regular paying job, and 85 percent live below the poverty line.³⁹

Clearly the people of Guatemala have many needs, including affordable, quality education, comprehensive national health services, and job-producing industries. The World Bank has the resources to address these needs. But first it must take seriously the plans, hopes, and dreams of those who most require development assistance. Successful grassroots development is not possible if it is designed by distant First World technocrats or if it follows destructive U.S. foreign policy objectives.

In order for international development to be successful, it must be defined and driven by the needs and plans of poor people. The World Bank must create a new structure based on citizen participation, accountability, and transparency.

Naboth's Vineyard: A Biblical Reflection

"His wife Jezebel asked King Ahab, 'Why are you so depressed?' He answered, 'Because I offered to buy Naboth's vineyard or, if he preferred, to give him another one for it, but he told me that I couldn't have it!'"

"Well, are you the king or aren't you?"

-- I Kings 21:1-19

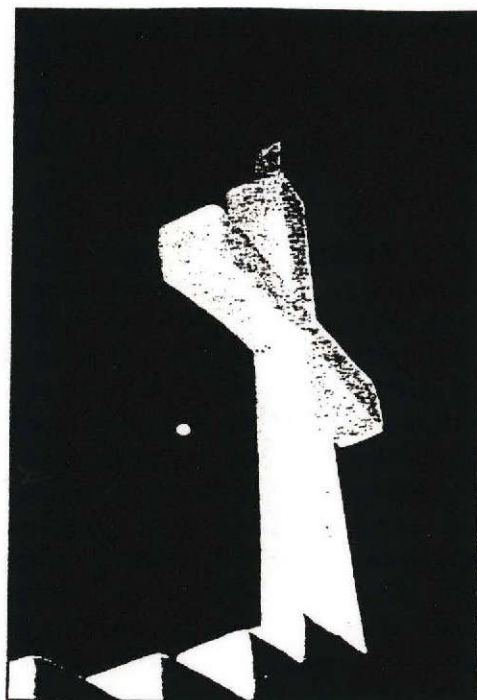
Scripture is filled with stories of unjust confiscation of land and property that belong to the people -- especially the poor with little political power. Yahweh through the prophets is clear on this matter: "Woe to those who add house to house and field to field until everywhere belongs to them and they are the sole inhabitants of the land." (Isaiah 5:8) This admonition is grounded in the understanding that land is a God-given resource for all meant to satisfy the needs of God's people. Its despoliation is a breaking of the covenant relationship between God and the people of God -- a covenant that will plant God's people "in their own country never to be rooted up again out of the land I have given them." (Amos 9:15)

King Ahab wanted Naboth's vineyard for his own, but Naboth refused, being clear about his covenant with that land: "I inherited this vineyard from my ancestors. The Lord forbid that I should let you have it!"

The communities in the Rio Chixoy valley of Guatemala lived with their own understanding of a covenant among their people, the land, and the sacred. They dared to believe that they had a right to remain where they were, on the land of their ancestors. The government's offers of money and relocation were suspect and meant the destruction of the community -- a breach of the covenant. But the "king" had eyes on that land and wanted it for the benefit of a few elite and wealthy.

"Are you the king or aren't you?" challenged Ahab's wife. "Get out of bed, cheer up and eat. I will get you Naboth's vineyard." Naboth was betrayed and stoned to death. His land was taken at the price of his blood. God expected fidelity to the covenant, but found treachery; demanded justice, but found greed and violence. "Jezebel said, 'Naboth is dead. Now go and take possession of the vineyard which he refused to sell you.' At once Ahab went to the vineyard to take possession of it."

The people of the Rio Chixoy communities resisted the overtures of the government; hundreds died, their land



Matthew Pacenza

The Rio Negro monument at night

was taken, survivors dispersed, and the dam was built. A few in high places reaped the rewards of profit and corruption. In the Scripture story, God hears Naboth's cry of suffering and sends a messenger to the king to speak God's word of condemnation for the treachery, greed, and violence. "You have sold yourself to do what is wrong....," God's prophet shamed Ahab.

The voices that cry out from the earth of Guatemala -- from the cemeteries of those slaughtered to make way for economic "development" -- are voices that God hears and to which God challenges people of faith to respond. Human beings create injustice; human beings are the vehicle through which God does justice. The people of God must restore the covenant so "the humble shall have the land for their own to enjoy untroubled peace." (Psalm 37) The untroubled peace for which this world longs is the lasting peace of justice, the return of the land to the people, the sharing of the fruits of the land among all, so that this earth we have been given will one day become an earth that images the reign of God.

--Margaret Swedish, Director, Religious Task Force on Central America

A People Dammed

Tools for Action

U.S. citizens need to mobilize and become involved in campaigns to transform the World Bank into an institution which fosters equitable and democratic development. Our voices in this struggle send a clear message that Bank policies which financed murder and destruction in Guatemala must change.

If we act now and act together, World Bank policymakers will heed our words and actions. To quote Margaret Mead "Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed it is the only thing that ever does."

Witness for Peace provides current information about campaigns targeting the World Bank. See page 36.

**** ACTION *** ACTION *** ACTION ****

Write:

James Wolfesohn, President
The World Bank
1818 "H" Street NW
Washington, DC 20433

In your own words, demand that the Bank:

**** halt all large dam lending until a thorough study details the record of Bank-funded dam lending, and recommendations are instituted which obligate the Bank to make significant changes.**

**** incorporate legitimate participation of affected men and women in the earliest stages of project planning.**

**** cancel the debts for all failed projects and cancel 100% of all debt to the world's most indebted nations.**

**** ACTION *** ACTION *** ACTION ****

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Witness for Peace

Since 1983, Witness for Peace has been working to change U.S. policies which contribute to poverty and oppression in Latin America and the Caribbean.

In the 1980s, the U.S. waged a military war against the people of Central America. Witness for Peace volunteers and short-term delegates accompanied their Central American counterparts in a struggle to end the wars that were killing and crippling tens of thousands. The U.S. military advisors of the 1980s have left the jungles of Guatemala and the mountains of Nicaragua and El Salvador. However, economic advisors from the US Agency for International Development (USAID), the World Bank and the IMF have taken their places --not in the mountains and jungles, but in government offices in Guatemala City, Managua, San Salvador and Port-au-Prince. Deals are made and the poor suffer. The human cost of this new "war against the poor" is even more devastating than the wars once fought with bombs and bullets.

With a grassroots network of 30,000, Witness for Peace works to change unjust U.S. policies. Currently, WFP:

**** maintains teams of Long Term Volunteers in Guatemala, Nicaragua, and Haiti.** These volunteers host WFP short term delegations and research and document the human cost of US-led economic and military policies.

**** sends two-week delegations of U.S. citizens to Latin America and the Caribbean to bear witness to the human cost of U.S. economic and military policies.** WFP short-term delegates return to the U.S. enlightened by their experiences and empowered to challenge unjust policies.

**** mounts nationwide grassroots education and action campaigns.** Initiatives include the "Policy Has a Human Face" Campaign that in one year alone sent 25,000 calls and written messages to the World Bank, IMF, Congressional Representatives, and other policymakers. Other major campaign initiatives in 1996 include the campaign to close the School of the Americas, efforts to force the CIA to declassify information about U.S. support of human rights abuses in Guatemala, and ongoing activities designed to transform the World Bank and IMF.

What You Can Do:

Get Involved:

- ☐ Send me an information packet about WFP programs and national grassroots campaigns
☐ Send me information about WFP activities in my region

Join a WFP Short Term Delegation

- ☐ Send me the most recent delegation schedule

Apply for the WFP Long Term Team

- ☐ Send me information and an application for the Long Term Team
(Spanish or Creole fluency required)

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(202)544-0781 or (202)544-1187(fax)

E-mail: witness@igc.apc.org

Endnotes

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Additional copies of *A People Dammed* are available from the Witness for Peace National Office. (order below) \$5

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clip and send to Order Department; Witness for Peace; 110 Maryland NE,
Suite 304; Washington, DC 20002-5611.
.....

If you are interested in ordering multiple copies of the above resources at a discount rate, please contact the WFP National Office at tel (202)544-0781, fax (202)544-1187 or e-mail witness@igc.apc.org

For information about Witness for Peace membership and campaigns, see page 36



Chixoy Dam Project (Guatemala)
NGO Allegations re: massacres

URGENT

5/30/96

OFFICE MEMORANDUM

① Aisako H. 10/5/1583
 ② Rachel L.

DATE: May 29, 1996
 TO: Mr. Caio Koch-Weser, EXC
 FROM: Shahid Javed Burki, Vice President, LAC
 EXTENSION: 82332
 SUBJECT: **GUATEMALA - Chixoy Hydroelectric Project
 NGO Allegations**

Racheli may recall
 • FYI, this was brought to IDB's attention first in Tokyo on 5/16.
 • Mr Burki's office thinks this matter requires attention @ highest level (you, Maurice) 4 12
 + would like guidance on how to proceed. 5/30

1. A recent report by Witness for Peace¹ contends that, between 1980-82, some 376 villagers in the Guatemalan highlands were massacred by the military and para-military death squads, and claims that this was done to make way for the Chixoy Hydroelectric Project, co-financed by the Bank and IDB (Bank: \$72 million in 1978 and \$45 million in 1985; IDB: \$105 million in 1975 and \$70 million in 1981). The accusation is that, if the Bank knew about the massacres, continued support for the project was an act of complicity. If we did not know, gross negligence is presumed. Another NGO (International Rivers Network) has joined the cause, citing this as one more example of a mishandled large dam project. Witness for Peace and International Rivers Network have sent Mr. Wolfensohn a letter, dated 9 May, 1996, copied to Enrique Iglesias, asking for an "independent and comprehensive" investigation (see attachment). Our External Relations people are beginning to receive inquiries from journalists, and the matter may be raised with senior Bank managers during dealings with the press.

2. Since hearing of the report last month, the Region has begun a review, based on our files and interviews with staff who worked for the Bank or IDB during the relevant period, to try to ascertain what was known at the time. We expect to complete this in the next week. What we have learned so far is that both of the IDB loans and the first of the two Bank loans were made with only very deficient resettlement arrangements, and there was clearly a lot of opposition by local communities. This project was designed and implemented long before environment and resettlement issues began to receive serious attention in the Bank. On-site supervision was quite limited, at least in part because of the widespread violence in the highlands at that time. The Bank did learn that one of the communities, Rio Negro, had been attacked and burned, but understood that this was part of the broader military-guerilla insurgency conflict, rather than because of the project per se. Bank staff explain that their main concern at that stage was with the

1. *A People Dammed: The World Bank-Funded Chixoy Hydroelectric Project and Its Devastating Impacts on the People and the Economy of Guatemala*. Witness for Peace, Washington, D.C., May 1996.

survivors in Rio Negro, and the other communities: indeed, our second loan was held back until a suitable resettlement program could be negotiated with the Guatemalan government, including the then-President. The PCR and OED reports are frank about the resettlement weaknesses in the original project design. They conclude that Chixoy was also a disaster from an economic and financial standpoint.

3. The question, now, is what course of action to take. The accusations are serious, and the letter from Witness for Peace and International Rivers Network requires a considered reply. At the same time, I would like to stress the importance of looking forward. The Guatemalan peace process has made excellent progress of late, and the Bank is very closely involved in providing technical support to the U.N. moderator, the Peace Commission and the U.R.N.G. (union of guerilla factions). A cease fire is in progress; agreements have been reached on indigenous, agrarian and socio-economic issues; and negotiations are starting on the role of the military, possible amnesty arrangements, etc. A final agreement is expected for September 15 (Guatemalan Independence Day). All parties are looking to the Bank's playing a major role in implementation of the agreement, with special attention to land and social development issues in the highlands. We are likely to establish an office in Guatemala City to help coordinate the donor-financed economic activities supportive of this peace process. I am scheduled to visit Guatemala in the week of June 10 to hold discussions with senior officials. All these developments underscore the need to be keenly aware that the way we handle our public response to the Rio Negro incident (and accusations concerning who may or may not have been responsible and why) could affect both the peace process itself and the Bank's role in it. We have notified the Minister of Finance, the Peace Commission and the Guatemalan Ambassador to Washington. They express similar hopes: namely that we can handle the matter with discretion, in view of the broader concerns right now about the peace process.

Recommendation

4. I recommend the following:

- (a) We will conclude our internal review of the Bank and IDB records, concerning how we handled resettlement and supervision of the project, and what information the Bank had about the Rio Negro incident. We will send that report to EXC in about a week. One possibility would be for EXC to consider planning to have it reviewed by someone external to the Region (e.g., Maurice Strong). Some guidance from the President's Office on this is required to provide the basis for a letter of response to the incoming attached.

- (b) Beyond what is in our files and staff recollections, the Bank has little to contribute to an investigation in Guatemala of the facts of what actually transpired in Rio Negro. However, a UN Human Rights Commission was created last year as part of the peace process, and a Truth Commission will be established later this year. This could provide an appropriate forum within the country and within the framework of the final peace agreement to examine whether the alleged atrocities did occur, what were the circumstances and whether any further action is required.
- (c) If senior managers are asked questions by the press, we suggest telling them the Bank takes the accusations seriously and is undertaking an internal review of our records on the matter. We know that the project was a very weak one from an economic perspective, and our own post-project reports have acknowledged that. We have also acknowledged the severe weakness in the original resettlement planning. The second effort in the mid-1980s was much better (and, of course, the Bank has come a long way in this area more generally over the last 10-15 years).

cc w/ attachment: Mmes/Messrs. Lomax, Horiguchi (EXC), Malloch Brown, Cullen (EXT).

cc w/out attachment: Mmes/Messrs. Dowsett-Coirolo, Bannon (LAD), Del Carril (LACEA)

INTERNATIONAL RIVERS NETWORK

→ T. Odey
RECEIVED

96 MAY 16 PM 5:35

OFFICE OF THE V.P.
L A C REGION

9 May, 1996

Mr James Wolfensohn
President
The World Bank
1818 H Street, NW
Washington, DC 20433

Dear Mr Wolfensohn,

Please find enclosed a copy of *A People Dammed: The Impact of the World Bank Chixoy Hydroelectric Project in Guatemala*, a new report from human rights group Witness for Peace. *A People Dammed* describes a series of massacres of people from Río Negro, a community which had opposed being evicted to make way for the Chixoy Dam. Some 376 people — around one in ten of those supposed to be resettled — were murdered before reservoir filling began in late 1982. The World Bank lent \$72 million for Chixoy Dam in 1978 and gave a second loan of \$45 million in 1985, three years after the worst of the massacres.

Despite the close link between the reservoir resettlement programme and the massacres documented in *A People Dammed*, no mention of the atrocities occurs in any World Bank documents to which we have been able to gain access, including the Latin America and Caribbean Regional Office's 1991 Chixoy Project Completion Report and the Operations Evaluation Department's 1992 Project Performance Audit Report.

Witness for Peace conducted extensive research in the region around Chixoy Dam and interviewed many massacre survivors and other local people. They have found that everyone at the dam site and virtually everyone in the region knew about the massacres. It is thus extremely disturbing that the nine World Bank missions which visited the dam between January 1983 and June 1989 either did not report on the massacres, or if they did report on them, this information was not referenced in the Project Completion Report. The Bank was directly involved in the resettlement programme: according to the PCR, in early 1984 the Bank 'retained the services of an expert on resettlement policy to assist in the supervision function.'

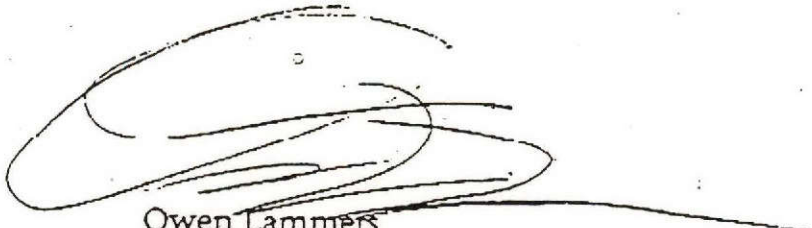


We believe that this matter requires an independent and comprehensive investigation to discover whether or not Bank project staff knew about the massacres and if they did know why this was not reported in subsequent Bank documents. If it is concluded that Bank staff were unaware of the massacres then it should be investigated how they were able to remain ignorant of the atrocities.

Although these events occurred more than a decade ago, we believe that they hold important lessons for the consequences of funding forced resettlement in countries with repressive regimes. We also believe that an investigation into this matter is extremely important given the tendency seen in other projects for Bank staff involved in project appraisal and monitoring to mischaracterize the impacts of Bank-funded projects on local people.

We look forward to hearing from you on this important matter.

Sincerely,



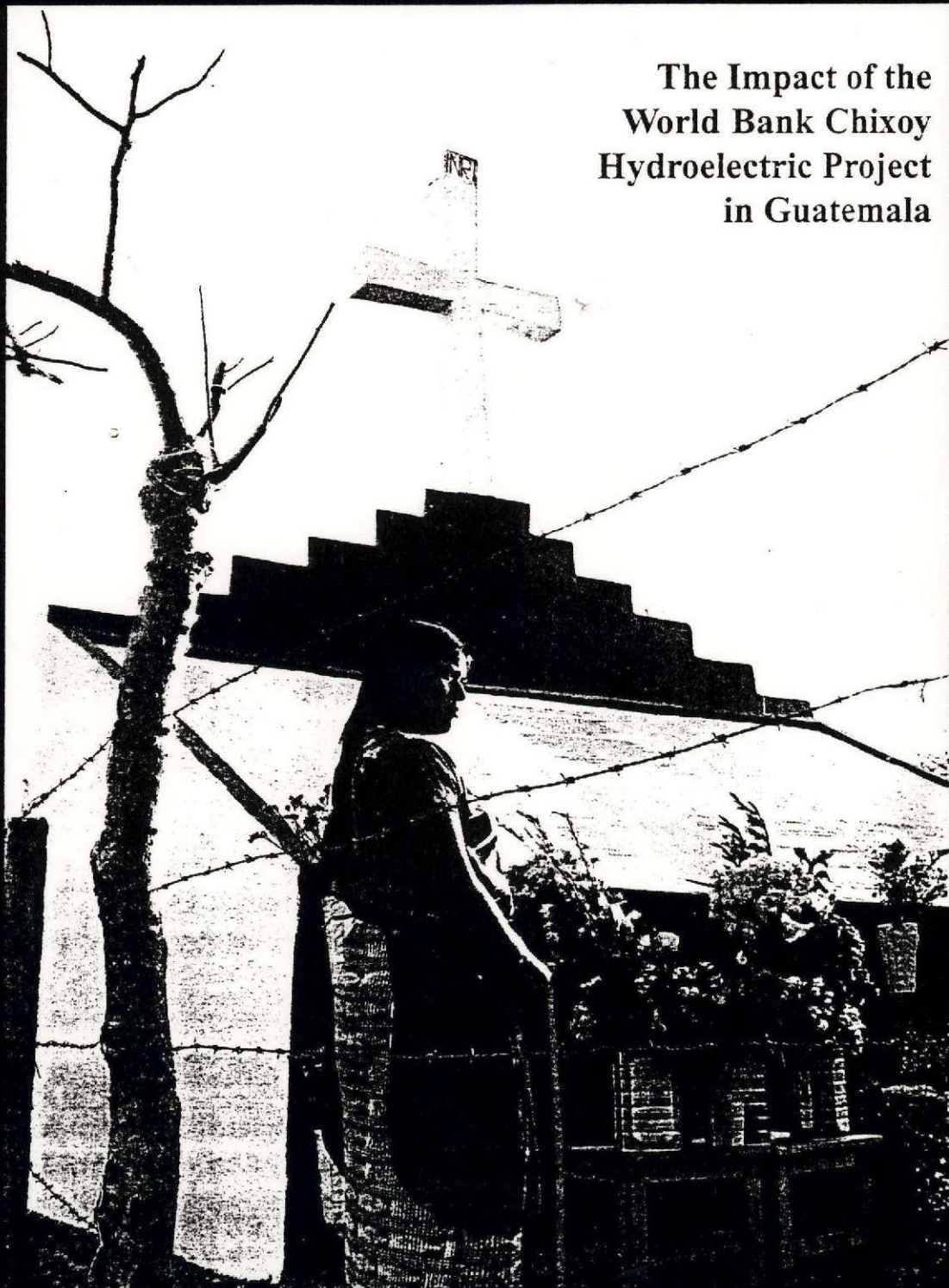
Owen Lammers
Executive Director
International Rivers Network

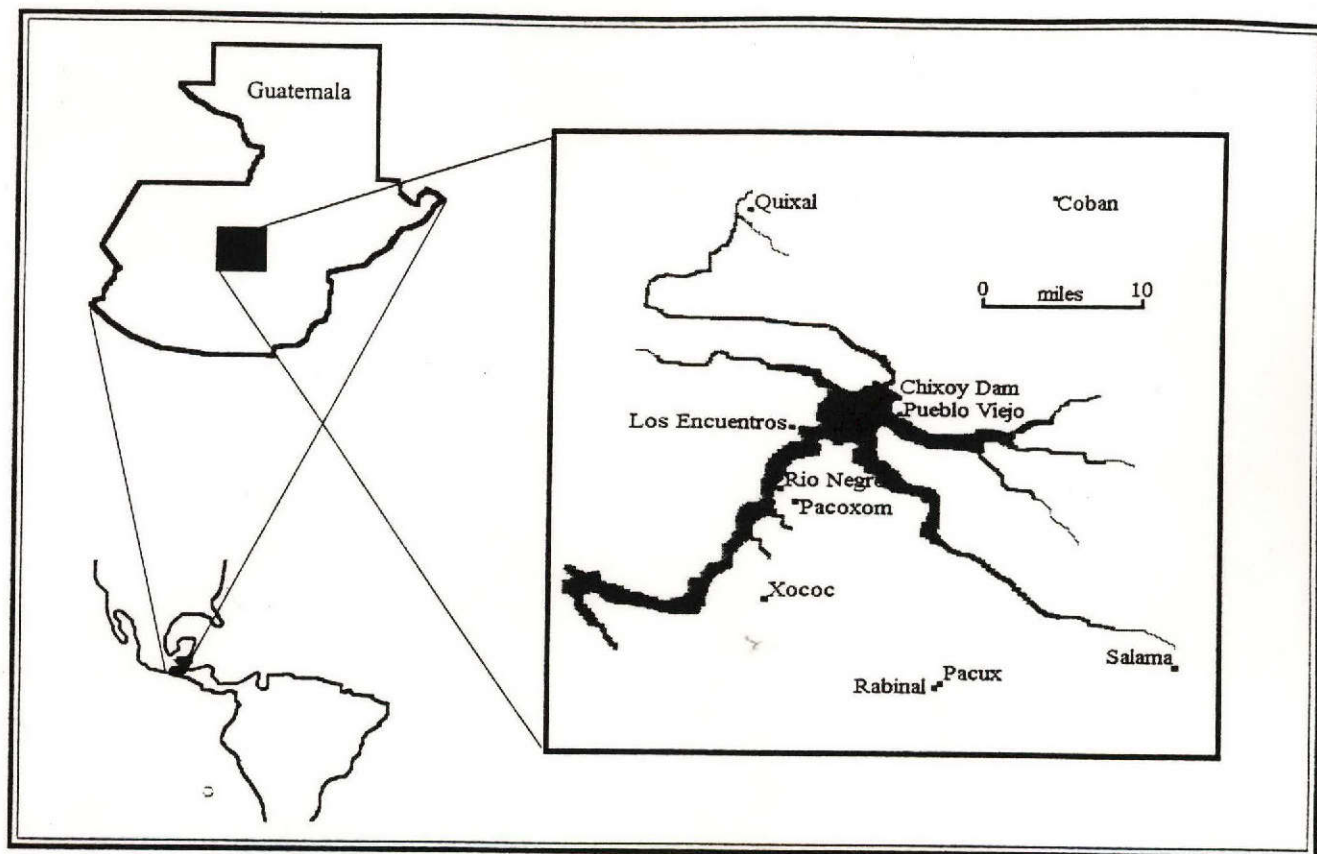


Paul Scire
Executive Director
Witness for Peace

cc: Enrique Iglesias, President, Inter-American Development Bank

**The Impact of the
World Bank Chixoy
Hydroelectric Project
in Guatemala**





Acknowledgments

Many individuals and organizations have provided invaluable assistance in our year of research, interviews, writing, and editing of *A People Dammed*.

Our deepest thanks to the International Rivers Network, particularly Patrick McCully, Campaigns Director. Patrick and the IRN staff granted us a wide range of excellent background material on large dam projects and the World Bank. Additionally, we thank Patrick for his important comments and advice on several drafts of *A People Dammed*.

We also wish to thank the others who took valuable time to read and comment on a preliminary draft of the study: Grahame Russell of Guatemala Partners; Carol Richardson and Paul Sciré of the WFP National Office; Timothy Welsh, Leia Raphaelidis, and Metta Morton of the WFP Nicaragua Team; Sharon Hostetler WFP Central American Program Coordinator; Clark Taylor, and Paul Jeffrey.

Additionally, we thank Jonathan Moller, Jane Covode, the Guatemalan Anthropological Forensic Team, and Mary Beth Kaufman for contributing their excellent photographs.

We dedicate *A People Dammed* to the people of Río Negro and Pacux, dead and living. Their words, memories, and bravery continue to inspire us. Their courageous testimonies about the 1982 massacres forced us to take a close look at our own country and policies. We hope that our study lends some enlightenment to support their ongoing struggle for peace and justice.

A People Dammed

Written by: Julie Stewart, Kevin O'Connell, Marian Ciborski, and Matthew Pacenza
of the WFP Guatemala Team

Layout and Design: Matthew Pacenza

Cover Photo: (c) Jonathan Moller, 1995

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A People Dammed

Introduction

Aurelia*, pictured on the cover, remembers March 13, 1982 with horror and profound sadness. She and 196 other women and children were forced by local civil patrollers and the Guatemala Armed Forces to climb a hill several miles above their riverside village of Río Negro. Upon reaching the peak, the patrollers and soldiers began to rape and murder the women and children. Witnessing this carnage, Aurelia turned to her mother and said, "It is better that I die by their bullets than by their hands."**

With those words, she threw herself into a ravine and escaped, one of only two adults who survived. All told, 107 children and 70 women were murdered. "It gives me such pain and sadness to remember," Aurelia explains. "They killed my grandmother, my mother, my aunt, my sister, and my little girl. And why did they do it?"

The brutal March 13 massacre was one of four mass killings Río Negro suffered between February and September of 1982. In total, 369 people were murdered, more than half of the community's entire population. The people of Río Negro, at the time of this violence, were on the verge of losing their homelands to a World Bank-funded large dam project: the Chixoy (chi-SHOY) Hydroelectric Project. The Chixoy Project, presented to the Guatemalan public in February of 1975 as a "development dream" that would meet Guatemala's growing electricity needs, was begun in 1976 and flooded the Chixoy valley and the community of Río Negro in late 1982.

A People Dammed examines the Chixoy Project as a case study in destructive World Bank lending, suggesting links between the project and the 1982 Río Negro massacres and demonstrating that the Chixoy was a social and economic failure. Instead of stimulating economic growth, it has plunged the nation further into debt and done little to address the ongoing electricity crisis.

An investigation of the failed Chixoy project provides a powerful critique of the World Bank, the world's eminent development institution. Mohammad Yunus, Bangladesh founder of the Grameen Bank, writes con-

vincingly of the Bank's power, "The World Bank is the flagship of all the development banks in the world. All regional development banks, specialized development banks, bilateral development banks, and national development banks follow the lead of the World Bank. Even non-bank development institutions follow the lead of the World Bank without ever raising a question. The World Bank's influence is global and total."¹

It is essential to challenge the World Bank to meet its mandate to "alleviate poverty." Today's world, more than ever, demands that multilateral development institutions like the Bank provide poor people with the resources needed to improve their living conditions. Global poverty increases daily, claiming the lives of millions - from the poor indigenous villages of Guatemala to the slums of Nairobi to the wards of AIDS hospitals in Bangkok. The gap between rich and poor worldwide has widened dramatically: currently the richest fifth of the world receives 150 times the income of the poorest fifth.

Chapter 1 provides a general understanding of the history and structure of the World Bank and outlines the Bank's critical flaws that have negatively impacted men and women worldwide: its lack of citizen participation, defective project approval process, and close ties to U.S. policy. This section also looks at U.S. policy towards Guatemala and illustrates how Bank loans like to the Chixoy project have acted to support the interests of the U.S. rather than those of poor nations.

Chapter 2 details the Bank's intimate involvement in the planning, funding, and implementation of the Chixoy project. The World Bank began its relationship with the Guatemalan electricity sector by funding a hydroelectric master plan in the 1960s which recommended the construction of large dams. Other Bank loans in the late 60s and early 70s funded smaller dam projects and electricity sector restructuring. Between 1978 and 1985, the Bank loaned a total of \$116 million to the Chixoy; during that time, Bank experts travelled frequently to the project site.

* Names marked with an asterisk are pseudonyms, given to protect the names of community members often the target of violence for their efforts to tell the truth.

** Testimony from Pacux and Río Negro residents, unless otherwise cited, was obtained in interviews conducted by the Witness for Peace Guatemala Team in 1994 and '95.

The section also underscores the many flaws in the technical, social and economic plans developed by the Chixoy funders and builders. It also raises significant questions about the criteria used by the Bank to fund development projects. The most damning element is the lack of attention paid to the Maya Achi people of Río Negro, who had inhabited the Chixoy Basin for many centuries and were to be resettled by the project. **Chapter 2**

describes Río Negro and its inhabitants' formerly peaceful life, details their relationship with the Chixoy Project, and through the testimonies of survivors, relays the betrayals and massacres they have undergone.

In **Chapter 3**, the analysis moves to the present day and demonstrates that the Chixoy Project has been a failure for Guatemala. Even the World Bank admits that "it is no longer possible to conclude that the project was economically justified." This section examines the resettlement project funded by the Bank, showing that Río Negro massacre survivors living today in the village of Pacux (pa-COOSH) continue to suffer the fall out from Chixoy tragedy.

The third section also highlights the project's multiple technical and economic failures. The Chixoy has never provided more than 70 percent of the power it was designed to produce, is burdened with costly repairs, and has failed to lower electricity rates or provide electricity service to Guatemala's poor majority.

Chapter 4 demonstrates that the Chixoy failure is not unique. The World Bank continues to fund large dam projects with a disregard for indigenous culture, human rights, and both economic and environmental sustainability. A 1994 Bank resettlement review found that for Bank projects in Latin America and the Caribbean, "few of the resettled people...can be said to have improved their living standards as a result of the resettlement process."



Residents of Pacux

This section assesses Bank efforts at reform, showing that policy changes have failed to improve the Bank's lending record. **Chapter 4** calls for the transformation of the World Bank into an institution that is built on the foundations of citizen participation, sustainable development, and accountability.

A People Dammed ends with **Tools for Action**, providing the reader with resources to become active in campaigns to transform the World Bank, including a reading list, specific actions, and information about Witness for Peace.

As responsible citizens in an increasingly interdependent world, we must become actively involved in campaigns to question and demand reform of the institutions that are shaping our collective future. *A People Dammed* details the results of one World Bank project and provides the analysis and resources necessary to help us hold development institutions to the ideals they espouse.

Chapter 1

A World Bank and U.S. Policy Context

WORLD BANK HISTORY

In July 1944 with Allied victory assured in World War II, the leaders of 44 countries led by the United States and Great Britain met in Bretton Woods, New Hampshire to discuss postwar financial and development issues. With the massive physical destruction the war caused in Europe, Asia, and Africa, they foresaw the need for large multilateral institutions to guide the reinsertion of war-torn economies into a liberal, capitalist world economy.¹

Allied leaders established the International Monetary Fund (IMF) to encourage world trade by reducing foreign exchange restrictions.² They also founded the International Bank for Reconstruction and Development (World Bank), designed to provide infrastructure loans to post-war Europe. Several years later, this mission was expanded to include project loans to poorer, developing countries.³

The World Bank got off to a slow start, making few loans in its first decade. It failed to take the lead on rebuilding Europe: Only \$497 million was loaned, while the U.S. Marshall Plan provided \$41.3 billion. Additionally, the Bank funded very few projects in the developing world. Bank President Eugene Black told the United Nations in 1950 that the problem was "not the lack of money but the lack of well-prepared and well-planned projects."⁴

The Bank needed to justify its existence and expand its lending. Thus, World Bank officials took the initiative in identifying and designing projects to fund. Lending grew dramatically, particularly in the developing world; the United Nations labelled the 1960s and 70s "the first two development decades." In 1968, the Bank lent \$953 million; in 1981, \$12.4 billion.

The World Bank's prestige and influence also grew. As the Bretton Woods Commission (the official body designed to examine the institution after 50 years) noted, "in the 1970s and 80s the Bank became involved with almost every aspect of investment and policy advice in different developing countries."⁵ Additionally, the Bank became a powerful arbiter in cases of countries with difficult debt situations and problems meeting loan payments. Without approval from the Bank and the IMF, countries today are excluded from virtually all international funding sources.

The World Bank has 176 member countries and is governed by a President and 24 Executive Directors, five permanently assigned to the U.S., the United Kingdom, France, Germany, and Japan. In 1993, the Bank approved 259 loans totalling \$25.6 billion. Approximately 75 percent of Bank loans fund "economic growth" projects like the Chixoy, including roads, power plants, schools, and irrigation networks. The remaining loans fund programs to restructure economic systems, known as "structural adjustment loans."⁶

THE BANK'S MISSION

As the World Bank grew into the world's leading development institution, it determined that it needed to tackle fundamental global problems. In the Bank's 1973 annual meeting, then-President Robert McNamara announced, "the extremes of poverty and deprivation are simply no longer acceptable. It is development's task to deal with them."⁷

Former Bank President Lewis Preston reaffirmed this mission in 1994 stating, "poverty reduction is the benchmark against which our performance as a development institution must be judged."⁸

And so we shall judge them. *A People Damned* as a case study in World Bank lending demonstrates that Bank loans have not reduced poverty, but rather have impoverished the very men and women that this development institution should benefit. Citizens from around the globe have strongly criticized the Bank in the past decade, detailing its multiple structural flaws.

A FLAWED INSTITUTION

"The World Bank was created to encourage 'development.' To the World Bank, development means growth. Single-mindedly, it pursues growth to the best of its ability. But, as others have noted, unrestrained growth is the ideology of the cancer cell." --Bangladesh Muhammad Yunus⁹

The World Bank's problems are many and fundamental: a record of supporting questionable projects which create social and environmental destruction, failing to include the perspectives of developing countries' poor majorities, hiring a distant and elite staff whose priority is personal advancement and acting in the interests of U.S. policy.

An internal Bank study, the Wapenhans Report, studied 1800 World Bank projects in 1991 and found 37.5 percent of the projects' performance "unsatisfactory." This percentage rose from 15 percent in 1981 and 30.5 percent in 1989. The failure rates were high in all major lending areas: water supply, poverty, environmental, energy, and public sector reform.⁹ Even the Bank acknowledges that its lending record has worsened, not improved.

Even if Bank projects were successful, would they in fact benefit poor nations? Consider the numbers: in 1992, the Bank loaned \$16.4 billion and received \$10.1 billion in loan payments, a difference of \$6.3 billion. However, in 1992 poor countries spent \$6.5 billion on goods and services from wealthy nations in order to carry out World Bank projects. Therefore, poor nations provided wealthier nations with \$200 million more in 1992 than was loaned to them.¹¹ Is this development for the poor?

Pierre Galand, a Belgian activist who served as a consultant to the World Bank for several years, left the institution in 1993. He wrote to his former employer, "You are one of the principal enemies of the poor... You are today, a most incredible and extraordinary public relations machine which has imposed on the world a disastrous feeling of fatality regarding the development which is reserved for the few and the inevitable poverty for those who are considered not to be sufficiently competitive and performing."¹²

Other critics have shown how the Bank's lending failures can be traced to its internal structure. A recent Bank report criticized Bank staff for using project appraisal reports, the internal Bank mechanism for determining whether an idea is sound, as "marketing devices" to advance personal careers. This Bank "approval culture" rewards staff for making big loans, and rarely is any project idea criticized, no matter how unsound.¹³ This "approval culture" is evidenced by the fact that as of 1994, the Bank's Board of Directors had never turned down a project proposed by the staff.

Bank officials rarely meet directly with those affected by their projects, preferring instead to communicate with in-country bureaucrats who share their perspectives. This tendency is reflected in the lifestyle and work environment of Bank staff. Former Bank employee Michael Irwin cites its "bloated, overpaid bureaucracy, its wasteful practices, and its generally poor management." Irwin believes that "the Bank staff, living and working comfortably in the Washington area and venturing forth in luxury, with first-class flights and hotels, are out of touch with the realities and causes of poverty in the Third World."¹⁴

British journalist Graham Hancock describes Bank staff: "Their offices are in... the plushiest business districts. Staff residence, too, are to be found in the very best areas, as far away from the poor as it is physically possible to get. There is a great gulf fixed between the 'developers' and those that they have come to develop: on the one side rich men in their castles; on the other paupers and peasants at the gate."¹⁵

Mary Beth Kaufman



Making tortillas in Pacur

THE WORLD BANK AND U.S. POLICY: A SINISTER TOOL

Despite its multilateral nature, the Bank since its inception has acted to serve the foreign policy interests of the U.S. and its allies. Why is the U.S. able to wield control over a supposedly global institution? The U.S. has the most voting stock, 17.6 percent, more than the critical 15 percent needed to veto

major lending decisions.

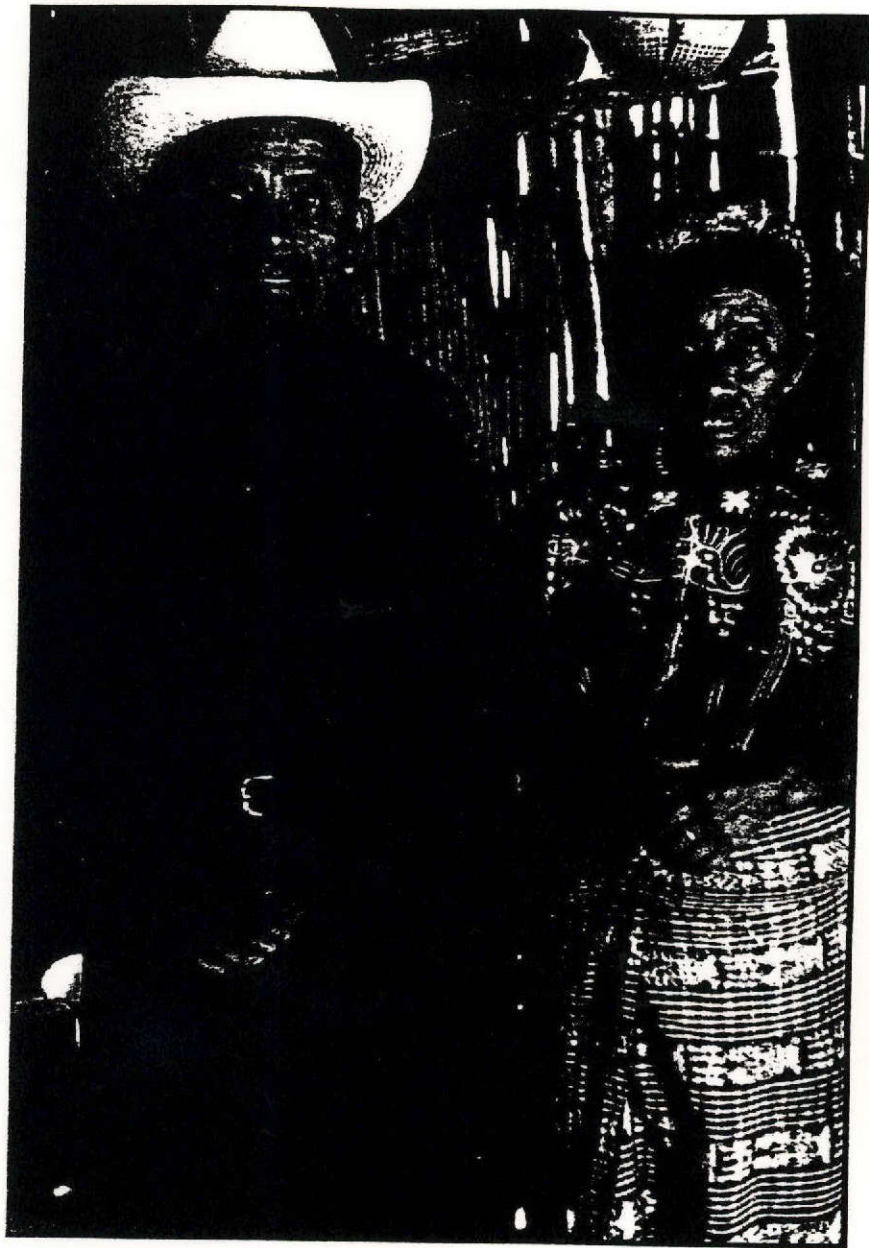
Additionally, the U.S. has a permanent place among the Executive Directors and appoints the Bank's President (all nine have been from the U.S.). Perhaps most importantly, the Bank has its headquarters in Washington, D.C., providing easy access to U.S. policymakers.¹⁶

Though the Bank ostensibly supports independent objectives such as reducing poverty, in fact, it consistently promotes the goals of U.S. policy. Food First Director Walden Bello describes the Bank as a "closely held and controlled arm of U.S. foreign policy, largely free from the constraints of legislative, judicial, or popular influence."¹⁷

The U.S. has long used the World Bank to discipline those countries that have challenged U.S. domination and rewarded those that have cooperated. A clear example is Chile. The Bank cut funding to democratically elected President Salvador Allende. The Nixon Administration bragged that it had used the Bank to "make the Chilean economy scream." In the first three years after the bloody military coup led by General Augusto Pinochet, the Bank rewarded Chile with \$350 million in loans.¹⁸

The Bank's penchant for funding bloody dictators friendly to the U.S. is not confined to Chile's Pinochet. Throughout the 1970s, the Bank made huge loans to South Korea, Brazil, Argentina, the Philippines, Uruguay, and Ethiopia—all ruled by military dictators widely condemned for violating the most basic human rights. In 1979, 15 of the world's most repressive governments received one third of all Bank loans.¹⁹

In 1982, when the Sandinista government in Nicaragua instituted reforms which provided a development alternative to U.S. domination, the Bank meekly followed President Ronald Reagan's orders and froze all loans to Nicaragua. This was despite the fact that a high Bank official at the time noted that "project implementation has been extraordinarily successful in Nicaragua perhaps better than anywhere else in the world."²⁰



An elderly couple in the new Río Negro

An examination of U.S. policy towards Guatemala, particularly in the 1970s and 80s when the Bank funded the Chixoy Project, shows that Bank lending has also served to defend U.S. interests with little regard for democracy or human rights.

U.S. POLICY, THE WORLD BANK, AND GUATEMALA

Trade and investment have been an important force behind U.S. relations with Guatemala since the 1870s, when the U.S.'s burgeoning industrial economy began to seek expansion in Central America and the Caribbean.²¹ By 1906, the U.S. had established a solid foothold in Guatemala, as a series of dictators gave generous concessions to U.S. monopolies. Within a few years,

Guatemala's banana, railroad, and electrical industries were controlled by U.S. corporations led by the United Fruit Company.²²

U.S. capital expansion into Guatemala was made easy by the country's semi-feudal economy established during the colonial period (1524-1821) and entrenched during the nineteenth century. The economy was dominated by an oligarchy which controlled the majority of the nation's wealth by systematically exploiting the impoverished indigenous majority.²³

The alliance between U.S. capital and the Guatemalan oligarchy was strengthened by Jorge Ubico's ascent to power in 1930 and his re-election in 1936. Supported by the U.S. in both elections, the dictator demonstrated his appreciation by granting additional concessions to the United Fruit Company and other U.S. interests.²⁴

In 1944, Guatemala entered its first democratic period with the rise to power of progressive leader Juan José Arévalo whose reforms were designed to benefit the country's majority. These reform efforts expanded after Jacobo Arbenz's election in 1950. By the early 1950s, U.S. interests had had enough of Guatemala's experiment with democracy. Arbenz's land reform policies enraged Guatemala's largest landowner, the United Fruit Company, which kept 87 percent of its land idle and stood to lose some 387,000 acres.²⁵

In an effort to thwart such reforms, the U.S. halted all economic aid to Guatemala. The World Bank and other multilateral lending institutions followed suit.²⁶ Secretary of State John Dulles and his brother, CIA director Allan Dulles, were among several members of the Eisenhower administration closely linked to the United Fruit Company. They urged the administration to act decisively against the Guatemalan government.²⁷

The CIA's 1954 "Operation Success" ousted Arbenz and installed Colonel Castillo Armas, whose bloody regime murdered thousands of Arbenz supporters after the coup. Castillo Armas was supported in his first few years by \$90 million in U.S. economic aid, as well as funding from the World Bank. The number is astounding when one takes into account that U.S. annual economic aid for all of Latin America at that time was just \$60 million.²⁸

In 1955, U.S. support of the Castillo Armas dictatorship paid handsome dividends to U.S. investors when the regime granted favorable rights to foreign oil companies. World Bank-funded infrastructure projects continued to strengthen the dictatorship, and World Bank advisors designed Guatemala's Five-Year Development Plan for 1955-1960.²⁹

In the 1960s, a leftist guerrilla movement emerged in Guatemala to challenge a series of military dictators. The U.S. strongly supported the Guatemalan military's resulting counterinsurgency. A U.S. agency trained thousands of Guatemalan police, U.S. Green Berets led Guatemalan counterinsurgency raids, and U.S. pilots napalmed peasants.³⁰ Writer Susanne Jonas notes "the U.S. was crucial in training and directly organizing the previously inefficient army, participating directly in its operations."³¹

Guatemala's brutal counterinsurgency continued full force in the 1970s. One U.S. supported dictator, Colonel Carlos Arana, declared that he would not hesitate to "turn the country into a cemetery in order to pacify it."³² Between 1970 and 1973, 15,000 Guatemalans died as a result of political violence.³³

The Carter administration halted military aid to Guatemala in 1977 due to the country's deplorable human rights situation, which worsened after the fraudulent election of General Romeo Lucas García in 1978. However, Guatemala continued to receive military aid from countries friendly to the U.S. During the supposed cut-off in U.S. military aid from 1977-1983, the U.S. approved sales of over \$100 million in military equipment to Guatemala. The U.S. also continued to send economic aid to Guatemala, funding AID "development" projects which were often located in areas of conflict and supported military counterinsurgency programs.³⁴

Furthermore, the U.S. continued to vote to approve World Bank funding to Guatemala, including the 1978 \$72 million loan to the Chixoy Project. Analysts such as anthropologist Shelton H. Davis have stated that such international funding supported the Guatemalan military's interest in "the economic modernization of the country," although these supposed development funds were not "military" in name. In June, 1983, Davis testified before the U.S. Congress that:

"...it appears as if hydroelectric development in Guatemala was related to the modernization of the Guatemala Army and its concern to turn the northern lowlands into a vast cattle ranching, petroleum, mining, and timber frontier.

By carrying out this frontier-development program, with international assistance, the Guatemalan Army hoped to consolidate its own political and economic power."³⁵

It seems that the Bank's support of the Chixoy Hydroelectric Project directly served the U.S. policy objective of supporting the Guatemalan military at a time when its military regimes were too brutal to support publicly.



Pacux children

By 1981, the U.S. had discarded its pretense of concern about human rights in Guatemala. The State Department exonerated the Lucas García regime for its human rights atrocities, and the U.S. Embassy in Guatemala denounced human rights groups as "communist-backed" sources of "disinformation."³⁶

In 1982, The U.S. supported Guatemala's newest military dictator — General Efraín Ríos Montt — despite a UN resolution which condemned him for human rights atrocities. President Reagan declared before the U.S. Congress that Ríos Montt got a "bum rap"³⁷ and by 1985, U.S. economic aid to Guatemala had increased to \$100 million.³⁸

Funding from the World Bank continued to flow into Guatemala during this period, the bloodiest in Guatemala's history. In 1984, a leading human rights group referred to Guatemala as a "nation of prisoners." An average of 100 political murders a month and ten "disappearances" a week were reported.³⁹ Yet the very next year, the World Bank loaned \$44 million more to Guatemala for the Chixoy project.

By 1985, the Guatemalan army's counterinsurgency policies had razed 440 villages and left tens of thousands "disappeared."⁴⁰ Hundreds of thousands of Guatemalans had fled the country, over a million had been internally displaced, and over 200,000 civilians had been killed by the counter insurgency campaign supported by the U.S. during the whole period.

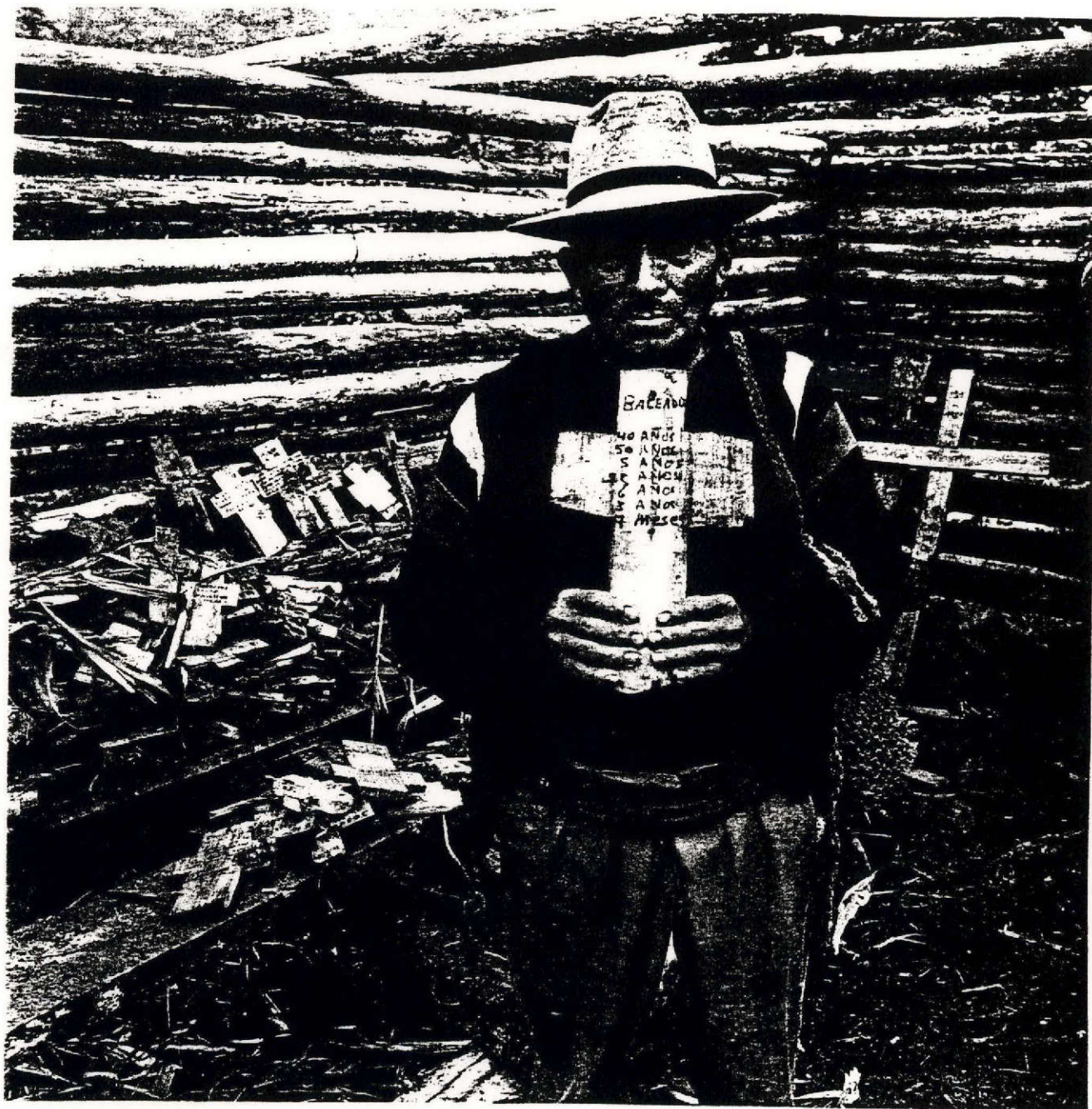
The billions of dollars pumped into Guatemala by the World Bank, other multilateral lenders, and the U.S. government since the 1950s have helped to maintain a favorable climate for U.S. capital, while bolstering a series of successively more brutal military dictatorships. Today, approximately two percent of the population still control nearly 70 percent of the arable land, while 85 percent of the population live in

poverty.⁴² The Guatemalan military wields enormous economic power and enjoys complete impunity for the atrocities it has committed and continues to commit; more than 150,000 refugees still live in Mexico; the Guatemalan oligarchy continues to pay virtually no taxes, while the poor struggle under the debt burden incurred from lenders such as the World Bank.

CONCLUSION

U.S. policies in Guatemala clearly have served to support military and economic interests that violently oppress the country's poor majority. The World Bank has closely followed the U.S. lead. It refused funding to the early 1950s Arbenz government whose social programs were making authentic steps towards alleviating poverty and then eagerly supported the military dictatorships that for 30 years brutally opposed anyone working to upset the status quo.

The World Bank is an institution riddled with flaws: not only its tendency to act as a tool for U.S. policy, but also its support for socially and environmentally destructive projects, its failure to listen to the perspective of the world's poor, and its development model which ends up benefiting rich nations. In the next two chapters, a close examination of the World Bank-funded Chixoy Hydroelectric Project demonstrates the enormity of one project failure.



A Mayan Priest from the Community of the Populations in Resistance (CPR) of the Sierra, holding a cross that lists ages of family members killed in a 1980s massacre.

Chapter 2

From Development Dream to Nightmare: The Plan for the Chixoy Project and the Río Negro Massacres

The 1970s and early 80s were tumultuous years for Guatemala. In these years, development and destruction coexisted. The country's principal development venture – the Chixoy Hydroelectric Project – was built in the midst of military dictatorships and their violent counterinsurgency war.

THE PLAN FOR THE CHIXOY HYDROELECTRIC PROJECT AND THE ROLE OF THE WORLD BANK

In February 1975, Guatemala's National Institute of Electrification (INDE) unveiled the Chixoy Hydroelectric Project as the solution for the energy crisis plaguing Guatemala. The project's principal objective was to develop a reliable source of cheap and abundant energy. A council of technical experts presented the plan to the President of Guatemala, predicting that the giant hydroelectric plant, built on the Río Chixoy in central Guatemala, would begin operation in 1981. The Minister of Public Finances announced a plan to solicit the majority of project funding from international development banks, particularly the World Bank and the Inter-American Development Bank (IDB).¹

Despite the optimism which surrounded the Chixoy Project, it was riddled with problems from the onset. A deficient design, an unrealistic timeline, construction difficulties, and inadequate cost projections shackled its progress. However, it had one steadfast supporter through all of its difficulties — the World Bank. Beginning in the 1960s and enduring through the 1980s, the Bank was intimately involved with the Guatemalan energy sector, evaluating energy potential, conducting sector reviews, and funding projects.

Guatemalan Energy Sector and Electricity Crisis

INDE and the Electric Company of Guatemala (EEGSA) comprise the Guatemalan energy sector. The Guatemalan government created INDE in 1959, giving it the responsibility of generating the nation's electricity, as well as broadening electrical service into rural areas. EEGSA is responsible for electricity distribution, buying power from INDE and selling directly to consumers.²

As in most underdeveloped nations, electricity production and distribution has always been inadequate in Guatemala. In the early 1960s, the World Bank began to assist the restructuring effort of Guatemala's energy sector. From 1960 to 1962, the Bank served as the executing agency for a United Nations survey project which evaluated Guatemala's hydroelectric resources and later created a master plan for their exploitation by the energy sector. According to the Bank, a reliable source of electric power was essential to enhance economic growth and improve the standard of living.³

Based on this master plan, the World Bank approved loans totaling \$22 million to fund two small hydroelectric plants. These projects soon encountered technical and financial difficulties, failing to meet the needs the Bank had earlier identified. By the early 1970s, Guatemala found itself in the midst of an energy crisis.

The energy sector in Guatemala traditionally used geothermal plants and low grade diesel fuel to generate electricity. During the 1970s, the government spent 60 percent of its annual export earnings (approximately \$286 million) on oil imports for electricity production. Guatemala's electricity was thus twice as expensive as other Central American countries.⁴ By the middle of the 1970s, an availability crisis erupted when production capacity fell short of electricity needs.

The situation deteriorated as demand for electricity increased.⁵ In 1976, Guatemala experienced a 111-hour, nationwide blackout, and severe limits on the availability of electrical power continued throughout the next year. During the first four months of 1977, blackouts occurred so frequently that the powerful Chamber of Industry publicly accused INDE of incompetence and irresponsibility, and threatened local action for financial losses caused by the lack of electricity.⁶

In the midst of this crisis, the Chixoy Project was portrayed as INDE's knight in shining armor. The project would provide the additional capacity required to maintain consistent and reliable service as well as decreasing the reliance on costly imported fuel.⁷ The project would diffuse the electricity crisis, rescue INDE from a

barrage of national criticism and provide a way for INDE to fulfill its pledge of rural electrification.

The Chixoy: A Development Dream

The development of the Chixoy Project began in 1972 before the energy crisis reached its peak. INDE contracted a consortium of engineering consultants from three international companies to determine the hydroelectric potential of the Río Chixoy. Experts from West Germany, Switzerland, and the U.S. comprised the consultant group, the Consorcio Lami. In a pre-feasibility study released in June 1973, Lami identified 32 possible project sites for hydroelectric plants along the Río Chixoy.⁸

Lami released the final report of a second, more detailed feasibility study in 1974 and officially recommended the construction of four hydroelectric dams to generate a total of 550 megawatts (MW) which would more than triple the country's generating capacity.⁹ The Guatemalan press heralded the Chixoy Hydroelectric Project as the largest and most promising infrastructure development project in the history of the country.

The plans recommended the immediate construction of the "first stage" of the project — the Pueblo Viejo dam, the Quixal powerhouse, and the tunnel connecting them — for an estimated total cost of \$270 million.¹⁰ The design document detailed the construction of a rockfill dam at the convergence of the Chixoy and the Salamá rivers. The 100 meter high dam was to create a reservoir in the Chixoy valley approximately 31 miles long and one mile wide. Water from the reservoir would flow from the dam through a 16 mile tunnel to the Quixal powerhouse located at the convergence of the Quixal and Chixoy rivers, taking advantage of a 350 meter drop in altitude between the two points. The powerhouse was to contain five turbines capable of producing up to 60 MW each, generating a

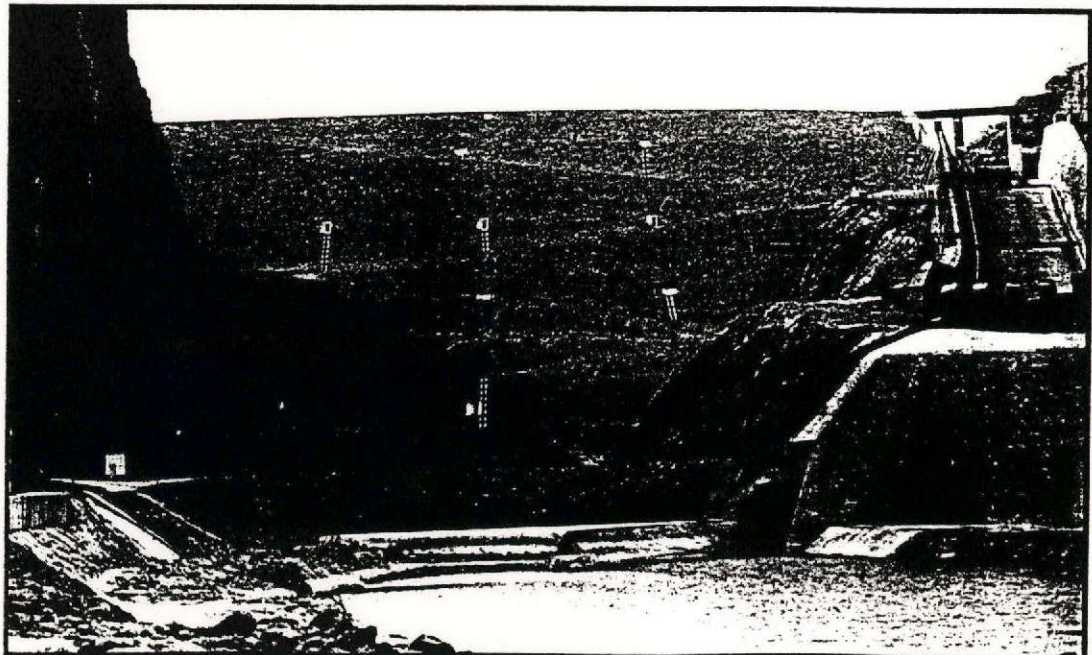
total of 300 MW.¹¹

Lami confidently predicted that the benefits of the Chixoy Project would outweigh its costs, and that the plant would soon more than pay for itself. INDE in turn projected that in the first year of operation alone, the Chixoy Project would save Guatemala between \$30 - \$33 million in oil costs. They estimated that savings would reach \$340 million by the year 1990.¹²

Funding for the Project

The government of Guatemala began to solicit international financing for the project as soon as Lami completed the feasibility study in 1974. International lending institutions quickly approved funds for this "engineering miracle" which was to transform Guatemala's "third world" economy with cheap electricity by the year 2000.¹³ Despite the project's promise, the World Bank was aware of fundamental institutional problems which even an "engineering miracle" could not fix.

The failure of the two earlier hydroelectric projects funded by the World Bank prompted it to perform a comprehensive review of Guatemala's entire energy sector in 1975. The review painted a bleak picture of INDE, citing weak financial status, inefficiency, poor management, general failure to expand electrical generation, and significant conflicts between INDE and EEGSA as some of the institution's leading problems. The evaluation also noted that the Bank could have played a more beneficial and decisive role in ironing out these problems within the energy sector in the early 1970s.¹⁴



Matthew Pacenza

Back side of Chixoy Dam

Consequently, a \$55 million Bank loan granted in 1977 for a third small hydroelectric plant provided \$250,000 for an internal improvement program for INDE, earmarked to strengthen personnel and financial management, increase efficiency, and improve office procedures.¹⁵ Despite the enormity of these problems, the Bank did not wait to see if its \$250,000 investment had paid off before supporting the Chixoy Project.

In December 1975, the Inter-American Development Bank (IDB) approved a \$105 million loan, estimating the project's total cost to be \$340.9 million.¹⁶ In June 1978, the Guatemalan government signed a \$72 million loan contract with the World Bank. By August 1978, INDE had disbursed millions of these dollars to a variety of foreign companies contracted to develop the project, and the project was well underway.

By the time INDE solicited the 1978 loan for the Chixoy Project, the World Bank had already invested 18 years

and \$77 million in development of Guatemala's hydroelectrification, with little success up to that point.¹⁷ Regardless of this poor track record, the Bank approved the \$72 million loan thereby maintaining its presence within the Guatemalan power sector. The Bank rationalized the 1978 loan for the Chixoy Project because it "would allow the Bank to participate in the financing of a needed project, and equally important, to continue assisting the Government in the implementation of sector reforms and the institutional strengthening of INDE."¹⁸ Although the IDB lent more money to the project than did the World Bank, the Bank — the "flagship of all development banks" — set the example for other international financial institutions to follow.

Construction Problems, Shoddy Planning

In 1976, 70 kilometers of newly cut access roads wound through the project site and the construction of the Chixoy Project officially began. But a devastating earthquake shook Guatemala in February of that year, delay-

ing dam construction for 15 months. The discovery of seismic faults in the area forced the project's planners to substantially change the dam design.

By 1982, Lami's projected cost had skyrocketed from \$270 million to \$800 million — an increase of almost 300 percent — and the scheduled start date was postponed until 1983.¹⁹ Serious problems existed in the project's original design, partly due to the region's geology. The dam needed to be capable of withstanding an earthquake measuring 7.7 on the Richter scale, and its foundations needed to be strengthened to counter the geological weakness of its location.²⁰ In addition, the construction of the 16 mile tunnel was complicated by the adjoining rock which broke down upon contact with water.²¹

Not surprisingly, the geological make-up of the site created ongoing technical complications for the build-

Chronology of the Chixoy Project

February	1975	INDE announces plans to build Chixoy Hydroelectric Project
February	1976	Earthquake disrupts initial construction, forces dam redesign
Late	1976	INDE informs people of Río Negro that Chixoy will displace community
June	1978	World Bank approves \$72 million Chixoy loan
March	1980	INDE's Military Police kill seven Río Negro residents
July	1980	Río Negro community leaders disappeared and murdered en route to INDE office
February	1982	73 Río Negro men and women killed in Xococ
March	1982	177 Río Negro women and children murdered in Pacoxom
May	1982	84 Río Negro residents killed in Los Encuentros
September	1982	92 people murdered in Agua Fría, including 35 Río Negro children
Late	1982	Filling of the Chixoy Reservoir begins, Río Negro is submerged
June	1983	Chixoy Hydroelectric Project begins operation
November	1983	Engineers shut down Chixoy fearing tunnel collapse
March	1985	World Bank approves additional \$44.6 million Chixoy loan
June	1985	Chixoy Project reopens
November	1993	Forensic team excavates Pacoxom massacre site
March	1994	Río Negro survivors bury dead. Gravesite monument destroyed
March	1995	Río Negro survivors inaugurate new Monument to Truth

ers. Dam designers often sidestep the lengthy and expensive process of site suitability analysis by recommending construction after conducting only partial investigations.²² In the case of the Chixoy Project, Lami itself likens the methods they used to evaluate the dam site to playing the lottery.²³ The outcome was a project plagued by profound technical failures.

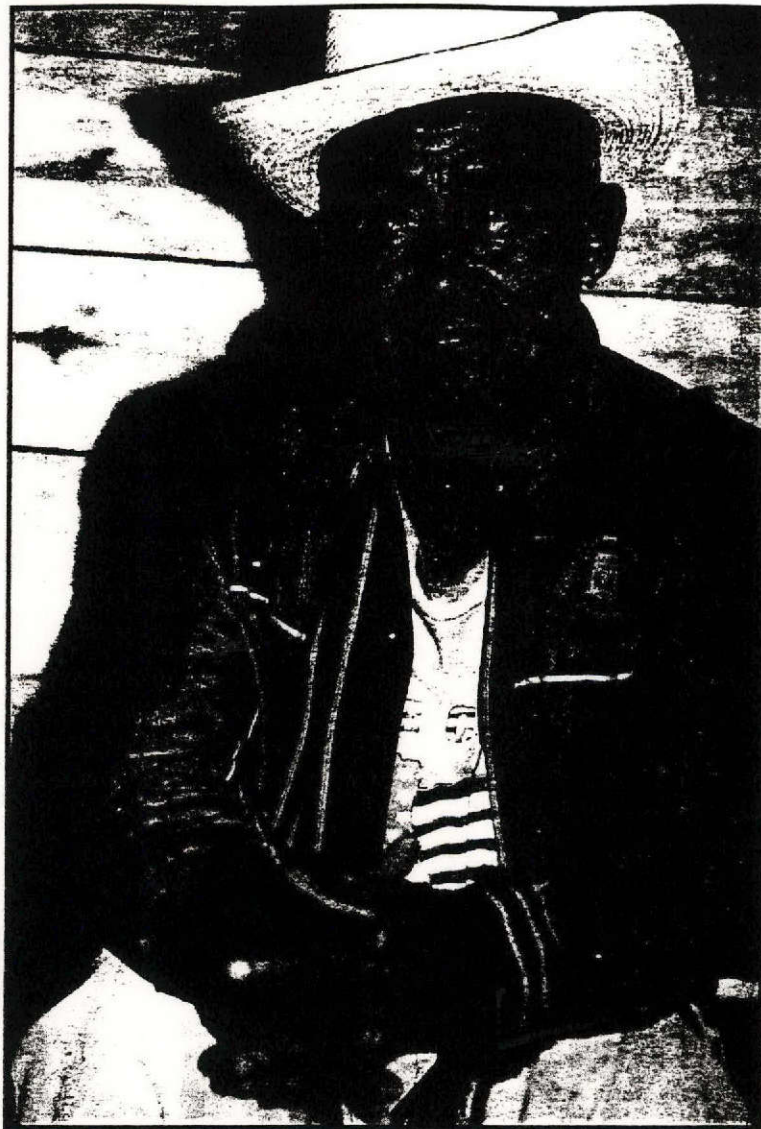
Even though Lami continued to laud the project as a "great socioeconomic benefit" for Guatemala,²⁴ their original predictions, including the timeline, costs and geological analysis, quickly became obsolete.

Analyzing the planning and development of the Chixoy Project raises serious concerns about the World Bank. The Bank based support for the Chixoy on severely flawed plans, and justified its participation by reiterating the need to maintain its involvement within the Guatemalan energy sector. As the 1975 sector review shows, the Bank was fully aware of the disorganization and weakness of INDE before the construction of the Chixoy Project. It acknowledged that construction risks existed given the "unfavorable geological conditions" of the project site.²⁵ But its 1978 loan facilitated the project's completion and legitimized the view that the project would solve Guatemala's electricity problems.

The Fatal Flaw

The most damning criticism of the planning process for the Chixoy Project is that it disregarded the people displaced by the dam. While the studies recommending the project praised its anticipated economic value, they made little mention of the project's potential impact on the environment or the inhabitants of the Chixoy Basin. According to an independent environmental expert, Lami never conducted a significant analysis of the possible effects of the Chixoy Project on the climate or the affected area's plant and animal life.²⁶

Only briefly and superficially did planning documents mention the 1500 people to be displaced from their homes by the flooding of the reservoir. Those who would be directly affected by the project merited the following phrases in Lami's pre-feasibility document: "... the population in the area of the studies is mainly indigenous. In the tract of the study ... there is almost no population."²⁷



A 75 year old man speaking of life in Río Negro before the dam

The Chixoy Project planning and funding agencies clearly found it unnecessary to consult with the people who would be displaced by the project. No one asked their opinion or carefully examined the impact the reservoir would have upon their lives. Neither did anyone factor their input into the decision of whether the project was feasible. This lack of consultation with the affected population highlights the World Bank development model in which Bank staff, international consultants, and Guatemalan bureaucrats planned and approved their grandiose scheme without communications with those immediately affected — several communities of Maya Achi who had maintained a rich cultural heritage cultivating land on the banks of the Río Chixoy for hundreds of years. The largest of these communities was Río Negro.

THIS LAND HAS ALWAYS BEEN OUR LAND

This land has always been our land. Before they built the dam and the reservoir, our ancestors lived to 80 and even 90 years of age in the village that was Río Negro. But our ancestors were spared the horror which was to come.

--Pedro, former resident of Río Negro

For generations, the Maya Achi of Río Negro lived on the banks of the Río Chixoy. The Río Chixoy and its tributaries carved a winding basin through the departments of Alta and Baja Verapaz, a region home to approximately 75,000 Achi speaking Maya people. A Mayan legend recounts that the Achi gained possession of this land when all the groups of the K'iche federation

"In Río Negro, we lived peacefully. And then they began the dam, and the violence started".

met on a mountaintop and divided the territory among themselves. Another traditional story narrates that the Achi people won the territory currently known as Baja Verapaz in battle during the Late Post Classic period, 1200 A.D. to 1524.

Until 1982, Río Negro lay in a flat valley where the river had created rich and fertile floodplains unlike the sandy, arid

soil of the hills rising above the community. In the late 1970s, approximately 500 people lived in Río Negro. Each family farmed its own parcel of land, growing the traditional staples of corn and beans, as well as tomatoes, tropical fruits, peanuts, and coffee. Most families raised animals including chickens, cattle, mules, and horses.

In Río Negro, survival depended on the success of subsistence farming. Most of the year, families worked their own plots of land, fueling their cooking fires with wood gathered from the surrounding hills and selling petates – woven straw mats – in nearby communities.

Occasionally, when their own harvests failed to support them, families from Río Negro joined the thousands of Guatemalan subsistence farmers who spend several months a year harvesting cotton, sugar or coffee on the large plantations on the southern coast or in the northern province of the Petén. The meager income from these months of difficult work supplemented their subsistence farming, enabling them to purchase clothes and staples, like salt and cooking oil, which they could not produce themselves.

No road led to Río Negro. Rabinal, the nearest market and county seat, was an eight hour walk on a mountain path. The village had its own school, staffed by government-paid teachers, and was governed by a Development Committee and municipal representatives.

During the 1960s and 1970s, the Catholic Church maintained a strong presence in Río Negro.²⁸ The village catechists functioned as some of the principal leaders in local activities, leading prayers at the church services and organizing civil and religious ceremonies on holidays.

Mario*, a resident of the area, offered this description of life in Río Negro before the dam:

... life was hard, but it was good. The people were content. Everyone lived nearby, we all knew each other, and we lived peacefully. But when they began the construction, many strangers came to our communities. The army arrived, the guerrillas arrived, and then the violence started.

DECEIT AND MASSACRE:

THE CAMPAIGN AGAINST RIO NEGRO

Chixoy Project officials waited more than a year after making the decision to build the Chixoy to inform the people of Río Negro that they would lose their homelands. After notification a dialogue began between the people of Río Negro and the officials of the Chixoy Project. However, communication about the resettlement plan was soon broken by deceit, and eventually, violence.

Bad News and False Promises

In 1976, INDE representatives descended upon Río Negro in helicopters to inform residents of the plan to build a dam four miles downriver at Pueblo Viejo. They told the villagers that the dam would stop the Río Chixoy and thus create a giant reservoir which would flood the entire 31 mile length of the middle Chixoy Basin.

Community members reacted with anger as INDE officials impressed upon them that the flooding would force them to leave Río Negro and the valley that their people had lived in for centuries. Some residents advocated using force against INDE, but cooler heads prevailed. "What can be achieved by such a struggle?" they argued. "What good can machetes and sticks do against INDE and the military?" Instead of taking an aggressive stance, the community elected a committee to negotiate resettlement on its behalf.

Initially, INDE offered to resettle the community to a farm in the northern lowland jungles in the Petén. The people of Río Negro rejected this offer because the Petén

was "too hot and too far away." INDE then offered a farm near Chisec in the province of Alta Verapaz, which the community refused for the same reasons.

Eventually, the Río Negro committee and INDE agreed on a site: the Pacux farm just outside the nearby town of Rabinal. INDE, whose stated purpose was "to improve the social and economic levels" of the community's inhabitants, agreed to provide the following:

- cement block houses with duralite roofs
- potable water and free electricity
- five acres of fertile land for each family
- a community truck
- compensation for crops and orchards lost to flooding
- a church, schools, a health center and access roads
- a boat
- social services²⁹

Dubious Intentions, Deceit and Violence

In 1978, INDE began construction of the Pacux resettlement village. In early 1980, INDE transported dozens of Río Negro residents to Pacux to show them what would later become their new home. The urban setting, cramped houses and lack of land contrasted sharply with the abundant space and natural beauty of Río Negro. Upon seeing the houses, many of the Río Negro people, disillusioned by the condition at Pacux, began insulting the INDE officials present.

One community leader conjectures that this is when the dialogue between Río Negro and INDE about the resettlement plan effectively ended, and that INDE thereafter chose not to comply with its earlier promises. He stated, "You have to understand that the people were upset by the construction of the houses and layout of the community. Seeing Pacux that day was difficult for a rural people who felt such a strong bond to their land in Río Negro. They were getting swindled, and they knew it."

Difficulties also arose in relation to the INDE-contracted archeological excavation taking place in their ancestral homelands. The community maintained a strained relationship with the French archeological team which spent two years excavating many of the Mayan ruins that lined the banks of the Chixoy. Several individuals from Río Negro were employed as laborers in this endeavor. However, the community soon prohibited the team from excavating sites near the village. The archaeologists, in turn, accused several members of the community of stealing Mayan artifacts, accusations that were met with indignation. "How can we steal what is already ours?" they asked.

The community learned that INDE trucks were carting away tons of gravel and sand from the land they shared with the neighboring communities of Pajales and Xococ, at Los Encuentros, just two miles from the dam. Río Negro confronted INDE and negotiated an agreement to sell INDE the sand and gravel from its section of the land. The \$12,000 settlement was divided unequally among community members, causing a disgruntled Río Negro resident to go to Xococ (sho-KOK) and falsely report that Río Negro had sold all of the communal land to INDE. Río Negro's problems deepened as angered Xococ residents began to denounce Río Negro as a hotbed of guerrilla activity.

Shortly thereafter, in early 1980, INDE representatives persuaded Río Negro residents to turn over their land titles, promising to return them promptly. Months later, when the community requested that the titles be returned, INDE officials claimed they never received them and



A Child from Pacux

knew nothing of their whereabouts. The loss of the land titles was significant because with them the community lost its most important legal documentation of the right to compensation for the lands it would lose. "That's one way INDE tricked and cheated us," comments one former Río Negro resident. On March 4, 1980, three military police assigned to the dam's security force came to Río Negro on the pretext of arresting several community members whom they accused of stealing beans from the project's storehouse. The community was meeting in the church discussing their upcoming eviction from Río Negro. One former Río Negro resident relates the following:

For us, this was just another example of INDE intimidation. We refused to hand over the alleged thieves, and we told the soldiers to leave. The soldiers began shooting, killing seven of us, and then they attempted to flee. We caught one of them, whom we released a few hours later. One of them escaped. And the third one tried to escape by swimming across the river, but he drowned. INDE and the army accused us of murdering him and of keeping his rifle. But we did neither. The rifle must have sunk to the bottom of the river. It was never found. It was then that INDE began to denounce us as guerrillas.

In early July, 1980, two representatives from the Río Negro committee went to Pueblo Viejo, the dam site, at the behest of INDE officials. They were carrying their *Libro de Actas*, the community's only documentation of the resettlement and cash payment agreements it had signed with INDE. Both men were "disappeared" that day. Their mutilated bodies were found a week later. The *Libro de Actas* was never found.

The PACs and Xococ: Instruments of Terror

In 1981, the Lucas García regime introduced Civil Defense Patrols (PACs), a nationwide network of community-based militias to work in tandem with the military. The PACs were armed and indoctrinated against the "evils" of communism and subversion. They targeted community leaders, human rights workers, development specialists, religious workers, and sometimes entire communities.³⁰

The PACs were an extremely effective counterinsurgency tool. Terror in Guatemala became epidemic as victims became victimizers. Neighbors denounced each other as subversives. The accusers hoped that such denunciations would exonerate them from the climate of suspicion in which no one was safe.³¹

In the Maya Achi village of Xococ, this sentiment manifested itself in the extreme. After its long years of suffering torture, murders, and disappearances as a result of counterinsurgency, its residents formed a PAC called the "Combative Village of Xococ."³² They lashed out violently against their neighbors, settling old scores by denouncing them as guerrillas. In the words of one Río Negro resident who was tortured but escaped death in Xococ on February 6, 1982, "Xococ had turned into hell and its patrollers into the devils agents."

The 1982 Massacres

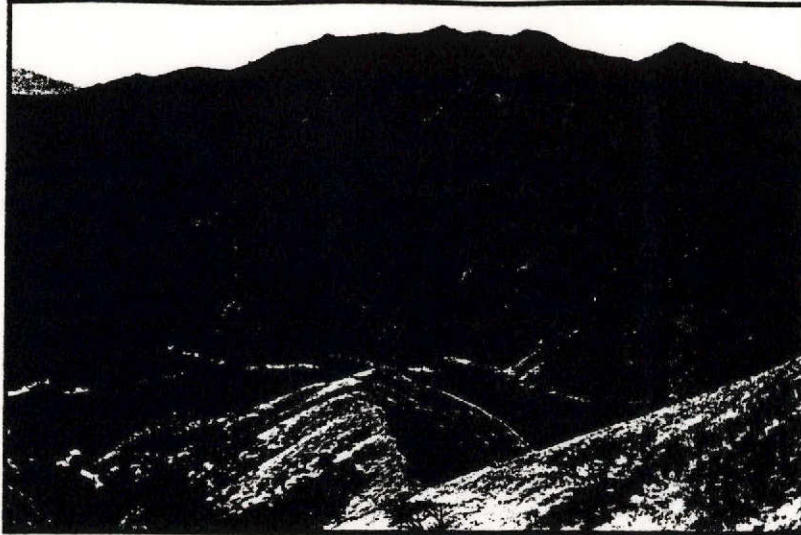
In the following passages, massacre survivors recount what happened in Río Negro in 1982. These words are their own - brutal, difficult, and painful to read.

On February 13, 1982, 73 men and women from Río Negro were ordered by a local military commander to report to Xococ where they were tortured, raped and murdered by the PAC. One woman escaped while the patrollers were raping some of the adolescent girls. She ran all night, arriving at dawn in Río Negro to tell her people what had happened. The men in the village immediately took to the hills to hide themselves, but the women refused to go, saying that they and the children could not survive "eating roots and living like animals in the mountains." Several Río Negro residents related, "They thought that it was only the men that the patrollers from Xococ wanted. That's what we all thought."

Exactly a month later, on March 13, 1982, approximately ten soldiers and 25 patrollers from Xococ arrived in Río Negro at dawn. They were infuriated not to find any men in the village. "Where are the guerrillas?" they demanded. The

women responded that they did not know any guerrillas. The soldiers and patrollers began to raid the huts, pulling out the women and children and pillaging their possessions. They marched the women and children up the mountainside behind the village, telling them that they were going to have a meeting at the Palo Guanacaste, the landmark tree on a bare ridge about half a mile above the village. One of the survivors said that they were marched up the steep hillside in single file with the soldiers and patrollers "prodding us with thorned

In July, 1980, two Río Negro leaders were disappeared on their way to a meeting with INDE officials. Their mutilated bodies were found a week later.



The steep mountainsides rising above Río Negro that the women and children climbed on March 13, 1982

sticks and saying 'ox-ox-ox' - the sound you make when you are herding cattle."³³

When they reached the Palo Guanacaste, the patrollers and soldiers put on marimba music with cassettes and tapeplayers looted from the village. They grabbed some of the women and commanded them to dance. "Dance! Dance like you dance for the guerrillas!" The women replied that they did not know any guerrillas and that they did not know how to dance. "Dance!" they were told.³⁴

As they danced, the patrollers and soldiers taunted and insulted them. "Your dancing will not save you today, guerrilla whores!" Then one of the patrollers forced 14-year-old Justa Osorio Sic into the weeds and raped her. When she came back, "her clothes were torn and she was crying, but the soldiers and patrollers just laughed and taunted her."³⁵

From the Palo Guanacaste, they continued to march the 197 women and children up the mountainside, "hitting us with sticks and thorned branches and treating all of us like animals."³⁶

One of the survivors, Jaime*, who was 10 at the time, describes how he carried his 3-year-old brother up the mountainside on his back. When they reached the summit of the mountain, a place they called Pacoxom, the patrollers and soldiers divided the women and children into several groups. Jaime and his brother, along with about 18 other children, were forced to lie face-down in the grass and told not to look up. He said that he could see everything by raising his head a little. The soldiers and patrollers began forcing the teenage girls into the weeds and raping them. He got up to take his little brother into the weeds to relieve himself. "Two of the soldiers

were raping one of the girls. They saw me and yelled at me, but I told them that I was only there because my little brother had to pee."³⁷

When he returned to where he had been lying in the grass, he saw that the patrollers had begun killing. They were strangling many of the women by putting ropes around their necks and twisting the ropes with sticks. They were also beating other women with clubs and rifles, and kicking and punching them. "I remember one woman," he relates, "a soldier jumped up and kicked her in the back. He must have broken her spine, because she tried to get up but her legs wouldn't move. Then he smashed her skull with his rifle."³⁸

The patrollers killed the children by tying ropes around their ankles and swinging them, smashing their heads and bodies into rocks and trees. "They were grabbing the women one by one," he continues, "and dragging them to the edge of the ravine about 15 yards away from where I was lying. There they would slaughter them and throw them over the edge. The sandals of the patrollers were covered with blood."³⁹

Two of the woman climbed to where Jaime and the other children were lying face-down in the grass. Some of the patrollers followed them and asked them what they were doing. Jaime continues:

*Their names were Petromila Sanchez and Paula Chen. 'We want to go to Xococ,' they said. The patrollers put ropes around their necks and strangled them.'*⁴⁰

*Then a patroller grabbed me and my brother. I started crying. He asked me if I wanted to go live with him in Xococ. He said that I could go with him, but my little brother couldn't because it was a long walk to Xococ. I told him that I'd carry my brother. Another patroller grabbed me, while the first one put a rope around my little brother's neck and started dragging him away by the rope. I broke free and ran after him. He picked up my brother by the ankles and smashed his head into a rock. I stayed on the spot where he killed my brother. I didn't know if he was dead. Then the patroller said, 'Let's go!' The same patroller who killed my brother was the one who took me with him to Xococ.'*⁴¹

Seventy women and 107 children from Río Negro were massacred on March 13, 1982. Two women, one of them carrying her infant on her back, escaped by throwing themselves into a ravine. Eighteen children, including Jaime, were taken to Xococ, where they lived as slaves

for several years in the homes of the patrollers who had murdered their families.

"Not Even the Birds Sang"

The next day, Guillermo*, who had been hiding with a group of men, returned to his village:

"When I first arrived, I didn't realize what had happened. But when I saw, I wanted to wake from that horrible dream. Maybe it wasn't true what my eyes were seeing: my loved ones mutilated, beheaded, throats slit, tortured, raped...I asked God to help me. I wanted to be dead in the place of my brothers and sisters. That day was silent, so silent that not even the birds sang - as though they too had died. The village sat silent, the laughter of the children when they played was no more..."

Guillermo lost 17 family members on March 13.

Many of those who survived, because they were not in Río Negro on that day, spent the next two years hiding in the mountains. Military helicopters and planes sprayed the mountainsides with bombs and machine gun fire. Soldiers and PACs also patrolled the area on foot. Those who lit fires were often captured and killed, their whereabouts revealed by the smoke or glow from their fires. One survivor recounts:

We lived like animals, surviving on roots and reeds and raw fish. Many of us were barefoot or naked. The old and the weak and the young ones, most of them died in the mountains. Life was too hard for them.

The slaughter of Río Negro did not end there. On May 14, 1982, 84 Río Negro refugees were massacred by the Xococ PAC and government soldiers at Los Encuentros, five miles from Río Negro. Fifteen women were taken away in a military helicopter, never to be seen again. Witnesses assert that a short time before the massacre, the assassins stopped at the INDE office in Pueblo Viejo, borrowed an INDE truck, then drove to Los Encuentros and committed the massacre.

On September 13, 1982, 92 people in Agua Fria, another village in the vicinity of the dam, were machine gunned and burned to death by the Xococ PAC and government soldiers. Thirty-five of the victims were children from Río Negro, orphans from the previous massacres, whom the people of Agua Fria had taken into their homes.

All told 376 people from Río Negro - more than half the population - were massacred by soldiers and Xococ patrollers between March 4, 1980 and September 13, 1982. Filling of the Chixoy Reservoir began in late 1982.

The Project and the Massacres

While some attribute the Río Negro massacres to the counterinsurgency war of the early 1980s, a careful analysis suggests that the Río Negro victims died because they blocked the "progress" of the Chixoy Project. This analysis is based largely on confidential interviews with trusted longtime residents of the Chixoy region. Due to the extraordinarily sensitive nature of this issue - the link between the Project and the massacres - "official" research or interviews within Guatemala to corroborate testimony could not be conducted. However, local sources strongly assert the connection.

The people of Río Negro complicated matters for INDE, the Guatemalan government and the World Bank, who chose to either ignore or cover up the crime inflicted upon this population by labelling Río Negro residents "guerrillas."

A Río Negro resident responds:

How can innocent children and women, many of them pregnant, be mistaken for guerrillas? They couldn't be. None of us were. We were peasants trying to make a living from the soil like our parents and our ancestors. I'll tell you the real reason for the violence: they wanted our land for their cursed reservoir and dam, and we were in the way.

A local observer notes that violence in the Chixoy region was virtually nonexistent before the onset of dam construction in 1977, but that once construction began "strangers began arriving and with them, the violence."

Many of the survivors from Río Negro concur with this analysis. "INDE knew about and collaborated in the violence against our village because we were refusing to leave Río Negro." Or as one survivor puts it, "The Chixoy Project was built with the blood of our people."⁴²

A Catholic leader in Cobán believes that INDE's original intention may have been "to benefit rather than victimize" the affected Achi populations in the Chixoy Basin.⁴³ However, he believes that the "corruption of INDE officials" contributed to the deterioration of resettlement efforts. "The project was a goldmine for INDE and the army generals. There was so much money coming in from the outside that many strange things occurred as the project progressed - including violence and disappearances, and then the massacres."⁴⁴ He

One massacre survivor says, "the Chixoy Project was built with the blood of our people."

speculates that INDE officials may have had something to gain by minimizing or eliminating cash payments to displaced communities.

A Catholic priest who has worked in the area for more than 30 years added a further element to explain the government's fervor:

The interests of INDE were the interests of the government. They wanted to transform the Chixoy Basin into a tourist center after they flooded the reservoir. They didn't want a bunch of indigenous people living on the hill-sides above the reservoir; they saw them as personas non-gratas. They saw violence as a means of 'cleansing' the area for later tourist development.⁴⁵

A construction worker from the nearby city of Cobán who worked on the Chixoy Project from 1977 to 1982, says:

Of course INDE knew about and condoned what was happening in Río Negro because they stood to gain from it! The violence minimized or eliminated the problem of cash payments. Dead or terrorized peasants aren't going to demand their rights. The generals, politicians, and INDE people pocketed all those cash payments. Everybody knew about the corruption and the violence, but we were all too terrified to say anything. But the poor people from Río Negro were those who truly suffered.⁴⁶

A Guatemalan journalist in Cobán who investigated INDE's compliance with resettlement and cash payment agreements asserts:

In most cases, the monies were never paid. It was all a big scam. All of the officials involved in the project, from the little guys to the big shots,

were robbing it blind. The violence facilitated the corruption. The whole area was under siege. One of the heads of security at the project was responsible for orchestrating much of the bloodshed. His brother was a high ranking army officer right here in Cobán at the time. There's no doubt that INDE encouraged – and benefited from – the massacres.⁴⁷

Testimony corroborates that INDE was both aware of the Río Negro massacres and condoned the army's savagery. More likely, it encouraged the army and PAC to eliminate the obstacle that the organized community of Río Negro represented.

The Exhumation and the Monuments: Signs of Hope

After years of living in fear, and despite repeated death threats from the military and the Xococ patrollers, in 1993 the survivors of Río Negro broke the wall of silence and impunity. They publicly denounced the massacres and petitioned the official exhumation of the remains of their loved ones on the mountain above their former village of Río Negro.

In November, 1993, a forensic team unearthed the remains of most of the 177 Río Negro victims at Pacoxom. The team reported that most of the women's pelvises were broken and that "the great majority of victims died from blunt-force trauma. It was a brutal death."¹

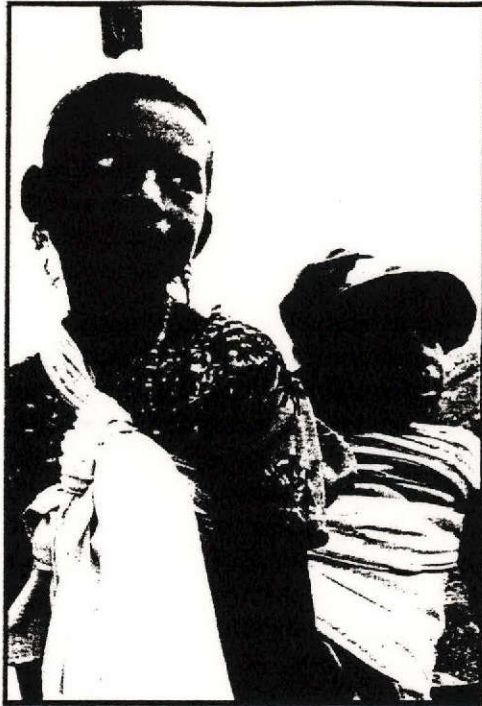
In April, 1994, surviving family members gave their loved ones a dignified burial in the Rabinal cemetery near Pacux. The small monument they erected paid homage to the "Río Negro martyrs ... who gave their life for peace, whose blood fertilizes our land and represents the seed of truth, justice and hope." Two weeks later, the monument was destroyed in the middle of the night.

In March, 1995, the community dedicated a different monument at the gravesite - this one a huge concrete and steel structure (pictured on the cover.) "They'll need tanks to knock this one down," one community member told the international journalists and human rights advocates who attended the dedication ceremony.²

At the ceremony, Doña Flor*, a leader in the Orphans and Widows Committee, the organization largely responsible for mobilizing the community to denounce the massacres after ten years of silence, told the world:

"We build this Monument to Truth so that our children know what happened in the time of violence. We write the names of the 177 murdered women and children so that our children will know who died: their parents, their aunts and uncles, their grandparents."

The Monument to Truth in Rabinal, funded by a coalition of U.S. faith-based solidarity organizations, testifies to the suffering inflicted on the people of Río Negro in the name of development and counterinsurgency. It is also a testament to the courage of a noble people.



Pacux residents

Business As Usual For The World Bank

The question is what did the World Bank know of the four massacres perpetrated against the Achí community of Río Negro over that eight month period in 1982.

According to the individuals interviewed in the Chixoy region - priests, church workers, a journalist, and a construction worker who worked on the Chixoy project from 1977 to 1982 - everyone who worked on the project and virtually everyone in the region knew about the violence associated with the project, particularly the violence at Río Negro.⁴⁸

World Bank documents indicate that Bank personnel worked in supervisory capacities at the Chixoy site for up to three months each year from 1979 to 1991, including 1982.⁴⁹ In 1984, the Bank even hired an "expert on resettlement policy to assist in the supervision function" of resettlement.⁵⁰

In light of the testimony, it is reasonable to assume that World Bank staff — particularly project supervisors — knew about the violence against Río Negro as early as 1982. In a 1991 internal document, the World Bank's senior sociologist Michael Cernea asserted that "the turmoil surrounding resettlement in Guatemala's Chixoy dam project eventually became so severe that the entire area was declared a national disaster zone."⁵¹

In its 1991 Chixoy Project Completion Report, the World Bank made an oblique reference to violence associated with the Chixoy's resettlement and compensation program, which it called a "flawed concept" because "there

were delays due to the insurgency activity in the project area during the years 1980 to 1983 — two resettlement officers were killed while performing their duties..."⁵²

However, both of these reports minimized the violence in the area during the Chixoy's construction and made no reference to the Río Negro massacres. In fact, the Río Negro tragedies were never mentioned in World Bank documents on the Chixoy.

Apparently, the Bank chose to ignore the massacres, pretending instead that, with the exception of the minor delays caused by "insurgency activity" and the death of two resettlement officers, things were going relatively well with the Chixoy.⁵³ With a vested interest of \$72 million in the project, the Bank continued business as usual. Despite the widespread violence surrounding project implementation, in March 1985, three years after the Río Negro massacre at Pacoxom, the Bank approved a supplemental loan to the Chixoy project for \$44.6 million.

If the Bank knew about the massacres, then giving an additional loan to the project was at best a calculated cover up and at worst an act of complicity in the violence. If the Bank did not know about the slaughter, then it was guilty of gross negligence. Either way, the Bank is implicated in the horrors perpetrated against the village of Río Negro in 1982.

Chapter 3

The Legacy of the Chixoy Project: Its Social, Environmental, and Economic Impact

Examining the Chixoy Project thirteen years after the Río Negro massacres reveals the immense proportions of its failure. The people, the environment, and the economy of Guatemala are still paying for this costly mistake. The World Bank, intimately involved in the project from inception to completion, shares responsibility for the corruption and the technical and financial problems which plagued the project.

In the years following the 1982 massacres, Río Negro survivors trickled into Pacux, the community built for them by INDE. Life in Pacux reveals the failure of the INDE resettlement plan and implicates the World Bank, which refuses to take responsibility for the Project, although it promoted and funded it.

Under the Watchful Eyes of the Army

Inscribed in the mountainside above the meandering road which leads to Pacux is the word *LOBOS* (wolves), the local military troop's logo. It rises over the departmental military base which guards the entrance to the community. Visitors and residents alike pass the army station staffed by stern faced soldiers who monitor all comings and goings. In the village, 150 houses, a school, a church and community buildings conform to the town's rigidly designed grid. Although Pacux is purportedly a resettlement community provided for the people displaced by the Chixoy Project, it closely resembles the "model villages" of the early 80s. Model villages, a key part of the Guatemalan military's counterinsurgency campaign, were concentrated resettlement camps which allowed the army to control civilian populations in war zones.

Fidel* compares the strain of living next to a military base with his previous life in Río Negro:

Our people lived peacefully for centuries on the banks of the Río Negro. We got along with the neighboring communities and when there were problems, we settled them amicably because we all spoke the same language, Maya Achi. But now, we literally live under the shadow of the army base. We still live in terror after all these years.

"A TREE UPROOTED":

AN EVALUATION OF RESETTLEMENT

What resettlement goals did the World Bank and INDE hope to meet in Pacux? The Bank states publicly that "the fundamental goal of the Bank's [resettlement] policy is to restore the living standards and earning capacities of displaced people and when possible, to improve them."¹ Similarly, INDE pledged to compensate Río Negro residents for their losses with the promise of infrastructure, land, cash payments, and economic and social assistance.

INDE failed to fulfill its promises to the people, and the World Bank fell far short of its goal to restore the community's living standards, let alone improve them. INDE designed and constructed the community, yet INDE itself describes Pacux as "desolate, without trees, inhospitable, dirty and moderately uninhabited."²

In the words of a local Catholic Priest:

For more than 15 years the people have suffered, far from their community, far from the land that gave them food, without the bare necessities of life ... the Calvary they have lived for 15 years still has not ended.

Infrastructure and Services

In contrast to the space and relative freedom in Río Negro, life in Pacux is cramped and contained. People's basic needs are met; they have roofs over their heads, a place to worship and to attend school, electricity and a sporadic water supply, but as one Pacux resident explains, "The houses are badly built. They promised houses of cement block, but they gave us wood, and now they're starting to fall apart."

Despite the guarantee of free electricity, one resident reveals that "INDE is saying that soon it is going to start charging us." INDE also promised community development programs and technical support,³ but admits that the social services are not functioning "for lack of teaching staff, doctors, and equipment."⁴

And while Pacux did receive a water system, it is unreliable – weeks, even months go by without even a drop

of water. Regardless, people have to pay Q3 (\$.55) a month, and late payment fines are over 100 percent, not an insignificant expense for people with marginal incomes. When the community organized to protest the water crisis, they received a veiled threat from the local military commander, who "reminded us of the Río Negro massacre and recommended that we avoid problems, like demanding justice around the water issue."

Land

Joaquín,* a former Río Negro resident, reminisces about life before the dam:

We lived in a river valley where there were vast corn fields, abundant fruit and coffee. We all had animals — our cattle and horses could wander and graze freely.

In contrast to the 561 acres promised to the resettled community in Pacux, INDE has provided only 240 acres. Two farms are an hour's walk from Pacux and the other land adjoins the village. Joaquín says, "The only part that is any good is in Pacux. The other is mostly useless scrub-land." As early as 1984, community representatives began making repeated and costly trips to the capital to demand that INDE comply with its promises. Pacux residents have yet to give up the struggle.

While some families eke out a living by farming their tiny plots of marginal land, most cannot support themselves on the land as they did in Río Negro. In the words of one resident, "We are like a tree that was violently uprooted and then hastily replanted in another place. It is very difficult for that tree to grow again."

Economic Situation

The village of Pacux is located on the outskirts of Rabinal, home to approximately 25,000. In the Rabinal region, poorly maintained roads limit commerce. Most people survive on subsistence corn cultivation. Without land in Pacux or hope of work in Rabinal, the people of Pacux are forced to look elsewhere to survive. The village women spend 8 to 10 hours a day shelling pumpkin seeds or weaving *petates*, to earn at most \$0.20 a day. This arduous labor scarcely yields enough cash to buy a day's ration of corn for a family.⁵

Because permanent jobs are virtually impossible to find, men and women leave their homes each morning in search of day labor; odd jobs such as planting, weeding or harvesting pay them between \$1.75 and \$2.00 for a 10 to 12 hour day. The overall lack of employment opportunities forces many family members to seek jobs as domestics in Guatemala City. Sometimes entire families go to the south coast to work seasonal harvests. Labor on the south coast is backbreaking, the living conditions primitive, and sanitary conditions deplorable. At most, men earn \$1.75/day, and women half that.

The most attractive job opportunity for many young men in Pacux is a three year stint in the army where they are clothed, housed, fed and paid a \$60/month salary,⁶ a considerable sum for most rural peasants. Ironically, the children and siblings of those who died at the hands of the Guatemala army in the early 1980s are now themselves becoming part of that oppressive apparatus.

Titles and Cash Payments

A young community activist asserts that "the biggest problem here in Pacux is the lack of titles to our houses." Of the 107 families INDE identified as directly affected by the dam, only 33 have received titles. Further, INDE claims that another third of the current population does not have papers, so they have to undergo time-consuming and costly procedures to prove their identities.

Titles to land and houses are important because without them people have no legal claims and consider their surroundings temporary. In a 1991 resettlement evaluation, INDE noted this problem, describing people as "insecure due to lack of property titles and thus not wanting to improve their situation."

INDE Compliance with Río Negro Resettlement Agreement

Agreement

Block houses
Potable water
Free electricity
Five acres of fertile land per family
Community truck
Cash payments for lost crops
Church, school, health center and access roads
Boat
Social services

Compliance?

Houses constructed, but titles not granted
Expensive, infrequent supply
Complied
Only 2.2 acres provided, most of it infertile and no titles given
Never granted
Minimal payments to fewer than 20% of families
Complied
Never granted
Minimal

INDE has yet to make good on its repeated promise of cash payments for the financial losses of the Río Negro community. Although a few families received minimal compensation in the late 1980s in a difficult and time-consuming process, the vast majority are still struggling to receive payments which are to range from \$8 to \$172. The community also claims that because these appraisals were based on 1977 property values, they should receive interest and payments which reflect the real value of the land and goods they lost.

Overall Resettlement Evaluation

The many widows who are the sole heads of their families face the double burden of domestic tasks and financial responsibility. In light of the difficult economic situation in Pacux, Lucía* asks:

Because I have no money, what am I going to do now that I am alone? Life is so hard. I can work for two whole days shelling pumpkin seeds to earn just enough for a little bit of corn. It is not worth it, it is just too hard. Each day is a struggle and each day we must search for a way to find food for our families, only to rise the next day to begin the struggle again.

One visit to Pacux reveals the difficulties the community faces. Pacux is not prospering. Yet the World Bank officially stated in 1991 that "there is insufficient data available to document whether the project achieved its resettlement objective."⁸ In other sections, the Bank admits resettlement was somewhat unsatisfactory, but removes the onus of responsibility, saying that resettlement problems "reflected the lack of commitment by management and the government to ... take care of those displaced by the project."⁹

In a document evaluating the Pacux resettlement program, INDE echoes the Bank's stance when rating its compliance with resettlement objectives. Despite clear evidence to the contrary, INDE states that the "affected population experienced an increase in well-being, in health, education, housing, food, etc."¹⁰ In the same document, INDE also admits that it has failed to keep



Rio Negro woman weaving petate

its promises of land and titles but because of social, cultural and economic factors "considers it impossible to satisfy the most elemental and vital subsistence needs."¹¹

Through these contradictory statements, some truth emerges: neither the Bank nor INDE wants to label the resettlement program a failure, and neither wants to take responsibility.

Who gained from this resettlement project? Documents analyzing the project state that \$8 million was slated for land purchases and relocation.¹² One local priest says he heard as much as \$12 million was supposed to be spent on relocation, but that only \$3 million was ever invested. Where did the rest of the money go?

Everyone questioned in the community, including a local priest, verifies that infrastructure in Pacux was completed by 1983. But World Bank and INDE documents state that construction of infrastructure continued until as late as 1989. During those six years, did funding end up in the pockets of corrupt officials never reaching the people for whom it was intended? Did the World Bank conduct an independent on-site evaluation of resettlement, or did it rely upon INDE's reports? Did the Bank responsibly exercise fiscal oversight?

"While they are making fortunes from the dam, we from Río Negro continue to suffer."

The New Río Negro

Disillusioned and frustrated with the conditions in the failed resettlement community, 18 families have left Pacux to return to Río Negro.

They have returned to their ancestral home and rebuilt on the sandy ledges overlooking the reservoir. Residing in houses built with palm fronds and sticks, they fish, hunt, and cultivate the steep mountainside above the reservoir. Life is difficult – no electricity and insufficient food – but many prefer life in the new Río Negro to what Pacux offers.

Paula*, standing knee-deep in the reservoir scrubbing clothes says:

Life here is difficult, but it's better than in Pacux. There we had to buy everything. There was no firewood to gather, no straw for petate and no money.

A community elder says he left Pacux because life is too contained there:

In Pacux you can't keep your chickens, your mule or your pigs because the houses are too close together and there's nowhere for them to run. There is a market in Rabinal, but what good is a market if you have nothing to sell and no money to spend? At least in Río Negro we have some corn fields, we can gather straw and we have space. Río Negro is not like it was, but at least we are close to where our ancestors lived and died.

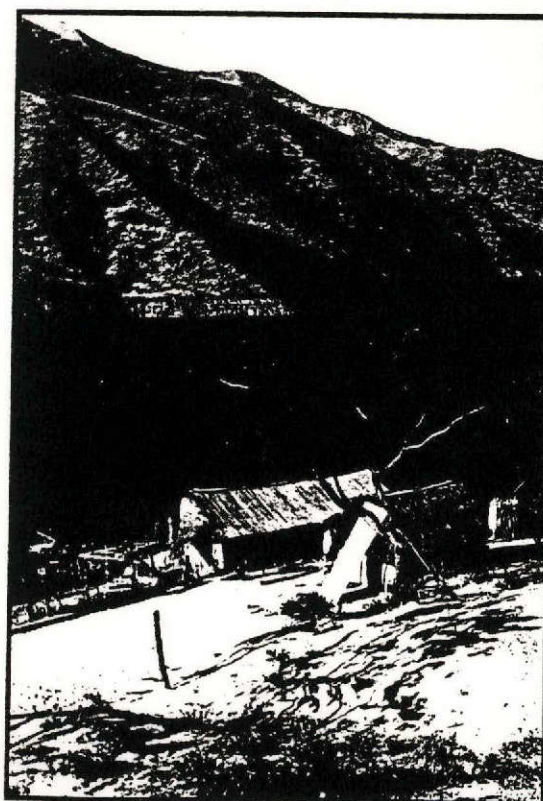
The new Río Negro, like the Monument to Truth in Rabinal, is a living testimony to the Achi struggle. It symbolizes resistance to the coercive forces trying to bury the Achi heritage and culture. Life is difficult in the new Río Negro, but it also symbolizes hope and a refusal to surrender.

A Demand for Justice

From a resettlement perspective, the Chixoy Project clearly failed. A local priest comments, "The process of dealing with the affected population was tragic." People in Pacux want others to know their story: "We want to tell the world of the injustices INDE has subjected us to, and make known that INDE's claims of fulfilling its promises to us are false." Because Pacux residents have dealt directly with INDE, they place more blame on a local level. But one resident says if he could talk to the World Bank, he would "ask that they find a solution, an immediate solution, because it happened over ten years ago, and all that was promised hasn't been fulfilled. While they are making fortunes from the dam, we from Río Negro continue to suffer."

BREAKDOWNS, EROSION AND DEBT: THE TECHNICAL, ENVIRONMENTAL, AND ECONOMIC LEGACY

Despite the enormous technical difficulties, cost overruns, natural disasters and delays in the construction of the Chixoy project, there was still optimism that once it began to operate Guatemala's energy worries would be over. The project planners hoped for a reliable, abundant and cheap source of electricity to meet the growing need of Guatemala's economy.



Mary Beth Kaufman

Homes in the new Río Negro

Cracks in the Dam

With great fanfare and high hopes, the Chixoy began official operation in June 1983, albeit producing less power than was originally intended. But after only five months of operation, the plant shut down as engineers feared the collapse of the tunnel.¹³ Two years and \$57 to \$287 million later, the dam reopened.¹⁴ Not only were the repairs costly, but during those two years of repair, Guatemala spent over \$400 million in petroleum imports to compensate for the power the Chixoy should have been producing.¹⁵

In the following decade, problems continued to plague the project. Although the Chixoy Project was supposed to produce 300 MW of electric power, it has never operated above 70 percent capacity.¹⁶ Although reliance on petroleum imports has decreased, Guatemala continues to spend \$150 million annually to fuel additional electricity generation.¹⁷

The Chixoy Project requires constant and costly maintenance, a minimum of \$8 million annually. Turbines are frequently shut down for repair which further limits the project's energy producing capacity. Major infrastructure additions are not uncommon.¹⁸ For example, in September 1995 the dam was saved from possible collapse by the construction of an additional tunnel and drainage system which cost \$15 million more.¹⁹

When operating, the Chixoy supplies between 50 and 70 percent of Guatemala's current energy needs, but it has not been reliable or cheap. Former INDE president Roberto Balsells says, "The engineering companies overlooked warnings. They knew it was a lousy site."²⁰ Project consultants and supervisors admitted inadequate understanding of the geological constraints the project faced, but as previously mentioned likened the process of studying and choosing the site to the lottery; sometimes you win, sometimes you lose. However, those who made the bet are not those who are paying for this costly mistake.

And the consumer? In 1984, Guatemala faced the highest energy prices in the hemisphere due to reliance on thermal energy and oil.²¹ In the following decade, electricity rate increases were announced almost every year, with a 40 percent increase in 1995 to generate income to "invest in new projects and diminish commitments to financial institutions."²²

Analysts attribute these increases to the need to raise revenue to compensate for the huge cost overruns of the Chixoy Project. They also say the increases are due to the desire to force consumers to pay the "real" price of energy. But despite the enormous sums of money invested in the Chixoy, the majority of Guatemalans still

have no access to electricity. A major objective of the Chixoy was the extension of electricity to those without, but today only 30 percent of the population have electricity.

The nail in the coffin is the productive life of the dam: the World Bank initially estimated that the Chixoy's useful reservoir life would be 200 years.²⁴ However, despite the Bank's supposed expertise in large dams, more recent estimates state that due to increased erosion and silting which reduces the reservoir's usable water volume, the Chixoy could cease to operate in as few as twenty years.²⁵

"Throwing Away the Richness of the Region"

Historically, the main environmental impacts of hydroelectric projects have been loss of agricultural land, pollution of river water, change in river flora and

fauna, and reduction in biodiversity.²⁶ If an area is fragile, like the Chixoy Basin, problems of environmental degradation are exacerbated. Although the Chixoy river valley was rich and fertile before the dam, the surrounding canyon had been deforested long before. This arid region presented considerable environmental constraints for the planners of the Chixoy, but environmental issues were barely taken into consideration.

An environmental expert familiar with the project comments, "This project was not designed to limit environmental impacts." She believes the inadequate environmental assessment conducted prior to construction was equivalent to "throwing away the richness of the region."²⁷ Because virtually no environmental studies were done, it is almost impossible to evaluate what the impact has been. By its own account, INDE acknowledges that it has insufficient data to evaluate environmental impacts.²⁸

Independent studies on the region point to increasing erosion in the area. One analyst estimates that arable land in the region will disappear in 100 years.²⁹ Periodically, INDE and the government have attempted reforestation and soil conservation projects, but the barren and eroding brown hills which surround the Chixoy reservoir bear testimony to the failure of these projects.

Although the World Bank estimated the Chixoy would have a useful life of 200 years, recent estimates state the project will cease to produce electricity in as few as twenty years.



Río Negro boy holds an armadillo the family dog killed for supper. One of the reasons families have returned to Río Negro is the availability of game.

Due to the area's fragility, a thorough environmental impact assessment would have been key to the project's success. A local agricultural engineer says development projects of this magnitude should invest 10 percent of the total project cost in environmental conservation,³⁰ but in the case of the Chixoy no funding of this type ever came through. In 1991, a mere \$1.5 million was allocated for an environmental protection plan, but that investment was unable to conserve the fragile region.³¹

Clearly, the World Bank and INDE erred by not conducting extensive environmental and hydrological studies for the Chixoy project. If the responsible institutions had done a careful, objective analysis, the Chixoy project likely would never have been approved. But even as is, the Bank's and INDE's failure to implement a conservation plan threatens to shut down the dam decades early. The arid, deforested region, inadequate rainfall, and severe erosion have drastically reduced the dam's productive life.

A Development Dream Turns Into a Repayment Nightmare

In addition to the social, technical and environmental problems spawned by the Chixoy, former INDE president Roberto Balsells in 1987 described it as "a financial disaster ... which never should have been built."³² Eight years after Balsells expressed his disgust with the project, criticism has only increased. A Public Finance Ministry official recently commented, "From a financial perspective, this project can only be described as a

white elephant in which everyone was complacent: INDE, government officials and foreign lenders."³³

It is difficult to quantify the financial disaster of the Chixoy project because of conflicting cost estimates and the devaluation of the local currency. Until 1986, the dollar and the quetzal were equal in value, \$1=Q1. Loans were contracted and paid in dollars. However, due to international pressure to regulate local currency, in 1986 the Guatemalan government devalued the quetzal. Virtually overnight, the exchange rate went from

\$1=Q1 to \$1=Q2.5. Because INDE — part of the Guatemalan government but independently responsible for debt it incurs — receives its income almost exclusively in quetzales, this effectively more than doubled its debt.³⁴ Since then, the quetzal has devalued further to \$1=Q6, making debt repayments even more difficult. Currently, the final cost of the Chixoy Hydroelectric Project is estimated at approximately \$1.2 billion, 521 percent higher than the 1974 Lami feasibility study predicted.³⁵ Some analysts claim it is as high as \$2.5 billion.³⁶ The inflated price tag can be attributed to several significant factors: construction delays of three years, severe technical problems, devaluation of the quetzal, and corruption. Further, the savings in petroleum imports were much less significant than anticipated due to a drop in petroleum prices from their crisis levels of the 1970s.

In 1991, the World Bank admitted this financial failure. "With hindsight, [the Chixoy Project] has proved to be an unwise and uneconomic [sic] investment ... It is no longer possible to conclude that the project was economically justified."³⁷ INDE takes this analysis one step further, saying the results of the Chixoy project are crucial because they have determined that "hydroelectric power is not financially viable."³⁸ Little dissension exists regarding the financial appraisal of this project. What is controversial is the discussion of who is responsible and who will pay for these costly mistakes.

Perhaps due to its intimate involvement in the project, the World Bank follows its negative appraisal by say-

ing, "There is little to be gained by further investigating whom [sic] is to blame and how much."³⁹ Nevertheless, the report minutely describes all of INDE's inadequacies and the incompetence of the foreign contractors and consultants. INDE fired back, filing legal suits against several of the foreign contractors and ultimately laying blame squarely at the World Bank's door. In 1992, INDE explained, "The Bank kept quiet on estimated costs and approved the project and continued to consider it feasible at all times, up to the end ... If all of these teams of experts could not protect the Borrower, then our conclusion should be that the entire structure is inadequate."⁴⁰

INDE President Balsells claims, "We were taken advantage of by the lending institutions, the engineering companies, everyone."⁴¹ Regardless of who took advantage of whom, it is the Guatemalan people who are being made to pay for this failure. INDE contracted a total of almost \$404 million in foreign debt for this project.⁴² Local sources financed the remaining portion. Of INDE's foreign debt, approximately \$78 million is still owed, which means for the last decade hundreds of millions of dollars which could have been invested in improving and extending electricity service have instead flowed North. As of 1991, INDE's debt accounted for 45 percent of Guatemala's foreign debt.⁴³

INDE paid the World Bank over \$5 million in October, 1995.⁴⁴ The foreign debt continues to drown INDE, with an estimated 51 percent of its revenue going to foreign banks.⁴⁵ INDE's current general manager says, "The Board of Directors should decide if it is going to continue to pay the debt or if it is going to fortify the institution, in terms of the electrical infrastructure the country needs."⁴⁶ Balsells' evaluation of the debt is more extreme, saying, "Paying for the Chixoy will mean go-

ing without medicines and food. We were poor before. Now we are miserable."⁴⁷ Certainly, INDE's past and current debt payments for a project that was not "economically justified" have prevented the institution from extending electricity service in rural Guatemala.

Lining the Pockets of the Rich

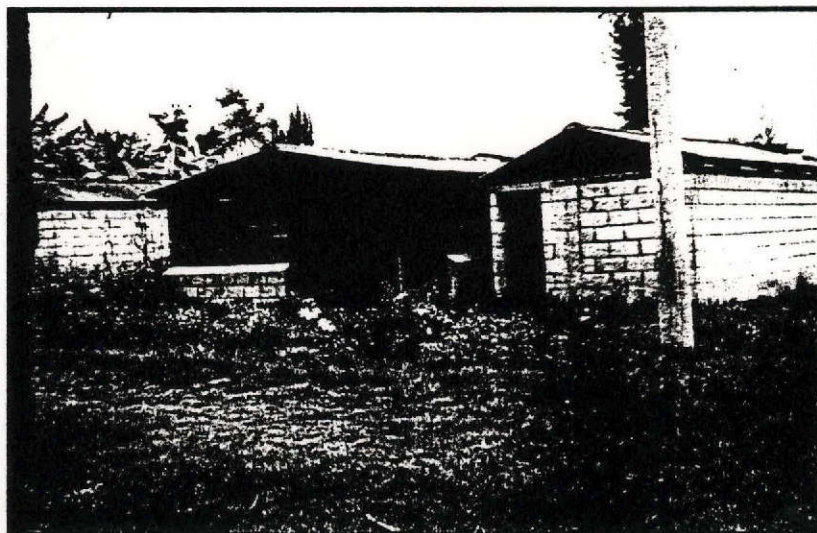
The wheeling and dealing behind the Chixoy Project took place during the regime of General Romeo Lucas García, known to be one of the bloodiest and most corrupt dictators in Central American history. Various sources estimate that between \$350 and \$500 million dollars were lost to corruption during the implementation of the Chixoy project.⁴⁸ Rafael Bolaños, dean of the School of Civil Engineering at Guatemala's San Carlos University, says, "the dam was the biggest gold mine the crooked generals ever had."⁴⁹ The Chixoy has come to be synonymous with illicit enrichment of public officials. It also represents the frequent link between international financial institutions, foreign firms and corrupt, undemocratic governments.

CONCLUSION

The Chixoy Project has further impoverished a country and people already struggling to survive. The destitution of Pacux, continued high electricity rates for the Guatemalan consumer, frequent nationwide blackouts and electricity rationing, and INDE's debt all bear witness to the failure of the Chixoy Hydroelectric Project.

The World Bank itself admits that the Chixoy was an "unwise investment." However, it denies responsibility for the failure of the project despite decades of intimate involvement with the Guatemalan electricity sector and its role as a key funder. Tragically, the World Bank's record with the Chixoy Project is not an isolated incident, as demonstrated in the next chapter.

Matthew Pacenza



One of the many houses abandoned in Pacux.

Chapter 4

World Bank Large Dam Lending: A Failure to Reform

The World Bank, whose self-described mission is to "alleviate poverty," was intimately involved in the planning and funding of the Chixoy Project. Clearly the Chixoy has not reduced poverty. In fact, it has worsened the living standards of the displaced villagers and failed to increase electricity access to the majority of Guatemalans. The Bank itself admits that the Chixoy was not "economically justified."

The Bank would likely claim that the Chixoy Project is an isolated failure and that it has instituted reforms to prevent such dismal results in the future. Are these claims valid?

WORLD BANK LARGE DAM LENDING: AN ASSESSMENT

The World Bank is the most important public funding source for large dam lending. In 50 years, it has given 527 loans totalling \$58 billion, helping to build at least 604 dams in 93 countries.¹ How have the resettled populations fared? How have the dams performed technically? What have been the environmental impacts? Were the projects cost-effective? Were alternatives considered?

Resettlement: Alleviating Poverty?

"Past Bank-assisted projects....failed to restore, let alone improve, the social and economic well-being of the displaced population." --Bank staff Michael Cernea in 1991.²

World Bank-funded dams have displaced at least 10 million people worldwide.³ This massive population shift has increased recently. While Bank projects resettled 750,000 from 1979-85, 2.5 million people were moved between 1986-93.⁴ All authorities, from the Bank to its NGO critics, agree that poorly implemented resettlement plans can destroy peoples' lives.

Recognizing the frequent problems of displacing populations, the Bank in 1980 established a policy on resettlement which it further modified in 1986, 1988, and 1990. Its basic tenets are:

1. Involuntary displacement should be avoided whenever possible.

2. Resettlement should improve or restore previous living standards.
3. Displaced populations should be compensated for losses.
4. People should be moved in large groups whenever possible.⁵

In practice, the Bank has consistently ignored its own policy and regularly approved loans that have led to the impoverishment of resettled populations. Three different Bank internal resettlement reviews have found that Bank loans rarely if ever meet their stated goals. In the most recent of these, a 1994 review found that for Latin America and the Caribbean, "few of the resettled people...can be said to have improved their living standards as a result of the resettlement process." Even more disturbing, the 1994 review found that more than half of all projects had no resettlement plans at all when the Bank approved the loans.⁶

The Kedung Ombo, an Indonesian dam built with \$165 million from the Bank, displaced 5,390 people in 1989. An internal bank study found that 72 percent of the population is worse off now than before the project.⁷ Another key example is the Sardar Sarovar Project in India (see next page).

If the Bank's mission is truly to "alleviate poverty," its resettlement record posts a consistent failure. Despite a sound resettlement policy on the books, Bank staff continue to approve loans and projects which violate this policy. As an Environmental Defense Fund activist writes: "Bank management and the Executive Directors have been fully appraised of the same problems for over a decade, and each time management has said 'yes there are problems, but that is the past and we are taking measures to improve things,' yet the situation has gone from bad to worse."⁸

Technical Problems: Catastrophes Waiting to Happen?

Bank-funded dams have faced significant technical problems. First, sedimentation shortens the estimated lifespan of most dams. The International Rivers Network notes that "reservoir sedimentation is the Achilles heel of all dams." Soil flows from hillsides and rivers into the reservoir and builds up behind the dam. This

The Sardar Sarovar: the World Bank and Human Rights

The Sardar Sarovar Project (SSP) is a massive dam project on the Narmada river in western India designed to provide hydroelectric power, irrigation water, and drinking water.

In 1985 The Bank approved a \$450 million loan to India for the SSP, of which \$280 million was disbursed.¹ Indian NGOs, led by the Save the Narmada Movement (NBA), have struggled against the project, believing that its environmental and social costs outweighed the potential benefits. Representatives of the more than 100,000 people to be affected by the project have joined them.

Indian authorities have reacted ruthlessly against activists fighting the project. Human rights violations include arbitrary arrests, torture, and beatings.² In November 1993, police shot and killed a boy when a confrontation developed between villagers that were to be resettled and government officials.

When several hundred villagers went to the district government seat to protest the shooting, they were beaten brutally by police. At least 125 went to the hospital. A local doctor said "there were numerous broken bones and fractured skulls that day."³

These villagers first learned of SSP when they were served with eviction notices, a clear violation of Bank policy. One angry villager calls the resettled land offered by the government "a joke," saying it is arid, rocky, and offers neither trees nor grazing land.⁴

The World Bank withdrew from the SSP in March 1993 after years of citizen pressure and activism, both in India and abroad, an important victory for the anti-dam movement.⁵ Construction on the dam has been stalled because of financial difficulties, legal action, and the affected people's refusal to move from their homes.

reduces the benefits supplied by the dam, whether power generation, irrigation, or drinking water supply.⁹ The Bank routinely assumes 100 year life spans for all dams, failing to take into account the inevitable process of sedimentation. Thus the reality is that many Bank-funded dams are facing early retirement, like the Chixoy.¹⁰

The single greatest danger large dams pose is collapse due to natural disaster. Both earthquakes and large floods can cause the release of billions of gallons of water and the consequent massive loss of life. After nearly 20 years, a story was recently leaked of such a catastrophe in China. In 1975, two large dams collapsed in Central China during a flood, killing as many as 230,000 people. Human Rights Watch Asia estimates that 85,000 were drowned instantly by the killer wall of water, while another 145,000 Chinese died due to epidemics and famine in the ensuing weeks.¹¹

This is not an isolated incident: since the mid-19th century, several hundred dams have failed worldwide.¹² Could the same catastrophes happen to World Bank dams built recently? Evidence suggests that they could. A 1994 World Bank study in India found that of 25 dams examined, none could withstand the possible levels of water from a serious flood. Of the two largest dams studied, a Bank official noted that "the consequence of a dam failure during a major flood would have to be described with some adjective beyond disastrous."¹³

Environmentally Friendly Power?

World Bank officials often tout large dam projects as "environmentally friendly" alternatives, particularly when they produce electricity. They claim that hydroelectric power is much cleaner than burning coal or oil. While this can be true, it ignores the reality that large dam projects have many negative impacts on the environment.

Dams often flood huge forested areas, destroying natural habitats and releasing methane and carbon dioxide into the atmosphere. The World Bank-funded Akosombo Project in Ghana, flooded 8,500 square kilometers, 4 percent of the country's total land mass.¹⁴

Large dams also eliminate free-flowing rivers, destroying natural fisheries and river floodplain habitat. In addition, roads built for project construction often create avenues for exploitation of previously inaccessible wild areas. Dams can also lead to epidemics, as rotting vegetation and stagnant water provide a breeding ground for disease-bearing flies and mosquitos. In the case of a Bank dam in Ghana, the incidence of one waterborne disease, safari fever, rose from less than 2 percent to 75 percent among local adults.¹⁵

The Bank acknowledges that its dam projects have caused environmental destruction; "the World Bank has been part of the problem in the past" noted President Barber Conable in 1987. However, even though the Bank has created numerous policies to encourage environmental assessments of projects, its lending record has not significantly changed.¹⁶ Environmental assessments have been little more than a rubber-stamp procedure, as

the Bank has failed to seriously include environmental criteria in large dam project appraisals.¹⁷

Cost, Corruption, Debt:

Are Dams Worth It?

The most direct method of measuring a dam's success is through a simple cost/benefit analysis. Is the water, irrigation, or electricity produced worth the pricetag?

Large dams have cost much more than their original estimates in most Bank projects. One 1994 study found that cost overruns averaged 30 percent on 70 hydropower dams funded by the Bank since the 1960s.¹⁸ Given the Bank's "approval culture," loan appraisals often optimistically estimate total expenses in order to win project acceptance.

Project costs often rise dramatically when Bank officials turn their backs on blatant corruption in borrowing countries, as happened in Guatemala. An International Rivers Network document notes that "some of the tens of billions of dollars for large dams owed to the World Bank by developing countries, was borrowed by corrupt and often dictatorial governments which found dams a convenient vehicle for moving large sums of money – in their direction."¹⁹ As noted in Chapter 1, Bank loans to these corrupt and dictatorial governments most often support leaders favorable to the U.S. economic and military interests.

Reservoir sedimentation, technical failures, and decreased rainfall often significantly limit a dam's production. Among the many examples of poor performance is the Bhumibol dam in Thailand which produced only 66 percent of its planned electricity output in the 1980s.²⁰

Regardless of the costs or benefits of a World Bank-funded dam, borrower nations are always required to repay their loans. *The World Bank has never reduced or forgiven a debt, even in cases where their projects have been complete failures.*

These payments cripple the economies of the poorer nations which receive Bank funding. Bangladeshi Muhammad Yunus writes, "countries are made to pay these debts through their noses, surrendering the bulk of their export earnings, leasing out valuable resources at throw-away prices to make extra income, sacrificing social and environmental considerations to earn enough to pay their huge debts. Causing misery to people and to nations cannot be banking."²¹

No Alternatives?

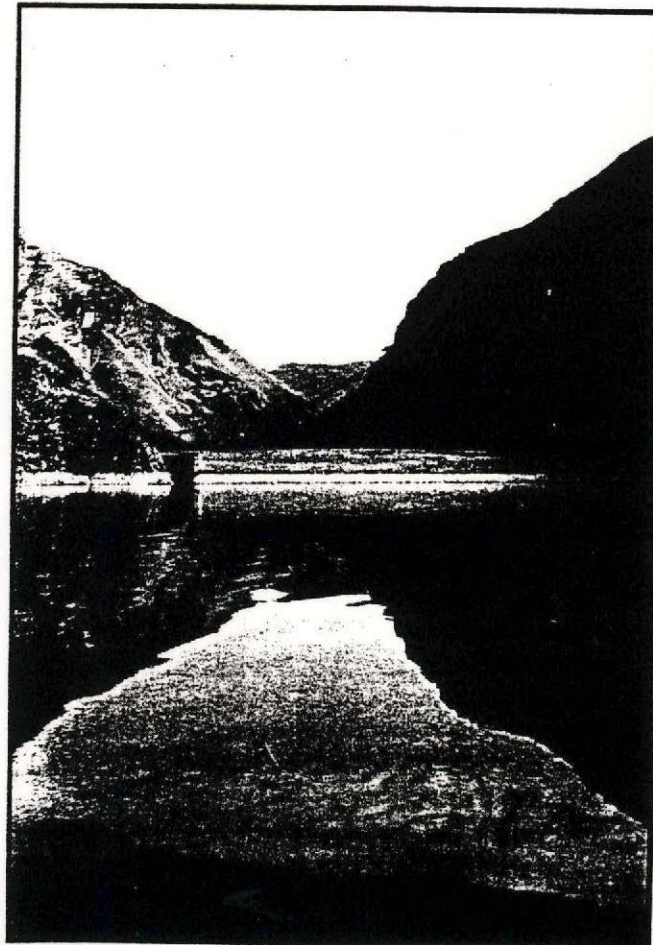
Despite the massive and systematic problems associated with large dams, the Bank continues to fund these

projects, stating that they are the only option to meet growing water, agriculture, and energy needs. Is this true?

UNICEF estimates that 80 percent of the more than 1 billion people worldwide that lack clean drinking water and adequate sewage systems could be provided with these services using low-cost, low-tech methods at one third the cost of traditional technologies. Yet, in the 1980s only 0.4 percent of Bank loans went to small-scale irrigation, 0.6 percent for watershed management, and 2.3 percent for water conservation.²²

The potential for reducing worldwide energy demand through energy efficiency and conservation is enormous. Before the World Bank approved the Pak Mun Dam in Thailand, a government study revealed that for the equivalent cost of building the dam, 15 times as much power could be made available to meet increased demand through readily available conservation technologies.²³ Despite numerous similar studies, between 1980 and 1990 less than 1 percent of the Bank's energy loans were directed to efficiency and conservation.²⁴

Examining the results of large dams illustrates the consistently poor track records of World-bank funded dams.



Matthew Pacenza

Chixoy Dam and Reservoir

If the Bank is truly interested in development, it must consider alternatives to environmentally, economically, and socially destructive large dam projects.

WORLD BANK REFORMS AND CURRENT POLICY

In the last decade, as worldwide citizen criticism of the World Bank has grown, the institution has publicly ac-

In 1994, China became the World Bank's biggest recipient of large dam funding, despite the fact that Chinese authorities had recently disappeared 179 anti-dam activists

knowledgeed some errors, and instituted reforms. Have these reforms made a difference in its large dam lending?

The Bank revised its resettlement policy in 1986, 1988, and 1990, further tightening its guidelines on displaced populations. "Implications of resettlement must be pondered from the earliest stages of

project preparation," reads one recent addition.²⁵ Its 1991 operational directive on indigenous peoples adds, "the Bank will not appraise projects until suitable plans are developed by the borrower and reviewed by the Bank."²⁶ Another document, "Tribal Peoples and Economic Development," states that the Bank will not carry out projects affecting tribal peoples "unless the tribal society is in agreement with the project."²⁷

If instituted, these policies requiring indigenous peoples' approval would represent a significant step forward for the Bank. Instead, the Bank is actually taking a step backward. Current projects may displace even more people than before the Bank made these recommendations. At least another 600,000 will be uprooted by projects awaiting approval through 1997.²⁸ Resettled populations continue to criticize the Bank and borrower nations for ignoring their needs when identifying and designing projects.

In April, 1994 the Bank loaned \$460 million to China to build the Xiaolngdi Dam, a \$3.5 billion project that will displace 200,000 people and function for only 20 years.²⁹ The Bank approved this loan the same year it was revealed that Chinese authorities disappeared at least 179 activists who were opposing another project, the massive Three Gorges Dam, and that the government was recommending a special secret police force to provide a "swifter and heavier punishment policy against any conspiracies aimed at disturbing the construction."³⁰ De-

spite its heavy-handed attitude towards resettled populations, China recently replaced India as the Bank's single biggest recipient of funds for large dams, and the Bank unashamedly trumpets resettlement in China as an example for other countries: "resettlement in China is now generally considered to work well."³¹

International Rivers Network activist Owen Lammers asserts "alternatives to large-scale uneconomic infrastructure investments are part of the Bank's vocabulary but not its lending practices. The Bank has rarely met a socially and environmentally destructive project it didn't want to fund."³²

CONCLUSION: RECOMMENDATIONS FOR CHANGE

The people of Río Negro have seen their lives devastated by the World Bank-funded Chixoy Hydroelectric Project. Their loved ones were massacred, their homes and crops burned, and the new village provided for them has thrust them into extreme poverty. The Chixoy also has failed to improve the lives of Guatemala's poor majority. Electricity service remains costly and inaccessible, and massive debt payments have restricted the nation's ability to address widespread development needs.

While the Chixoy may represent one of the worst cases of how the World Bank "develops," Bank lending worldwide has wreaked devastation on the lives and environments of the people it supposedly helps.

Despite its damning record, there are many critics who believe that the Bank can be transformed into a positive institution. To quote Grameen founder Muhammad Yunus, "we need the Bank on the side of the poor. From the example of the Grameen [an extraordinarily successful grassroots development bank in Bangladesh] we see that banking can be pro-poor and humane. With all urgency and seriousness, we need to bring the full force of the World Bank behind this effort."³³

Large Dam Lending

Citizens around the world are demanding that the Bank reconsider its funding for large dam projects. The Manibeli Declaration, a statement endorsed by more than 2,100 organizations in 44 countries, calls for:

1. A comprehensive independent review of all Bank-funded dam projects, and the implementation of mechanisms to ensure compliance with recommendations.
2. A World Bank fund to provide compensation for people forcibly evicted from their homes and lands.

3. Public release of all information on past and current large dam projects.
4. The cancellation of debt for projects in which the economic, environment, and social costs are found to outweigh the realized benefits.
5. World Bank regulations that require large dam projects be only a last resort after cheaper and less destructive alternatives for drinking water, irrigation, flood control, and power supply are thoroughly considered.³⁴

Debt

The World Bank also must be challenged to change its stance on Third World debt. Numerous nations share Guatemala's fate: paying millions of dollars for failed World Bank projects like the Chixoy. Worldwide, poor nations' debt has grown from \$58 billion in 1970 to \$1.7 trillion today. Seventeen percent of this, \$278 billion, is owed to the Bank and its sister institution, the IMF. The Bank and IMF have an important role in the entire debt crisis because their debt policies are followed closely by other multilateral development institutions, commercial banks, and even foreign governments.

The debt crisis has profoundly negative consequences for poor nations struggling to meet their payments. As the 50 Years is Enough Campaign (see sidebar) illustrates, "the pressure of debt...has put many countries on an accelerating treadmill, forcing them to sell their assets, mine their natural resources and cut spending with little prospect of relief or success in sight."³⁵

The Bank is intimately involved in the identification, design, and funding of its projects. As Muhammad Yunus notes, "They give you all the ideas, the expertise, and everything else...The World Bank is eager to assume all the responsibilities. They don't want to leave any responsibility for the borrower, except the responsibility for the failure of the project."³⁶

It is time for the Bank to assume responsibility for its failures, and to draw upon its reserve funds (\$17 billion in 1994) to ease the debt burden on the world's poor. The 50 Years is Enough Campaign calls for the World Bank to:

1. Write off debt for all failed projects.
2. Cancel 100 percent of Bank debt to the world's severely indebted extremely poor nations (those with an average per capita income below \$675.)
3. Cancel 50 percent of Bank debt to the world's severely indebted poor nations (per capita income between \$675 and \$2695.)³⁷

Overall Recommendations

"The World Bank is an institution out of time and place...the World Bank must literally remake itself, open its files, end its secret ways and learn from its mistakes...It needs to trade in the policies developed by old cold warriors and grasp the essential meaning of its favorite new phrase: sustainable development." --Environmental activist Bruce Rich.³⁸

Guatemala is a nation of people mired in poverty, particularly its indigenous Mayans, 60 percent of the population. Only half of Guatemalans have access to health services, and just 60 percent have access to safe drinking water. At least 50 percent of the population cannot read or write: the average Guatemalan spends scarcely four years in school. The people of Guatemala also lack economic opportunities. Only 34 percent of adult popu-

50 Years is Enough: A Platform for Change

To mark the 50th anniversary of the World Bank and IMF, a diverse group of U.S. and international organizations came together to form the *50 Years is Enough Campaign*. This slogan was chosen to express the belief held by growing numbers of people around the globe that the development that the World Bank and the IMF have been promoting must not continue.

If the Bank and the IMF are to play a positive role in support of equitable and sustainable development, the following is required:

1. Openness and full public accountability of the Bretton Woods Institutions and the systematic integration of affected women and men in the formulation, implementation, monitoring, and evaluation of World Bank and IMF projects and policies
2. A major reorientation of World Bank- and IMF-financed economic policy reforms to promote more equitable development based upon the perspectives, analysis, and development priorities of women and men affected by these policies
3. An end to environmentally destructive lending and support for more self-reliant, resource-conserving development
4. The scaling back of the financing, operations, role and power of the World Bank and the IMF and the rechanneling of financial resources thereby made available into a variety of development assistance alternatives
5. A reduction in multilateral debt to free up additional capital for sustainable development



Pacux

lation have a regular paying job, and 85 percent live below the poverty line.³⁹

Clearly the people of Guatemala have many needs, including affordable, quality education, comprehensive national health services, and job-producing industries. The World Bank has the resources to address these needs. But first it must take seriously the plans, hopes, and dreams of those who most require development assistance. Successful grassroots development is not possible if it is designed by distant First World technocrats or if it follows destructive U.S. foreign policy objectives.

In order for international development to be successful, it must be defined and driven by the needs and plans of poor people. The World Bank must create a new structure based on citizen participation, accountability, and transparency.

Naboth's Vineyard: A Biblical Reflection

"His wife Jezebel asked King Ahab, 'Why are you so depressed?' He answered, 'Because I offered to buy Naboth's vineyard or, if he preferred, to give him another one for it, but he told me that I couldn't have it!'"

"Well, are you the king or aren't you?"

-- I Kings 21:1-19

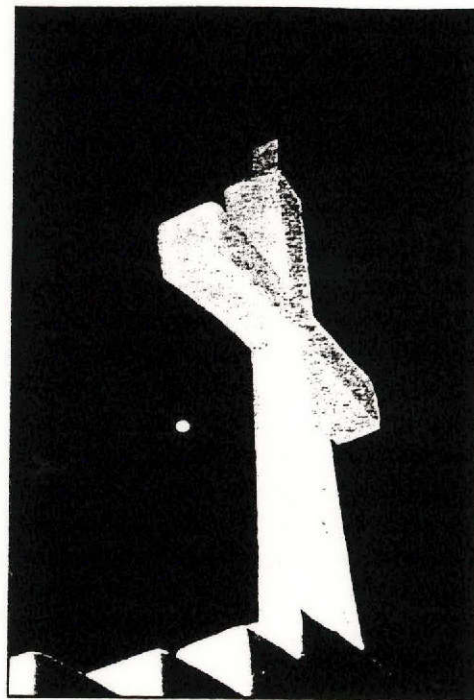
Scripture is filled with stories of unjust confiscation of land and property that belong to the people -- especially the poor with little political power. Yahweh through the prophets is clear on this matter: "Woe to those who add house to house and field to field until everywhere belongs to them and they are the sole inhabitants of the land." (Isaiah 5:8) This admonition is grounded in the understanding that land is a God-given resource for all meant to satisfy the needs of God's people. Its despoliation is a breaking of the covenant relationship between God and the people of God -- a covenant that will plant God's people "in their own country never to be rooted up again out of the land I have given them." (Amos 9:15)

King Ahab wanted Naboth's vineyard for his own, but Naboth refused, being clear about his covenant with that land: "I inherited this vineyard from my ancestors. The Lord forbid that I should let you have it!"

The communities in the Rio Chixoy valley of Guatemala lived with their own understanding of a covenant among their people, the land, and the sacred. They dared to believe that they had a right to remain where they were, on the land of their ancestors. The government's offers of money and relocation were suspect and meant the destruction of the community -- a breach of the covenant. But the "king" had eyes on that land and wanted it for the benefit of a few elite and wealthy.

"Are you the king or aren't you?" challenged Ahab's wife. "Get out of bed, cheer up and eat. I will get you Naboth's vineyard." Naboth was betrayed and stoned to death. His land was taken at the price of his blood. God expected fidelity to the covenant, but found treachery; demanded justice, but found greed and violence. "Jezebel said, 'Naboth is dead. Now go and take possession of the vineyard which he refused to sell you.' At once Ahab went to the vineyard to take possession of it."

The people of the Río Chixoy communities resisted the overtures of the government; hundreds died, their land



Matthew Pacenza

The Rio Negro monument at night

was taken, survivors dispersed, and the dam was built. A few in high places reaped the rewards of profit and corruption. In the Scripture story, God hears Naboth's cry of suffering and sends a messenger to the king to speak God's word of condemnation for the treachery, greed, and violence. "You have sold yourself to do what is wrong....," God's prophet shamed Ahab.

The voices that cry out from the earth of Guatemala -- from the cemeteries of those slaughtered to make way for economic "development" -- are voices that God hears and to which God challenges people of faith to respond. Human beings create injustice; human beings are the vehicle through which God does justice. The people of God must restore the covenant so "the humble shall have the land for their own to enjoy untroubled peace." (Psalm 37) The untroubled peace for which this world longs is the lasting peace of justice, the return of the land to the people, the sharing of the fruits of the land among all, so that this earth we have been given will one day become an earth that images the reign of God.

--Margaret Swedish, Director, Religious Task Force on Central America

A People Dammed

Tools for Action

U.S. citizens need to mobilize and become involved in campaigns to transform the World Bank into an institution which fosters equitable and democratic development. Our voices in this struggle send a clear message that Bank policies which financed murder and destruction in Guatemala must change.

If we act now and act together, World Bank policymakers will heed our words and actions. To quote Margaret Mead "Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed it is the only thing that ever does."

Witness for Peace provides current information about campaigns targeting the World Bank. See page 36.

**** ACTION *** ACTION *** ACTION ****

Write:

James Wolfesohn, President
The World Bank
1818 "H" Street NW
Washington, DC 20433

In your own words, demand that the Bank:

**** halt all large dam lending until a thorough study details the record of Bank-funded dam lending, and recommendations are instituted which obligate the Bank to make significant changes.**

**** incorporate legitimate participation of affected men and women in the earliest stages of project planning.**

**** cancel the debts for all failed projects and cancel 100% of all debt to the world's most indebted nations.**

**** ACTION *** ACTION *** ACTION ****

Recommended Reading

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Witness for Peace

Since 1983, Witness for Peace has been working to change U.S. policies which contribute to poverty and oppression in Latin America and the Caribbean.

In the 1980s, the U.S. waged a military war against the people of Central America. Witness for Peace volunteers and short-term delegates accompanied their Central American counterparts in a struggle to end the wars that were killing and crippling tens of thousands. The U.S. military advisors of the 1980s have left the jungles of Guatemala and the mountains of Nicaragua and El Salvador. However, economic advisors from the US Agency for International Development (USAID), the World Bank and the IMF have taken their places --not in the mountains and jungles, but in government offices in Guatemala City, Managua, San Salvador and Port-au-Prince. Deals are made and the poor suffer. The human cost of this new "war against the poor" is even more devastating than the wars once fought with bombs and bullets.

With a grassroots network of 30,000, Witness for Peace works to change unjust U.S. policies. Currently, WFP:

**** maintains teams of Long Term Volunteers in Guatemala, Nicaragua, and Haiti.** These volunteers host WFP short term delegations and research and document the human cost of US-led economic and military policies.

**** sends two-week delegations of U.S. citizens to Latin America and the Caribbean to bear witness to the human cost of U.S. economic and military policies.** WFP short-term delegates return to the U.S. enlightened by their experiences and empowered to challenge unjust policies.

**** mounts nationwide grassroots education and action campaigns.** Initiatives include the "Policy Has a Human Face" Campaign that in one year alone sent 25,000 calls and written messages to the World Bank, IMF, Congressional Representatives, and other policymakers. Other major campaign initiatives in 1996 include the campaign to close the School of the Americas, efforts to force the CIA to declassify information about U.S. support of human rights abuses in Guatemala, and ongoing activities designed to transform the World Bank and IMF.

What You Can Do:

Get Involved:

- ☐ Send me an information packet about WFP programs and national grassroots campaigns
- ☐ Send me information about WFP activities in my region

Join a WFP Short Term Delegation

- ☐ Send me the most recent delegation schedule

Apply for the WFP Long Term Team

- ☐ Send me information and an application for the Long Term Team
(Spanish or Creole fluency required)

Make a Financial Contribution to the work of Witness for Peace

- ☐ \$100 ☐ \$50 ☐ \$35 ☐ other

(Donors of \$35 or more will receive the WFP Newsletter)

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Address _____

City/State/ZIP _____

Phone _____

Clip and return to:

WFP, 110 Maryland Ave. NE #304

Washington, DC 20002-5611

(202)544-0781 or (202)544-1187(fax)

E-mail: witness@igc.apc.org

Endnotes

Introduction:

¹ Yunus, Muhammad. "Preface: Redefining Development." 50 Years is Enough: The Case Against the World Bank and the International Monetary Fund. Ed. Kevin Danaher. Boston: South End Press, 1994.

Chapter 1: A World Bank and U.S. Policy Context

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A L L - I N - 1 N O T E

DATE: 10-Jun-1996 11:08am

TO: Caio Koch-Weser

(CAIO KOCH-WESER)

FROM: Atsuko Horiguchi, EXC

(ATSUKO HORIGUCHI)

EXT.: 84256

SUBJECT: RE: Guatemala Chixoy

Caio

Many thanks. Just FYI, when JDW read the region's original briefing on the matter (which included a suggestion that Maurice might be able to help with high-level follow-up) in Tokyo, he said something to the effect that Maurice's name shouldn't be stained by his involvement in this -- that his name needs to be perserved for other issues. You might wish to clarify that with JDW soon.

I trust you will raise the whole dam issue (if you will excuse the pun) at tomorrow morning's management meeting.

:) Atsuko

CC: SHAHID JAVED BURKI

(SHAHID JAVED BURKI @A1@WBHQB)

CC: GAUTAM KAJI

(GAUTAM KAJI @A1@WBHQB)

CC: Sven Sandstrom

(SVEN SANDSTROM)

A L L - I N - 1 N O T E

DATE: 10-Jun-1996 10:56am

TO: Atsuko Horiguchi (ATSUKO HORIGUCHI)

FROM: Caio Koch-Weser, EXC (CAIO KOCH-WESER)

EXT.: 35250

SUBJECT: Guatemala Chixoy

Atsuko,

Upon receipt of Javed's note at the end of May, I had asked the region that we conduct a very thorough review on resettlement and supervision, and that this include review outside the region, led by Maurice. We have talked to Maurice about this.

The region had promised the report on its own internal review within a week's time, and we should receive it early this week. I just talked to Javed to get the findings before we discuss with Jim tomorrow morning.

I had also asked the region to discuss with Mark how to respond to NGOs generally. Jim would respond to letters once we have reviewed the region's findings.

Caio

CC: SHAHID JAVED BURKI (SHAHID JAVED BURKI @A1@WBHQB)
CC: GAUTAM KAJI (GAUTAM KAJI @A1@WBHQB)
CC: Sven Sandstrom (SVEN SANDSTROM)

A L L - I N - 1 N O T E

DATE: 10-Jun-1996 09:57am

TO: SHAHID JAVED BURKI

(SHAHID JAVED BURKI @A1@WBHQB)

FROM: Atsuko Horiguchi, EXC

(ATSUKO HORIGUCHI)

EXT.: 84256

SUBJECT: GUATEMALA: Chixoy Hydrelectric Project: NGO Allegations

Javed

As you will recall, this issue was first brought to JDW's attention during our Tokyo trip on May 16. Having seen your May 29 memo to Caio (which I had passed on to JDW) it is very much on his radar screen. He is very concerned and urgently requests that this be brought to the attention of all MDs.

Would your office be kind enough to circulate your May 29 memo with attachments to the other 4 MDs (Gary is acting for Jessica) -- the copy you forwarded me which I passed onto JDW is all marked up.

Many thanks in advance

Atsuko

CC: Caio Koch-Weser	(CAIO KOCH-WESER)
CC: GAUTAM KAJI	(GAUTAM KAJI @A1@WBHQB)
CC: Sven Sandstrom	(SVEN SANDSTROM)
CC: Richard Frank	(RICHARD FRANK)
CC: GARY PERLIN (for JESSICA EINHORN)	(GARY PERLIN @A1@WBHQB)
CC: Rachel Lomax	(RACHEL LOMAX)
CC: Mark Malloch Brown	(MARK MALLOCH BROWN)
CC: Timothy Cullen	(TIMOTHY CULLEN)
CC: ANTHONY ODY	(ANTHONY ODY @A1@WBHQB)
CC: EMILIA ARRIOLA	(EMILIA ARRIOLA @A1@WBHQB)
CC: DONNA DOWSETT-COIROLO	(DONNA DOWSETT-COIROLO @A1@WBHQB)
CC: IAN BANNON	(IAN BANNON @A1@WBHQB)
CC: MARIO DEL CARRIL	(MARIO DEL CARRIL @A1@WBHQB)
CC: Josie Bassinette	(JOSIE BASSINETTE)
CC: Jane Holden	(JANE HOLDEN)
CC: Vorapaktra Yongpradit	(VORAPAKTRA YONGPRADIT)
CC: HILDE PIETERS	(HILDE PIETERS @A1@WBHQB)
CC: Marva Angus	(MARVA ANGUS)
CC: PAULINE J. CLEPHANE	(PAULINE J. CLEPHANE @A1@WBHQB)
CC: Lyda Tanco	(LYDA TANCO)

GUATEMALA

Ⓕ

OFFICE MEMORANDUM

DATE: June 10, 1996

TO: Mr. Caio Koch-Weser, EXC

FROM: Shahid Javed Burki, Vice President, LAC 

EXTENSION: 82332

SUBJECT: **GUATEMALA - Chixoy Hydroelectric Project**
Follow-up Note

1. Since my May 29 memo (copy attached), we have completed our review of the files on this project, dating from 1974 when it was first discussed with Government officials, through 1992 when the PPAR was processed. I also attach a copy of a summary chronology based on memos and notes in the files, prepared by our Infrastructure Division. This is supplemented by a second chronology prepared by Mr. William Partridge, who now heads our TD Environment Unit, and who in the early to mid-1980s was retained by the IDB and Bank to develop a new resettlement program for Chixoy after it had become clear that the original scheme was deficient. The main findings are that:

- As indicated in the PCR and PPAR, the project was a weak one on technical and economic grounds, and only very limited attention was paid to resettlement issues during design and implementation of the first loan. Supervision was very inadequate; a better job of resettlement planning was done in preparation for the second loan, and implementation of that resettlement program appears to have been fairly good. Supervision by the Bank was also much closer the second time around.
- The Bank did not know that Rio Negro, or any other community in the Chixoy catchment area, had been attacked in 1982-83 in order to clear the way for the reservoir. There was a great deal of violence in the area, and elsewhere in the country, which Bank staff understood was part of the military-insurgency conflict. Indeed, it is still difficult at this stage to know whether Rio Negro was attacked because it was thought to be a guerrilla stronghold, or because of local opposition to the project. There is one report in our files from a consultant anthropologist, about five years after whatever happened at Rio Negro, which claims that much of the violence was because of the project; the account is similar to that reported in the Witness for Peace document, presumably also based on claims by survivors and other local inhabitants.
- The only remaining doubt we have after reviewing the files concerns whether all specific requirements of the second resettlement program were met. The PCR and PPAR give the impression they were, but the final stage came at a time when Guatemala went into arrears and much of our field work wound down. To be

June 10, 1996

absolutely certain there are no remaining actions which we should be pressing with the Government (i.e., final land titles to beneficiaries), we are sending a small mission to check these facts.

2. Recommendation. I have already given Maurice Strong a general briefing on the matter. We can provide the chronologies to him and arrange a meeting with our staff, to determine whether any additional internal review work is necessary. We would then draft and clear with him the reply letter from Mr. Wolfensohn to Witness for Peace and International Rivers Network, and prepare a questions and answers statement for use by the senior management, if they are asked about Chixoy. This statement will be prepared with the help of External Relations. The main messages of the letter will be that: (a) as we have already indicated in our own post-project documents, this was not a sound project and resettlement planning was initially very weak, although some important corrective actions were taken in connection with the second loan; (b) the Bank understood that violence in the area was associated with the civil war and not the Chixoy project itself; and (c) the emphasis now should be on the future. The Bank has come a long way since the days when the first Chixoy loan was designed, and our current policies and directives would require much closer interaction and dialogue with affected communities, both before and during any such investment project. Similarly, the Government and guerrilla groups have come a long way, and are now very close to a final peace agreement, which affords the best hope for the future economic and social development of people in the Chixoy area and elsewhere in the Guatemalan highlands. Action on the part of the international community that interferes with this process of reconciliation will only hurt the indigenous populations of areas such as Chixoy.

cc: Messrs./Mmes. Lomax, Horiguchi, Kaji, Frank, Sandstrom, Perlin (EXC); Malloch Brown, Cullen (EXT); Ody (LACVP); Del Carril (LACEA); Partridge (LATEN); Dowsett-Coirolo, Staab, Bannon (LADCN); Cosenza (LASLG)

OFFICE MEMORANDUM

.. DATE: May 29, 1996

TO: Mr. Caio Koch-Weser, EXC

FROM: Shahid Javed Burki, Vice President, LAC 

EXTENSION: 82332

SUBJECT: GUATEMALA - Chixoy Hydroelectric Project
NGO Allegations

1. A recent report by Witness for Peace¹ contends that, between 1980-82, some 376 villagers in the Guatemalan highlands were massacred by the military and para-military death squads, and claims that this was done to make way for the Chixoy Hydroelectric Project, co-financed by the Bank and IDB (Bank: \$72 million in 1978 and \$45 million in 1985; IDB: \$105 million in 1975 and \$70 million in 1981). The accusation is that, if the Bank knew about the massacres, continued support for the project was an act of complicity. If we did not know, gross negligence is presumed. Another NGO (International Rivers Network) has joined the cause, citing this as one more example of a mishandled large dam project. Witness for Peace and International Rivers Network have sent Mr. Wolfensohn a letter, dated 9 May, 1996, copied to Enrique Iglesias, asking for an "independent and comprehensive" investigation (see attachment). Our External Relations people are beginning to receive inquiries from journalists, and the matter may be raised with senior Bank managers during dealings with the press.

2. Since hearing of the report last month, the Region has begun a review, based on our files and interviews with staff who worked for the Bank or IDB during the relevant period, to try to ascertain what was known at the time. We expect to complete this in the next week. What we have learned so far is that both of the IDB loans and the first of the two Bank loans were made with only very deficient resettlement arrangements, and there was clearly a lot of opposition by local communities. This project was designed and implemented long before environment and resettlement issues began to receive serious attention in the Bank. On-site supervision was quite limited, at least in part because of the widespread violence in the highlands at that time. The Bank did learn that one of the communities, Rio Negro, had been attacked and burned, but understood that this was part of the broader military-guerilla insurgency conflict, rather than because of the project per se. Bank staff explain that their main concern at that stage was with the

1. *A People Dammed: The World Bank-Funded Chixoy Hydroelectric Project and Its Devastating Impacts on the People and the Economy of Guatemala*. Witness for Peace, Washington, D.C., May 1996.

survivors in Rio Negro, and the other communities: indeed, our second loan was held back until a suitable resettlement program could be negotiated with the Guatemalan government, including the then-President. The PCR and OED reports are frank about the resettlement weaknesses in the original project design. They conclude that Chixoy was also a disaster from an economic and financial standpoint.

3. The question, now, is what course of action to take. The accusations are serious, and the letter from Witness for Peace and International Rivers Network requires a considered reply. At the same time, I would like to stress the importance of looking forward. The Guatemalan peace process has made excellent progress of late, and the Bank is very closely involved in providing technical support to the U.N. moderator, the Peace Commission and the U.R.N.G. (union of guerilla factions). A cease fire is in progress; agreements have been reached on indigenous, agrarian and socio-economic issues; and negotiations are starting on the role of the military, possible amnesty arrangements, etc. A final agreement is expected for September 15 (Guatemalan Independence Day). All parties are looking to the Bank's playing a major role in implementation of the agreement, with special attention to land and social development issues in the highlands. We are likely to establish an office in Guatemala City to help coordinate the donor-financed economic activities supportive of this peace process. I am scheduled to visit Guatemala in the week of June 10 to hold discussions with senior officials. All these developments underscore the need to be keenly aware that the way we handle our public response to the Rio Negro incident (and accusations concerning who may or may not have been responsible and why) could affect both the peace process itself and the Bank's role in it. We have notified the Minister of Finance, the Peace Commission and the Guatemalan Ambassador to Washington. They express similar hopes: namely that we can handle the matter with discretion, in view of the broader concerns right now about the peace process.

Recommendation

4. I recommend the following:

- (a) We will conclude our internal review of the Bank and IDB records, concerning how we handled resettlement and supervision of the project, and what information the Bank had about the Rio Negro incident. We will send that report to EXC in about a week. One possibility would be for EXC to consider planning to have it reviewed by someone external to the Region (e.g., Maurice Strong). Some guidance from the President's Office on this is required to provide the basis for a letter of response to the incoming attached.

- (b) Beyond what is in our files and staff recollections, the Bank has little to contribute to an investigation in Guatemala of the facts of what actually transpired in Rio Negro. However, a UN Human Rights Commission was created last year as part of the peace process, and a Truth Commission will be established later this year. This could provide an appropriate forum within the country and **within the framework of the final peace agreement** to examine whether the alleged atrocities did occur, what were the circumstances and whether any further action is required.
- (c) If senior managers are asked questions by the press, we suggest telling them the Bank takes the accusations seriously and is undertaking an internal review of our records on the matter. We know that the project was a very weak one from an economic perspective, and our own post-project reports have acknowledged that. We have also acknowledged the severe weakness in the original resettlement planning. The second effort in the mid-1980s was much better (and, of course, the Bank has come a long way in this area more generally over the last 10-15 years).

cc w/ attachment: Mmes/Messrs. Lomax, Horiguchi (EXC), Malloch Brown, Cullen (EXT).

cc w/out attachment: Mmes/Messrs. Dowsett-Coirolo, Bannon (LAD), Del Carril (LACEA)

OFFICE MEMORANDUM

DATE: May 30, 1996

TO: Martin Staab, Sector Leader - Infrastructure, LADCN

FROM: Luis Cosenza, Principal Power Engineer, LASLG 

EXTENSION: 82806

SUBJECT: **GUATEMALA - Chixoy Hydroelectric Project**
Chronology of Events

Attached please find the chronology of events that we have been able to piece together from our files. Please note that it would have been impossible to prepare it without the support and collaboration of Luis Muñoz and Esperanza Miranda. Luis has prepared most of the work and done so in an excellent manner. In order to provide a more complete picture, the chronology of events prepared by W. Partridge in 1983 (as a consultant to the IDB) is also attached.

The files show that a resettlement program was prepared by consultants (Lavalin of Canada) retained by the IDB in 1976. However, this program was never implemented and INDE eventually prepared a new one and submitted it to the Bank in January of 1979. It is clear that the Bank's first loan was approved in June of 1978 although no resettlement plan was available at that time. Up to 1981 the Back-to-Office Reports do not deal extensively with the resettlement program; however in October of that year a report mentions the difficulties in implementing the program "because of the action of political activists and armed groups in the area". In the same report, reference is made to "limited access to this area" and to the fact that "it was decided, with the concurrence of the residents, to construct about 400 huts, well above maximum reservoir level, to provide shelter to the residents, while the rest of the settlements are constructed". Subsequently, the records show that the next meeting of the Board of Consultants for the project met in March of 1982 in Miami, presumably because of the difficulties and risks inherent in traveling to the project site. In November of 1982, the Bank recommended that, in view of the impending filling of the reservoir, the inhabitants of the zone be taken to provisional settlements. In December of that year, INDE's General Manager reported that all inhabitants of the area to be flooded had been moved to temporary settlements.

At this point, the chronology must be supplemented with the information provided by W. Partridge in his December 1983 report to the IDB. According to him, in the second semester of 1982, emergency housing was 98% complete and it had been built with the participation of the residents. He also noted that insurgency and counterinsurgency armies had occupied the area, and that in particular, the army had occupied the resettlement center at Pacux from December 1981 through March 1983. The report also notes that in the second semester of 1982, almost all inhabitants had been transferred to emergency housing, "excepting settlement of Rio Negro. Population of Rio Negro implicated by

Guatemalan army in insurgency activity, and emergency housing burned. Most scattered into mountains, but a few (17 out of 150 families) have moved into Pacux urban center now shared with army garrison". What is important in this passage is the reference made to emergency housing, which means that the military action to which he refers took place after the persons had moved out of the reservoir area. It must be pointed out, however, that it is not clear whether the military action to which he refers is the same one referred to in the report by Witness for Peace or whether Mr. Partridge is referring to an action which took place subsequently. Following the submission of his report in December of 1983, and probably as a consequence of it, Mr. Partridge traveled to Guatemala in May of 1984 as part of a Bank supervision mission. His task was to evaluate the resettlement situation and prepare recommendations to improve it. His report was sent to the Bank in June of 1984 and contained many useful recommendations; however, there was no further reference to the events in Rio Negro.

In fact, the files show that the magnitude of the events of 1982 was not reported to the Bank until December of 1987 in a document prepared by Ms. Antoinette Brown, a consultant sent by the Bank to supervise the progress in the resettlement program. In her report she refers to "army actions of 1982 and 1983 during which many people were killed and disappeared without death certificates, bodies or graves". She goes on to mention "the discovery of 24 orphans from the community of Rio Negro, living in an orphanage nearby, operated by an American charity". The report mentions that "apparently the community of Rio Negro was attacked by the army in 1982 after the GOG declared the reservoir a 'national emergency' and the community was forcible (sic) moved to Pacux, which was occupied by the army until sometime in 1983. Not all family members survived, and many widows, as well as adult and minor exist". Dr. Brown's report gave rise to at least one internal memo suggesting that INDE should be asked to compensate the survivors of those persons who were killed or disappeared in 1982 and 1983; however, there is no written record that shows that the Rio Negro issue was discussed with the Guatemalan authorities.

Dr. Brown traveled to Guatemala again in 1989, to supervise the expected completion of the resettlement process. In her report, she makes clear that the process at best would be completed by the end of 1989. This report is far more critical of the resettlement process and of the Bank's participation in it. In it she states that between 1978 and 1982 no progress was made in resettlement and "as dam construction progressed, the GOG, in June of 1982, forcibly moved the affected population to the margin of the reservoir". This is the first reference on file to the forced movement of the population. She goes on to say that "early [Bank] supervisory missions between 1978 and 1983 gave little or no attention to resettlement issues. Most seriously, when it became clear that the dam was going to be finished before the resettlement villages, the Bank failed to delay the closing of the dam and filling of the reservoir, putting many affected individuals at risk". She adds at the end that "the Bank approved the Loan without a complete resettlement plan and failed to provide adequate supervision during the first six years of the project".

After Ms. Brown's report, there is one more fax to INDE listing all pending resettlement matters. Subsequently the final report, the PCR and the PPAR are prepared, and the resettlement issue is discussed in them. There appears to be no further specific communication with INDE on this matter; consequently, it is probable that some of the issues raised in Ms. Brown's report still remain unresolved.

Guatemala - Chixoy Hydroelectric Project (1605-GU) - Chronology

January 27 to 29, 1974 Franz H. Kaps (Loan Officer, LAC I) travels to Guatemala, where he discusses the financing for the Chixoy feasibility study with Government officials, including Lic. Rosenthal, head of the Guatemalan Planning Office. Mr. Gerald Flood is the Division Chief responsible for the project.

April 28 to May 1, 1974 Mr. Franz H. Kaps, along with Mr. Alan A.M. Onslow (Financial Analyst, LCPPT), travels to Guatemala to participate in a joint meeting with representative of the Guatemalan Planning Office, the Instituto Nacional de Electrificación (INDE), IDB, the Central American Bank for Economic Integration (CABEI) and INDE's consultant discuss the proposed project for which joint financing from the three institutions might be sought.

June 17 to 21, 1974 Mr. Kaps, and Mr. R.H. Sheehan (Division Chief, LCPPT) travel to Guatemala, where they discuss Guatemala's power situation with Ing. Joaquin Godoy Orantes, General Manager of INDE and Finance Minister Lic. Jorge Lamport Rodil. Mr. Kaps also reviewed the draft feasibility study.

August 2, 1974 Mr. Kaps receives TOR from Mr. Adalbert Krieger (Director, LAC I) for travel to Guatemala from August 16 to 20 to pursue discussions with the Government and INDE on the progress of the project preparation. (BTO n/a)

August 21, 1974 Ing. Godoy sends the feasibility study prepared by INDE and the LAMI engineers consortium to the Bank.

October 25, 1974 In a detailed memorandum, Mr. Carlos F. Mena and Mr. M. Linder report to Mr. Dickenson on the status of the proposed Chixoy Hydroelectric Project.

November 25-27, 1974 Mr. Kaps and Mr. Mena travel to Guatemala where Mr. Mena offers his comments on the feasibility study.

December 15 to 17, 1974 Mr. Kaps travels to Guatemala where he discusses the Chixoy feasibility study with Ing. Godoy.

February 26, 1974 INDE sends the Bank a copy of the Loan Agreement between Guatemala and CABEI for the project.

March 13 to 14, 1974 Mr. Mena travels to Guatemala to assess the progress of INDE in the preparation of its expansion program. The Chixoy project is briefly discussed.

April 18, 1975 Finance Minister Lamport sends a letter to Bank President Robert MacNamara requesting Bank financing for the two major components of INDE's expansion program: the hydroelectric projects Chixoy and Aguacapa.

April 28 to May 1, 1975 Mr. Kaps attends a meeting held in Washington, D.C. between representatives of the Guatemalan Government, IDB, CABEL and the World Bank to review the request by Minister Lamport to the Presidents of the respective institutions regarding their possible participation in the power investment programs. The IDB representatives stated that their institution's contribution should be used to finance the tunnel. The Bank representatives stated that their institution would consider financing the foreign exchange for the dam.

May 1, 1975 Mr. Enrique Lerdau (Acting RVP) responds to Minister Lamport's letter where he states the Bank's plan to send a mission for preliminary analysis in July.

July 20 to 23, 1975 Mr. Kaps and Mr. G. Castañeda (Economist, LAC I) travel to Guatemala where they briefly discuss the Chixoy project with Government officials. An IDB appraisal mission had recently arrived in Guatemala, so it is decided to defer discussions until the IDB reports become available.

September 24, 1975 Mr. Castañeda attends an IBRD-IBD meeting at Bank headquarters to discuss the coordination of the components of the Chixoy project.

December, 1975 IDB approves a US\$105 million loan to finance the tunnel component of the project.

April 26, 1976 In a memorandum to Mr. Everardo Wessels (LCPPT), Mr. R. Overby (VPSEH) expresses concerns about the environmental/health dimension of the Aguacapa and Chixoy projects in the feasibility studies. Mr. Overby explains that he had been informed that Mr. Mena had been asked by Mr. Wessels to look into these aspects and would report on them in his BTO. However, Mr. Mena's report did not include any discussion of these issues. Mr. Overby requests to be further informed.

August 25, 1976 Mr. Castañeda and Mr. Mena travel to Guatemala for the Aguacapa appraisal mission. Some of the problems with procurement procedures for Chixoy are discussed. (BTO n/a)

August 25, 1976 In a memorandum to Mr. Wessels, Mr. Overby expresses his concerns about the fact that the TOR for Mr. Mena's and Mr. Cavalloti's mission do not address environmental, health and socio-cultural issues. He states that on April 26, 1976 he was reassured that there would be some feedback on these issues, but has not yet received any. He requests a meeting with Mr. Mena to discuss the matter.

1977 By mid-year INDE reaches agreement with the Dirección General de Servicios de Salud (DGSS) and the Instituto Guatemalteco de Seguridad Social (IGSS) in order to take the measures necessary to prevent and resolve possible health and social problems during the implementation of the project. (6/24 letter from Mr. Flood to Mr. Luis Saenz, General Manager, INDE)

March 7 to 21, 1977 Mr. Mena, Mr. J. Parker (Financial Analyst, LCPEN) travel to Guatemala to appraise the Chixoy project. They are joined by Mr. Lawrence H. Berlin (Sr. Loan Officer, LAC I). In his BTO, Mr. Berlin advises Mr. Flood about strikes by teachers and students and bank and municipal employees: "While I hesitate to formulate generalizations, my impression is that some build-up of tension can be expected as the 1978 election grows nearer".

April 20, 1977 Mr. Mena and Mr. Parker report on their mission in an Issues Paper to Mr. Wessels. Para. 6.1, pp. 6-7 states that an estimated 1,200 people would need to be relocated from the area to be flooded by the reservoir.

April 21, 1977 Inauguration ceremony of project works held in Guatemala.

April 29, 1977 A decision meeting is held to discuss the Issues Paper, and a Decision Memorandum dated May 17, 1977 is later issued by Mr. Flood. The memorandum contains no reference to the resettlement issue.

May 9 to 12, 1977 Mr. Mena travels to Guatemala to discuss the final design criteria for the project works.

August 17, 1977 Yellow Cover SAR issued.

October 6, 1977 In a memorandum to Mr. J. Burke Knapp, Mr. E.F. Lari (Director, LAC I) discusses the progress made toward Board presentation.

December 6 to 16, 1977 Mr. George Faillace (Loan Officer, LAC I) travels to Guatemala where he evaluates the progress of the project. His BTO discusses the political situation. He notes that some political violence by terrorists of leftist organizations and extreme right-wing groups is accompanying the political campaign for the 1978 elections.

Early 1978 Problems arise related to the coordination of the project with the Mexican Government about international waters issues. Chixoy is a tributary to the Usumacinta river, which is on the border with Mexico. The effect of the Chixoy dam is judged to be insignificant.

Mid-January, 1978 Mr. Horst M. Sheffold (Loan Officer, LAC I) travels to Guatemala where he discusses the project with Government officials. Negotiations are tentatively scheduled for mid-February.

February 14, 1978 INDE sends the Bank copies of (i) the November 23, 1977 agreement between INDE and the Instituto de Transformación Agraria (INTA) on the resettlement of the population that would be affected by the Chixoy project; (ii) a tentative program of April 4, 1977 by INDE's consultants (LAMI) for the evacuation of the population that would be affected by the reservoir filling; and (iii) the May 1977 census of the population residing in the Chixoy project area. (Census data not on file) Mr. Wessels acknowledges

these documents and requests information on the agreement between INDE, DGSS and IGSS on matters related to public health.

March 9, 1978 In a memorandum to Mr. James A. Lee (Adviser, PAS), Mr. Mena states that the Bank expects to obtain assurances on a satisfactory resettlement program under the proposed loan.

March 10, 1978 Mr. Eugenio F. Lari (Director, LAC I) sends the draft SAR, President's Appraisal Report and legal documents to Mr. E. Lerdau (Acting RVP), who sends them to the Loan Committee on March 15.

March 26 to 29, 1978 Mr. Scheffold travels to Guatemala to transmit loan documents to the Borrower and formally schedule negotiations.

March 31, 1978 The Notice of Intention to Negotiate is issued.

April 11, 1978 In a memorandum to Files, Mr. Scheffold reports on the Loan Committee review meeting. He states that during the meeting the Vice President, Projects Staff asked that the covenant on the resettlement of people affected by the reservoir state clearly that not only living, but also working conditions after resettlement should be the same or better than enjoyed before the beginning of the project.

April 12, 1978 Invitation to Negotiate sent.

May 10 to 19, 1978 Negotiations take place in Washington, D.C. It was agreed INDE would furnish to the Bank by December 31, 1979 a program of action to adequately compensate and, if necessary, resettle, those residents of the area to be flooded by the Chixoy reservoir.

May 23 to 27, 1978 Mr. Scheffold travels to Guatemala to reach agreement on the final loan documents and the Power Sector Reorganization Program.

May 25, 1978 In a "Strictly Confidential" memorandum Mr. Lari informs Mr. Flood and Mr. Wessels that during a phone conversation with Mr. Scheffold he was informed that the Guatemalan Government is concerned about the political ramifications of the May 1 tariff increase of 27% which was a condition for Board presentation. According to the President and the President-elect, the increase had already fueled a violent campaign against the current and incoming Governments by extreme left and extreme right groups and may lead to "a major political crisis and some bloody confrontation in the streets..." The Government proposes a reduction of the tariff increase from 27% to 11% in a letter to President MacNamara which is delivered by Mr. Scheffold upon his return from Guatemala.

May 26, 1978 In a memorandum to Mr. J. Burke Knapp (SVP, Operations), Mr. Lari recommends that, pending the results of the financial analysis, the project be kept on the Board schedule for June 27.

June 1, 1978 Mr. Knapp responds to the letter from the President and the President-elect. The project is kept on schedule. Mr. Knapp indicates the need for further discussion of the tariff increase issue in early 1979.

June 5, 1978 Status of Negotiations issued.

June 13, 1978 Draft SAR and PRR sent to Mr. Knapp for approval.

June 15, 1978 Staff Appraisal Report prepared by C.F. Mena and C. Warren issued. Para. 4.18, pp. 25-26 refers to the need to relocate 1,500 people from the area to be flooded by the reservoir. The report indicates that INDE would prepare a resettlement plan and present it to the Bank by December 31, 1979.

June 16, 1978 Statutory Committee Report issued.

June 19, 1978 President's Report and Recommendation issued.

June 28, 1978 In a memorandum to Mr. Adalbert Krieger, Mr. Flood addresses the questions from the Executive Directors. Mr. Taxell (Office of the Executive Director for Nordic Countries) asked about the resettlement issue: "Question: He noted that Indians in an area not far from the Chixoy site recently had been deprived of land (resulting eventually in a bloody confrontation with the military) and wondered (1) whether the persons in the Chixoy reservoir area were Indians and (2) why we had not made development of a resettlement program a condition of effectiveness. Answer: (1) We believe that about 2/3s are persons of mixed blood ("mestizos") with the rest Indians. (2) The reservoir area will not be flooded for about four more years and it was considered adequate to require preparation of a program satisfactory to the Bank by a fixed date, i.e. December 31, 1978, coupled with an agreement to begin carrying out the program by June 30, 1979."

June 29, 1978 Loan of US\$ 72.0 million is approved by Executive Directors.

July 6, 1978 Summary Minutes of Negotiations issued.

July 21, 1978 Loan Agreement signed in Washington, D.C.

September 7, 1978 In a memorandum to Files, Mr. Sheffold reports on a phone conversation with Mr. Einar Magnussen (Executive Director for the Scandinavian Countries). Mr. Sheffold states that he will send Mr. Magnussen comments on the resettlement plan soon after it arrives and observations on the resettlement program shortly after the initial measures are implemented.

November 21, 1978 Period for effectiveness extended to March 21, 1979.

December 14, 1978 In a telex, Mr. Wessels reminds Mr. Saenz of the December 31 deadline for receipt of the resettlement plan.

January 12, 1979 In a telex, Mr. Wessels reminds Mr. Saenz of the December 31, 1978 deadline for receipt of the resettlement plan.

January 16, 1979 INDE sends the Bank (i) the resettlement plan; (ii) TOR for the design and execution of the works of INDE's urban project for the resettlement of families; (iii) the Government declaration of a resettlement emergency for the inhabitants of the area to be affected by the project; and (iv) progress reports on the resettlement operation No. 1 and No. 2.

February 8, 1979 In a memorandum to Mr. Wessels, Mr. Mena judges the resettlement programs generally satisfactory. He requests that several clarifications be obtained from INDE. The number of people that would have to be resettled is now estimated at 2,959. He raises the issues of (i) how to compensate 41 people that according to official surveys prefer to be paid for their property rather than be resettled; and (ii) obtaining assurances about the availability of farmland to the resettlers for their subsistence. Mr. Mena also reports that, according to INDE, with the exception of those 41, the rest of the population has 'harmoniously agreed to the resettlement arrangements underway.' A draft letter to Mr. Saenz addressing these issues is attached. Mr. Mena also forwards INDE's reports and the letter to Mr. J.A. Lee (Office of Environmental and Health Affairs) for clearance. The letter is sent to INDE on February 14.

March 14, 1979 Period for effectiveness extended to July 21, 1979.

March 15, 1979 Mr. Saenz responds to inquiries about the resettlement plan. He reassures Mr. Wessels that they will pay close attention to the living conditions of the resettled population. Mr. Saenz indicates that INDE has not completed the arrangements for the compensation of the families who want to be paid.

March 28, 1979 In a memorandum to Files, Mr. Horst Eschenberg reports on a phone conversation with Mr. Steinberg (Nordic ED's Office) during which the resettlement issue was discussed. He states that he told Mr. Steinberg about his visit to portions of the resettlement area and he judged that the physical conditions for the families would improve substantially. Mr. Steinberg said that they would not require a written report on this matter.

April 4, 1979 In a letter to Mr. Saenz, Mr. Wessels states that the Bank will not be able to complete its review of the resettlement program until the Bank receives the specific locations of the land that will be allocated to the resettlers and more details about the ownership conditions for the land.

May 2 to 10, 1979 Mr. Mena and Mr. C. Warren (Financial Analyst, LCPE1) travel to Guatemala to supervise project implementation. The BTO recommended that the

declaration of effectiveness be withheld until INDE furnished the Bank with the information requested about the resettlement program.

June 1, 1979 In a memorandum to Mr. H. Wyss (Assistant Director, LCP), Mr. Rafael Moscote (Deputy Division Chief, LCPEI) recommends that the Bank withhold declaration of effectiveness until the Borrower and the Guarantor take several actions. One of these actions would be to furnish the Bank by September 30, 1979 the remaining information needed to complete the review of the resettlement program.

June 21, 1979 In a letter to Mr. Wessels, Mr. Saenz supplies the requested information regarding the specific locations of the land to be allocated to the resettlers, and ownership arrangements.

Mid-July, 1979 INDE requests authorization from the Bank to accelerate construction under the project in order to be able to finish by the scheduled closing date. The project is now behind schedule and will exceed the initial cost estimates.

July 20, 1979 Loan Agreement declared effective.

September 26, 1979 In a memorandum to Mr. Moscote, Mr. Mena recommends that the Bank accept INDE's plan to accelerate construction under the project.

October 1, 1979 The Bank sends no objection telex to the acceleration proposal.

October 13 to 22, 1979 Mr. Mena travels to Guatemala to supervise technical and financial aspects of the project.

November 16, 1979 In a memorandum to Legal Files, Mr. L.M. Fracarolli (Assistant Counsel) states that despite the problems with the project, there are no clear violations of the Loan Agreement.

June 13, 1980 Bank sends a letter to Minister of Finance indicating that if response to Bank's request of April 28, 1980 (sector reorganization program and rate adjustment for electricity sales) is not received by June 16, 1980, actions to suspend project disbursement will be initiated.

June 20, 1980 After receiving Government's response to the above, the Bank sends letter to Minister of Finance stating its disagreement with Government's conclusions but it agrees to await the results of the Minister's visit to Washington, DC before initiating any actions.

September 30 to October 9, 1980 A project supervision mission comprised of Mr. Carlos Mena is sent to Guatemala to participate in the inspection of project works and meetings with INDE's board of engineering consultants. Joint mission with IDB. The mission reports on the difficulties of project execution (e.g. dam abutment galleries, collapse of the power

tunnel) and the need to strengthen INDE's field project management and follow-through with the recommendation of the board of consultants.

April 1, 1981 In a Bank's memo requesting authorization for the reallocation of loan funds, it is stated that 'the project is about 65% complete and only slightly (three months) behind schedule, except for the procurement of equipment and materials required in the 69 Kv subtransmission program, which is about two years behind schedule'. Cost overruns of US\$190 million (48%) are forecasted as a result of unexpected dam foundation treatment and underground works, price increases and higher engineering costs. Because of this, a project financing gap of about US\$150 million has to be covered. Bank requests the Borrower to present a financing plan to cover financing gap.

April 8, 1981 A Bank's memo informs that IDB may consider financing up to US\$50 million of the US\$190 million cost overrun. Other possible financiers: the Venezuela Investment Fund, INDE's internal resources.

April 10, 1981 Bank agrees to reallocate loan funds to finance cost overruns on civil works for dam and spillway.

June 1981 Visit No. 14 of the Board of Consultants for the Chixoy project to the project site.

July 10, 1981 INDE sends a letter to the Bank informing that phase I of the resettlement program is in progress, that Pacux, Rabinal y Baja Verapaz are designated by INDE as resettlement sites for the inhabitants of Rio Negro and that plans for land titling are being prepared.

July 27, 1981 In a letter to INDE the Bank requests a progress report on the above program including detailed information on civil works executed to date, number of resettled people, and a timetable for the resettlement of remaining affected families.

July 28, 1981 In a letter to INDE's General Manager the Bank requests compliance with the following covenanted agreements: (i) submission of an action plan to control basin erosion of the tributary rivers to Chixoy river (which should have been submitted by December 31, 1979); (ii) monitoring measures to assure periodic inspection of the plant and associated facilities, and (iii) a progress report on the construction of several substations and transmission lines.

September 9, 1981 INDE sends to the Bank for its information, a copy of the report prepared by Dr. Gustavo Adolfo Gaitan, sociologist from the Office of Human Resettlement of the Project. This report is in files.

October 1, 1981 In a Bank's memo to Mr. Moscote, Mr. Gonella (Senior Loan Officer) recommends to deal with the question of possible suspension of disbursements under the

Chixoy project, rather than under the Aguacapa project as the undisbursed portion of the latter is very small (1.3% of the total).

October 4 to 16, 1981 A supervision mission, which also includes preparation of the Fifth Power Project, visits Guatemala city and the project site. The mission is comprised of Messrs. Bakovic and Dussan. The project status was upgraded from 3 ('major problems') to 2 ('moderate problems') rating because cost-overrun financing has been provided by IDB (US\$70 million) and Government funds, the sector met the contribution-to-expansion test for 1980, and the agreement in principle on the compensation account mechanism. On the resettlement program, the mission reports the following: 'program implementation has experienced many difficulties¹ because the action of political activists and armed groups in the area. As a result, the program was delayed and INDE had to negotiate separately with four major groups about the new areas for resettlement. A settlement (Centro Pacux) consisting of 150 houses, church, school and communal center was completed.² Three additional settlements, with a capacity for 350 families, are being built but won't be completed before the end of 1982, because of limited access to this area. Therefore, it was decided, with the concurrence of the residents, to construct about 400 huts, well above maximum reservoir level, to provide provisional shelter to the residents, while the rest of the settlements are constructed'. The project closing date is expected to be extended from June 30, 1982 to December 1983 in order to allow completion of the subtransmission program.

November 27, 1981 INDE sends to the Bank a report on the program and measures that are being implemented to control erosion in Chixoy river basin.

January 5, 1982 The quarterly report on projects in execution for Guatemala states that project is about 80% complete and only slightly (3 months) behind schedule, but the 69kv subtransmission component (which represents about 5% of project cost) is about two years behind schedule. The project is facing about US\$76 million in foreign currency cost overruns, which INDE intends to cover with financing from IDB (US\$20 million from special funds and \$50 million through a credit line from commercial banks) and government resources.

February 22 to 26, 1982 A supervision mission comprised by Mr. Dussan and Mr. Graves visits Guatemala to review the status of electricity consumption demand and its impact on the actual expansion program for generation. No further information about this mission is found.

¹ Section 3.06 of the Loan Agreement states that the Borrower shall submit by 12/31/78 a resettlement or compensation program for residents of the flooded area and put it into effect not later than June 30, 1979"

² According to W.Partridge's chronology of resettlement activity (p.40), the Pacux resettlement community was designated, among others, to receive families from Rio Negro.

March 2, 1982 INDE requests the Bank's participation in the next meeting of the Board of Consultants for the project to be held in Miami on March 6, 1982.

April 6, 1982 INDE requests a one year extension of the project closing date to June 30, 1983 in order to complete the subtransmission program.

May 6, 1982 By Terms of Reference, a supervision mission is authorized for May 16, 1982 to (i) complete the collection and analysis of information required for the power sector memorandum; (ii) analyze with Government officials the power sector generation expansion plans and financing based on current demand projections; (iii) assess status of preparation of Chulac Hydroelectric project, and (iv) examine execution program for this project. The mission is to be comprised of Mr. Dussan, Mr. Bakovic and Ms. Shaw. [BTO n/a]

June 28, 1982 The Bank extends the project closing date until June 30, 1983. The main project component, Chixoy Hydroelectric Plant, is almost completed (about 85%) and is expected to be commissioned by March 1983, with a delay of about nine months.

August 17, 1982 INDE sends to the Bank an updated work program and schedule for the completion of the project.(report in files).

September 3, 1982 In a letter to INDE's project manager, the Bank states that no information on the progress of the resettlement program is included in the work program and schedule submitted by INDE on 8/17/82. The Bank requests information on the actual progress of the resettlement program and a schedule for its completion.

October 21, 1982 Mr. Elio U. Gonella (Senior Loan Officer, LACIB) travels to Guatemala to discuss the financing gap of the project.

November 9, 1982 In a letter to Ing. Rolando Yon Siú (General Manager, INDE), Mr. Moscote states that there have been delays in purchasing the land and building the urban centers to compensate the settlers due to the "public order situation." He recommends that the inhabitants of the zone be taken to provisional settlements and requests more information on the matter.

December 2, 1982 In a letter to Mr. Moscote, Mr. Yon Siú states that all the inhabitants of the area to be flooded by the dam have now been moved to temporary settlements pending the completion of the urban centers.

January 13, 1983 In letters to the local government officials of the area to be affected by the project, Ing. Rodolfo Morales Juarez (Executive Director, Chixoy Project) and Mr. Yon Siú state that the dam will be closed on January 25 and the reservoir will begin flooding. They also state that the Unidad de Reasentamientos del Proyecto Pueblo Viejo Quixal³ will

³ The Borrower refers to the project by this name.

ensure that all the people that will be affected by the reservoir are moved outside of the area before the dates scheduled in the flooding timetable.

January 21 to 28, 1983 Mr. Manuel I. Dussan (Power Engineer, LCPE1) travels to Guatemala to supervise implementation of the project. A technical BTO is prepared. There is no mention of resettlement issues.

February 1 to 2, 1983 Mr. Gonella travels to Rome to observe a meeting of the Guatemalan authorities with the contractor for the dam and spillway.

February 28, 1983 In a letter to Mr. Yon Siú, Mr. Moscote requests an updated timetable for the resettlement program and expresses concerns about the delays.

May, 1983 The Ministry of Finance requests that the Bank consider a supplemental loan for the project to fill the financing gap. The Bank replies that a supplemental loan would have to be supported by appropriate contributions from other financial sources.

May 18, 1983 Mr. Dussan and Mr. José M. Bakovic (Financial Analyst, LCPE1) travel to Guatemala to supervise financial and technical aspects of the project. There is no mention of resettlement issues.

July 26, 1983 At the request of Mr. Gonella, Mr. Dussan summarizes the status of the resettlement program in a memorandum to the former. The memorandum states that the implementation of the resettlement program experienced delays, mainly because of guerrilla activity in that area in 1980 to early 1982. It also states that in late 1982, it was decided, with the concurrence of the affected residents, to construct about 400 huts well above maximum reservoir levels to provide provisional housing for the settlers pending the completion of the urban centers.

July 26, 1983 In a memorandum to Mr. Thomas A. Blinkhorn (IPA), Mr. George Park (Acting Division Chief, LACIB) summarizes the status of the resettlement program. The information is presented to aid Mr. Blinkhorn with his reply to Mr. Anthony Miller. [There is no record on file that discusses Mr. Miller's identity or the nature of his inquiry.]

August 10, 1983 Closing date for the project extended to June 30, 1984.

December, 1983 The power plant shuts down due to high water losses in the headrace tunnel.

December, 1983 Mr. William Partridge (Consultant, IDB) submits to the Bank his report on a comparative analysis of the resettlements at Arenal (Costa Rica) and Chixoy. The dates of his visit[s] to Guatemala are not mentioned in the report.

December 8 to 16, 1983 Mr. Dussan and Mr. Bakovic travel to Guatemala to supervise project implementation.

February 16, 1984 In memorandum to Mr. Ricardo A. Halperin (Deputy Division Chief, LCPEI), Mr. Dussan and Mr. Nelson de Franco (Power Engineer, LCPEI) report on a meeting with Mr. William Partridge (Consultant, IDB). Mr. Partridge has recently completed a report on the IDB's resettlement experience, based on an evaluation of the Chixoy and Arenal projects. Mr. Partridge has concluded that the resettlement program was ill-conceived, poorly planned and badly executed. As a result, the displaced people are now living in provisional dwellings, do not have land to cultivate, and are requiring food relief.

February 16, 1984 In a telex to Ing. R. Rodriguez, Mr. Moscote expresses concern about the situation of the settlers. The telex states that the Bank has been informed that the situation of the inhabitants to be resettled is critical. Mr. Moscote requests detailed information on the matter and states that priority will be given to these issues during the mission planned for April.

March 13, 1984 In a letter to Mr. Moscote, Ing. Luis José Figueroa Flores (Subgerente de Obras y Producción) responds to Mr. Moscote's telex. He states that the families affected by the project in the Río Negro village have been gradually returning to the Pacux urban center, which was built for them. He states that at that point in time, 80 families had returned and were being provided with food and school equipment (the purchase of medicines was pending). He also reports on the schedule for completion of the other urban centers and the communication and transport problems.

April 12, 1984 In a telex to Mr. Figueroa, Mr. Moscote requests additional details about the resettlement schedule and the urban center construction program.

May 18, 1984 INDE requests a second extension of the closing date.

May 30 to June 4, 1984 Mr. de Franco, Mr. Bakovic and Mr. Partridge (Consultant, IBRD) travel to Guatemala to supervise the project. Mr. Partridge's TOR instruct him to assess the resettlement situation and prepare a study.

June 18, 1984 Mr. Dussan travels to Frankfurt to discuss the progress of the field study and the design works for the repairs to the power tunnel with Lahmeyer International.

June 19, 1984 Mr. Partridge sends the Bank the final version of the commissioned study entitled 'Recommendations for the Human Resettlement and Community Reconstruction Components of the Chixoy Project.' The study recommended that (i) the construction of new houses in the sites yet to be completed not be contracted to a private construction firm, and that the displaced people be allowed to build their own homes with materials assistance and salaries provided by INDE; (ii) house plots in the remaining sites must be at least 50 by 50 meters; (iii) INDE should contract with private firms to conduct research on the suitability of sites for potable water, sanitation and drainage before construction begins, and at least the potable water system should be operational before people move to the sites; (iv)

INDE should contract for the construction of public buildings and infrastructure with private firms, but require that these have adequate ventilation and drainage systems; and (v) since it was apparent that in the completed site of Pacux and the site of El Naranjito (under construction) the occupancy by the displaced families would be no more than 50%, INDE should adopt the policies of allowing newly married persons among the offspring of the resettled families to occupy the vacant houses, and allowing residents to use abandoned lots for gardens and livestock.

June 28, 1984 In a memorandum to Mr. de Franco, Mr. Gonella recommends that the Bank use the extension of closing date as a tool to obtain assurances about the progress of the resettlement program.

July 1984 The Bank estimates that in addition to the supplemental loan to complete the financing now under consideration, another loan would be needed for repairs to the intake tunnel.

July 19, 1984 In telex to INDE, the Bank makes progress on the resettlement plan one of the primary conditions for the extension of closing date.

August 14, 1984 In a telex to Mr. Humayun Mirza (Division Chief, LC1CA), INDE accepts the conditions for the closing date extension and reports on the progress of the resettlement program.

August 21 to 24, 1984 Mr. Gonella travels to Guatemala to supervise project implementation. [TOR, BTO n/a. See 8/31/84.]

August 22, 1984 In telex to Ing. Fausto Javier Aragón (Subgerente de Obras y Construcción), Mr. Moscote requests comments on the proposed answers to questions received from the US Treasury Department regarding the project. Mr. Aragón reports that the resettlement program should be completed by mid-1985.

August 31, 1984 In a memorandum to Mr. Mirza, Mr. Gonella judged INDE's August 14 reply to the conditions for extension of closing date ambiguous on the issue of the timing for the resettlement of the farmers. However he reports that during his mission to Guatemala the previous week [TOR, BTO n/a] he had reviewed these matters with INDE officials. He reports that the conditions for the extension of closing date had prompted INDE to take a series of measures. These included the creation of a specialized "Resettlement Unit", and the creation by the Government of an inter-agency resettlement committee under the supervision of the Unidad de Coordinación de Administración Pública (UNICAP). Lic. Luis Alfredo Mijangos has been made responsible for all resettlement measures and has prepared a detailed report on the resettlement situation.

August 31, 1984 Closing date extended to December 31, 1984. The Bank also informs INDE that an extension to June 30, 1985 will be granted upon compliance with specified conditions by December 31, 1984. Among the conditions were the acquisition of 54% of

the land for resettlement by December 31, 1984; actions necessary to acquire 100% of the land by March 31, 1985; the acquisition of a ferry to facilitate reservoir crossing; and the submission of monthly progress reports on the resettlement operation to the Bank.

October 4, 1984 In a memorandum to files, Mr. Gonella reports on his meeting with the Guatemalan delegation during the Bank's Annual Meetings on September 26, 1984. There is no discussion of the resettlement issues related to the Chixoy project during the meeting. However, there is mention by Mr. Leonardo Figueroa Villate (Minister of Finance) of four development poles established in the western highlands to resettle the population who had fled to Mexico when displaced by guerrilla warfare.

October 18 to 23, 1984 Mr. de Franco travels to Guatemala to supervise progress on tunnel repairs and other technical aspects of the project. The BTO states that the cost estimate now stands at US\$861.7 million. It also mentions a visit to Pacux and flying over the El Naranjo urban center, the areas where land would be purchased to complete the resettlement and the terminal locations for the barge (ferry) crossing. The BTO identifies the fact that "too little land" is provided for each house as a "basic flaw" in the resettlement operation. The BTO is cautiously optimistic, saying that "In spite of many problems yet to be overcome, there seems to be good morale among INDE's staff to act on matters over which the Bank has expressed concern."

November 6, 1984 In a telex to INDE, Mr. Moscote judges the progress of the resettlement program acceptable. A solution to the reservoir crossing problem is requested by November 30, 1984, in case the barge solution is not feasible.

January 22, 1985 Negotiations start for the supplemental loan for the Chixoy project. During the negotiations the parties discuss and agree on completion of the purchase of 80% of the land needed for resettlement and satisfactory progress for purchase of the remaining 20% by June 30, 1985; installation of a transport system across the reservoir; structural improvements at two urban centers already built; completion of the remaining centers by September 30, 1985; and improved technical assistance to develop agricultural production and fish farming.

February 10 to 13, 1985 Mr. de Franco and Mr. Claude Besse (Consultant, IBRD) visit Guatemala and Chixoy to "assess compliance of conditions for Board presentation of the Chixoy supplemental loan." With regard to the resettlement issue, the mission judges that "the condition can be considered as substantially completed." It notes that September 30, 1985 as the date for the completion of the resettlement program, appears optimistic by about 3 months, but they prefer not to change the date. Out of the 448 inhabitants, 67 were not legally entitled to land compensation, but received 100 ha. anyway. INDE proposes providing 2.75 ha. to each of the 381 legally entitled to it. Additionally, it was to procure two barges for transportation in the reservoir. It was decided that the Pacux urban center required structural improvements, that Naranjo needed water supply and drainage, and that Chicuxtín would only have 150 houses, instead of the 200 originally planned.

February 22, 1985 In a telex to Mr. Gonella, INDE's President states that construction, basic infrastructure (water, latrines and drainage) for El Naranjo urban center have been awarded and that completion was expected by June 20, 1985.

February 26, 1985 In a telex to Mr. Gonella, INDE's President states that (i) INDE has bought 1,148 ha. and that it is negotiating the purchase of an additional 51 has. to benefit 381 families; (ii) INDE has purchased two barges; and (iii) the construction of the Chicuxtín urban center has been awarded and completion is expected by December 31, 1985.

February 27, 1985 In a memorandum to Mr. A. David Knox, Mr. H. Stern confirms that the conditions for Board presentation of a supplemental loan for Chixoy have been met. These included "completion of the final arrangements made by INDE to make available the agreed 80% of the total land which is needed for resettlement of the farmers displaced by the reservoir."

February 28, 1985 The President submits to the Executive Directors his recommendation for a proposed supplemental loan for the Chixoy power project (amendment of loan 1605-GU). The proposed loan is for US\$44.6 million, five years grace and maturity August 15, 1995 (close to maturity of the initial operation). Project cost is estimated at US\$815.8 million (a US\$453 million overrun). The new loan is to finance cost overruns in Bank financed components, including IDC. The report mentions that the resettlement program is "now proceeding satisfactorily" and that the date for the completion would be postponed to September 30, 1985 in order to complete "purchase of the remaining 20% of the necessary land" and "the last three urban centers." Conditions for effectiveness of the supplemental loan were two cofinancing conditions (a loan from the Italian Government and at least US\$28 million from other sources - later provided by the IDB)

March 8, 1985 Telex from Mr. Mirza sent to INDE's President extending the closing date of the loan to June 30, 1985. After approval of the supplemental loan the closing date was extended to December 31, 1987.

March 11 to 12, 1985 Mr. Mirza and Mr. Gonella visit Guatemala and Chixoy.

March 19, 1985 Supplemental loan approved by the Board.

March 22, 1985 Supplemental loan agreement signed.

April 24 to May 8, 1985 Mr. Klockner, Mr. de Franco and Mr. Besse travel to Guatemala to supervise project implementation.

June 6, 1985 In a telex to INDE's president, Mr. Moscote discusses, among other things, the following issues: (i) delays in completing the El Naranjo urban center; (ii) delays in construction of Chicuxtín; (iii) lack of progress in the transfer of land; (iv) lack of a firm estimate of the number of families to be resettled in Camalmapa; and (v) need to expedite structural improvements at the Pacux urban center. It is mentioned that the mission thinks

that it would be "particularly difficult" for INDE to complete the resettlement program by September 30, 1985, as contractually agreed.

December 16, 1985 In a memorandum to Ms. Jane Hallow (EDS), Mr. Gonella addresses questions raised by the US State Department regarding several environmental aspects of the project. Mr. Gonella states that (i) as of November 1985, 750 people have been moved into 350 houses (intended to accommodate 2,200 people) built in three villages. Another 1,450 are expected to move in March 1986, after water and electricity are provided. The rest of the houses would be built by June 1986. (ii) Each family has been provided with 2.4 has., which is considered sufficient; and (iii) INDE has prepared a project for the forestation of 12,000 ha., which IDB will consider financing.

June 30 to July 9, 1986 Mr. de Franco, Mr. Klockner and Mr. Partridge travel to Guatemala to supervise the project. The resettlement annex of the BTO discusses the following: (i) 197 families are affected by the reservoir (280 directly and some 220 indirectly), and some land has yet to be acquired and distributed; (ii) serious delays have occurred in the provision of the barges; (iii) the Chicuxtín urban center will not be built, instead lots will be distributed to the families; (iv) progress has been made in developing income-earning programs; (v) completion of the physical works is estimated for December 31, 1987; (vi) there remain problems in the timely provision of funds to complement the resettlement program; and (vii) the resettlement program design used for finca San Antonio, and improved for finca La Italia, is very good.

August 5, 1986 In a telex to INDE's president, Mr. Moscote extends the date for completion of resettlement activities to June 30, 1987.

January 13 to 30, 1987 Mr. de Franco and Mr. Klockner travel to Guatemala to supervise the project. The BTO [2/11/87] states that "the revised resettlement program is under satisfactory execution" and that completion is expected by April 1987.

February 11, 1987 In a telex to INDE's President, Mr. Moscote notes that the resettlement work is scheduled to be completed in April 1987 and requests a confirmation of that date so that a supervision mission can be sent.

March 5, 1987 In a memorandum to files, Mr. Gonella refers to information on Chixoy requested by the office of the US Executive Director. Reference is made to the President's Report and to the confidentiality of the information.

October 16, 1987 In a telex to INDE's President, Mr. Halperin confirms the agreements and conclusions of a supervision mission that visited Guatemala in September of 1987. The telex states that "we take notice, with satisfaction, of the completion" of the resettlement program and confirm that the Bank will send a specialist in November to evaluate compliance with the agreed program.

November 15 to 23, 1987 Ms. Antoinette B. Brown (Anthropologist, Consultant, IBRD) travels to Guatemala to evaluate the resettlement program. She visits the resettlement area and compares the situation with that described in Mr. Partridge's report dated July 11, 1986. She submits a report with her findings on **December 7, 1987**. Her report identifies many important unsolved issues and recommends that the Bank continue supervising the resettlement program until at least the end of 1988. This appears to be the first report on file that refers to the 1982 conflict as it states: "about 30% [of the families] mainly at Pacux, have serious legal problems stemming from the army actions of 1982 and 1983 during which many people were killed and disappeared without death certificates, bodies or graves." The report goes on to say that "the total number of families affected has been revised upward to 451, from the September 1987 account, due to the discovery of 24 orphans from the community of Río Negro, living in an orphanage nearby, operated by an American charity. INDE employees are to be commended for their diligence in providing for these survivors. Apparently the community of Río Negro was attacked by the army in 1982 after the GOG declared the reservoir a 'national emergency' and the community was forcible (sic) moved to Pacux, which was occupied by the army until sometime in 1983. Not all family members survived, and many widows, as well as adult and minor orphans exist."

December 21, 1987 In a memorandum to Mr. Luis Luzuriaga, S. Davis (LATEN) concurs with Ms. Brown's recommendations. The memorandum suggests that a letter be sent to INDE, which "should focus specifically upon the legal issues of compensating the survivors (mainly widows and orphans) of persons who were killed or disappeared in 1982 and 1983,..." "If INDE lacks the legal authority to resolve these issues itself, we should insist that it seek Presidential intervention..." The memorandum suggests the visit of another resettlement specialist in June 1988 and "a thorough sociological evaluation upon completion of the project loan."

January 7, 1988 In a Back to Office Report prepared by Mr. Klockner and Mr. Luzuriaga and also signed by Mr. Halperin it is stated that "the resettlement of the population affected by the Chixoy reservoir has not yet been completed." "Since 97% of the loan has been disbursed, threatening with suspension is not a sensible option and could be counterproductive to our efforts to develop a cooperative working relationship. However, if there is no action in response to the mission's recommendation and the proposed letter, the issue should be raised with the Government at the Ministerial level."

January 15, 1988 In a letter to INDE's President, Mr. Halperin confirms Ms. Brown's conclusions and recommendations regarding the actions that should be taken. The letter states that the resettlement program has not been completed and therefore INDE is in violation of its contractual obligations. Main issues mentioned are: (i) land titling; (ii) water supply; and (iii) resettlement in El Naranjo. INDE is also asked to provide, by June 30, 1988: (i) a monitoring program for the resettled population; and (ii) an economic and social development plan that will allow the resettled population to at least recover the standard of living that they enjoyed prior to Chixoy project construction. Both items were to be implemented before December 31, 1988.

June 29, 1988 In a telex to INDE's President, Mr. Halperin requests the monitoring program as well as information on progress made in the resettlement program.

September 6, 1988 In a telex to E. Flores (Planning Manager, INDE), Mr. Halperin requests information on the resettlement program for a Bank study on the environmental impact of energy projects. INDE provides the information on September 30, 1988, and on October 14, 1988 it is forwarded by Mr. Luzuriaga to Mr. G. Schramm (IENED).

November 3, 1988 Among documents sent to LAC ISC by Mr. Halperin, there is a draft letter to INDE's President stating that a mission that visited Guatemala had been informed that all outstanding resettlement problems could be solved by INDE. The letter then asks that INDE take steps to address the outstanding issues and that these matters be included in the Project Completion Report that INDE was preparing. Copy of the signed letter is not in the files.

November 16, 1988 In a memorandum to Mr. S. Davis, Mr. Klockner states that the final supervision mission would be carried out at the end of 1989. A resettlement specialist was to be included in that mission.

December 20, 1988 Closing date of loan is extended to December 31, 1989.

December 22, 1988 Loan 1605-1-GU was amended to permit: (i) the supervision of the Escuintla thermal units, and (ii) the revaluation study of INDE and EEGSA assets.

March 16, 1989 INDE sends the Bank a report covering pending aspects of the resettlement program. It clearly shows that the program has not yet been completed.

May 18, 1989 In a fax to Mr. E. Flores (Planning Manager, INDE), Mr. Klockner informs him that Mr. Mena will travel to Guatemala in order to prepare the PCR.

June 28, 1989 In a BTO to Mr. Halperin, Ms. Brown points out the following: (i) a resettlement study was prepared in 1976 for the IDB by the firm Lavalin which was not implemented; (ii) INDE prepared a resettlement program that was approved by the President of Guatemala but was not appraised by the Bank; (iii) the communities which had not been included in the design resisted their displacement to urban centers in a neighboring state; (iv) in June 1978 the Government declared the resettlement area a 'national emergency', and that 'despite deteriorating resettlement conditions, in July 1978, the Bank loan became effective, without further investigations; (v) between 1978 and 1982 no progress was made in resettlement and 'as dam construction progressed, the GOG, in June 1982, forcibly moved the affected population to the margin of the reservoir...; (vi) the 'design of five urban centers was not only opposed by the majority of the community, but was clearly inappropriate for indigenous subsistence horticulturalists; (vii) the failure of INDE to provide, and IBRD to require, a clear concise resettlement plan for Bank appraisal...directly contributed to the delays which followed; (viii) 'INDE has implemented

minimal efforts to restore the level of life in the affected communities to that before the project;" (ix) 'Field observations revealed that the urban settlement of Pacux is worse off than neighboring communities due to crowded and unsanitary conditions, and a scarcity of arable horticultural land;' (x) 'the project has had a negative impact on the physical environment;' (xi) 'Early [Bank] supervisory missions between 1978 and 1983 gave little or no attention to resettlement issues. Most seriously, when it became clear that the dam was going to be finished before the resettlement villages, the Bank failed to delay the closing of the dam and filling of the reservoir, putting many affected individuals at risk;' (xii) "the worst decision [by INDE] was to evict the affected families from the basin in 1982 rather than to delay the closing of the dam. This decision led to the miserable conditions of poverty imposed on the population from 1982, until 1989 for some families;" (xiii) 'the Bank approved the Loan without a complete resettlement plan and failed to provide adequate supervision during the first six years of the project.' Ms. Brown's report also mentions that an optimistic date for completing the resettlement program would be by the end of 1989.

June 29, 1989 In a fax to INDE's President, Mr. Halperin lists all pending matters to complete the resettlement program and asks for comments and a timetable to address these issues.

August 7, 1989 In a fax to INDE's president, Mr. R. Panfil (Acting Division Chief) requests a reply to the June 29 fax and states that the project's final report, to be prepared by INDE, should be sent to the Bank by the third week of August.

October 4, 1989 With a letter to Mr. Halperin, INDE's President submits the Final Report for the project.

February 28, 1990 Mr. Mena is appointed as consultant to prepare PCR for the loan.

April 25, 1990 First draft of PCR circulated internally for comment.

February-March 1991 First draft of PCR circulated externally for comment.

July 19, 1991 Mr. P. Knotter sends PCR to OED and recommends that they audit the project.

December 31, 1991 PCR issued.

May 1, 1992 Mr. Halperin notifies Mr. Y. Albouy that they are reviewing the draft PPAR.

May 18, 1992 Mr. Halperin sends Mr. Albouy their comments on the draft PPAR.

of the minor and poorer family units. When a situation arises in which such powerful and wealthy lineages find it advantageous to alienate some portion of their usufruct land to a Ladino colonist, the Junta Directiva in Los Pajales might find it difficult to block such an event, particularly if the Ladino in question were of some power and influence himself or herself in Cubulco or Rabinal.

Inequivalent access to resources is expressed in other ways related to kinship. Livestock are for the Maya-Quiché capital investments with excellent rates of return measured against opportunity costs, depreciation costs, and maintenance costs of alternative investments. Livestock are bank accounts by which households/families can be socioeconomically ranked. The Ruiz-Coz lineages own 33% of the total domestic livestock in Chicruz, or 33% of the total capital. Though in some families one or more males out-migrate in search of work (through which a return of only Q80 for 60 days or Q65 for 30 days can be realized), the Ruiz-Coz lineages have not historically contributed their young males to that out-migrant flow. Similarly, young men of these lineages do not have to seek work on Ladino cattle ranches; whereas in some households income generated from weaving petates from local palms accounts for up to 50% of total household income, very few of the powerful and wealthy families spend much time weaving palm petates. In short, neither Chicruz nor the other villages and towns of the Maya-Quiché are socially, economically, politically, nor culturally homogeneous.

This is the social and cultural context in which the Instituto Nacional de Electricidad (INE) entered, intending to resettle those villages threatened by the Chixoy reservoir.

B. Chronology of Resettlement Activity*

February 1975	First Application for loans from BID by Guatemala.
March 1975	Special mission of BID examines financial aspects of project.
March and August 1975	INDE contracts management of the Institute of Anthropology and History of Guatemala (IDAEH) to carry out evaluation and salvage program of archeological sites, believed to be two in number and of little importance.
September 1975	Special mission of BID examines engineering and geological aspects of project.
December 1975	"Project Report, Chixoy River--Pueblo Viejo Hydroelectric Project" submitted.
	Report describes negative social impacts as "limited"; the area to be flooded "is sparsely populated and the social change arising from

*This information is part of the report "Comparative Analysis of BID Experience With Resettlement, Based on Evaluations of the Arenal and Chixoy Projects" by William L. Partridge, Consultant to the IDB.

the necessary resettling will be small." Report estimates 200 families will be "affected." Objective of resettlement stated to be "an improvement of the living conditions of the population in the service area of the project" rather than mere compensatory payment for damages.

Report recommends that technical cooperation agreement then being prepared for coordinated development of the Chixoy River Basin "shall include the preparation of a plan for resettling the families" affected by the reservoir.

Project estimated costs and financial arrangements contain no mention of resettlement costs or financing plans.

January 1976

Loan contract Nos. 301/OC-GU, 302/OC-GU, 454/SF-GU, and 6/VF-GU signed by BID and Republic of Guatemala.

No mention of resettlement program or plans for one. No mention of source or amount of financing. Only related clause concerns land acquisition (Chapter V, Clausula 2 (d) (ii), in which INDE is required to satisfy BID that it has possession of lands where project works are to be constructed "de conformidad con las disposiciones legales en vigencia." Construction to begin at the end of 1976.

February 1976

A major earthquake occurs in the region.

March 1977

IDA EH contracts Misión Científica Franco-Guatemalteca to conduct evaluation and salvage of archeological sites.

March 18-
July 14, 1977

Series of letters, memos, and meetings between officials of INDE and the Instituto Nacional de Transformación Agraria (INTA) in which INDE attempts to enlist help of INTA in managing the resettlement problem.

August 4, 1977

Chixoy Project Director sends memo to INDE General Manager, declaring severity of resettlement problem, inability of current staff to handle it, and calling for new special unit to carry out the resettlement.

August 22, 1977

Sector Specialist of BID sends letter to General Manager of INDE declaring INDE responsible for resettlement problems of Chixoy Project, and asking for development of a "political philosophy" that will determine the policy to be adopted. Mentions three options.

August 24, 1977

General Manager of INDE sends a letter to request assistance of the Instituto Nacional de Transformación Agraria (INTA), specifically in locating resettlement community sites, surveying lands, soil studies, and acquiring such sites. Estimates 300 families would be involved.

September 23, 1977

Letter from INDE General Manager to INTA President complaining that BID wants a resettlement plan and policy submitted, but that INTA has not cooperated thus far and has caused the delay.

September 30, 1977

BID Representative letter to the Minister of Agriculture requests he take an active role in developing a resettlement plan and acquiring land for relocatees, but noting that INDE is primarily responsible for planning and implementing the program.

October 25, 1977

BID Representative, in a letter to the General Manager of INDE, calls attention to the 21-month delay in acquiring lands affected by project works and in resettling the population to be flooded out, asking for program reports to be sent to BID three times a year from this point on.

November 7, 1977

INDE advertises in national newspaper for land to purchase for purposes of resettlement, indicating acceptable locations include, municipios of Cubulco, Salamá, San Cristóbal Verapaz, Santa Cruz Verapaz, Tactic, Cobah, Uspantla, or Sacapulas.

November 8, 1977

General Plan for Resettlement submitted by INDE to BID and to INTA (7 pages). Plan calls for all displaced to be sent to Finca La Primavera, in Alta Verapaz. Some 1,486 people are defined as "affected" by the flooding of 1,765 hectares below the 745-meter quota. People defined as "subsistence" farmers on small plots of poor soil. Plan is to be implemented immediately and completed by July 1978.

November 18, 1977
 BID Representative again sends letter to Minister of Agriculture asking for assistance with resettlement.

November 23, 1977
 INDE and INTA sign contract for cooperation in resettlement planning and implementation, in which Finca La Primavera is identified as resettlement site of displaced families.

January 2, 1978
 Minister of Agriculture refuses cooperation in resettlement program in letter to BID, expressing opinion that such activity is responsibility of INTA.

February 1978
 INTA sends Engineer to the Finca La Primavera to inspect site. Site surveyed, soils evaluated. INTA sends letter to INDE approving site choice.

February 28, 1978
 BID Representative, Subrepresentative, and Sector Specialist send letter to INDE acknowledging receipt of General Plan for Resettlement. But letter points out the plan addresses only the need for land surveys and acquisition. It does not address the requirements for resettlement. These listed as (1) designs for urban area and areas for cultivation, lot sizes, roads, etc.; (2) services including potable water, lights, septic tanks, health clinic, schools, cemetery, public buildings, churches, sports facilities, etc.; (3) costs of resettlement and how they will be financed; (4) plan for moving families, their goods, and their livestock; (5) organization of cooperatives, assistance with appropriate crops, assistance with social problems.

February 22, 1978
 General Manager of INDE sends letter to BID Sector Specialist informing him that the INTA Engineer "has selected" Finca La Primavera for the resettlement of the affected people on the basis of surveys, soils studies, etc. Area said to be 43 caballerías, considered sufficient for 300 families, with flat land for urban zone, potable water available on site, access adequate, "reasonably good" soils, and the possibility of exploitation of a gypsum mine as a source of employment for relocatees.

May 17, 1978
 In a letter to INDE General Manager, President of Republic of Guatemala names Engineer Rubén Estrada as head of unit (as yet to be named) within INDE charged with the resettlement.

May 24, 1978

As the deadline date for the completion of the General Plan of Resettlement draws near (June 1978), Council of Directors of INDE declare the "situation of the resettlement of the inhabitants of the area to be flooded with the construction of the reservoir of the Pueblo Viejo-Quixal Hydroelectric Project to be a national emergency," which gives INDE power to proceed in haste with purchase of land, services, and installations in accord with laws of Guatemala.

June 22, 1978

A new "General Program of Resettlement in the National Farm Primavera" (Alta Verapaz) is transmitted from INDE to the President of the Republic, BID, Ministry of Communications and Public Works, INTA, and others.

June 23, 1978

President of the Republic declares resettlement project a "national emergency."

March 1, 1979

INDE creates Office of Human Resettlements, headed by Engineer Estrada. Contract signed with Dr. G. A. Gaitán Sánchez, a sociologist with two years experience in the region working for National Committee on Reconstruction following earthquake, as Technical Consultant.

1st semester 1979

INDE reports to BID that Dr. G. A. Gaitán Sánchez hired for resettlement program and socioeconomic research in the region has begun.

Inhabitants of Chicruz reject the plan to resettle them to the National Farm Primavera in Alta Verapaz (because such a move would place them far from the kinship, economic, political, religious, and social resources on which they depend to make a living and would place them under the control of elders of a different subgroup of Maya with whom they are not friendly).

Inhabitants of Rio Negro petition INDE to remain in their municipio of Rabinal and ask for construction of a town near the present site of village, a concrete bridge by which to cross the future reservoir, etc., thus similarly rejecting plan to resettle them to National Farm Primavera.

May 1979

Archeologists begin excavation of Cauinal, deemed the most important site.

2nd semester 1979

INDE reports that plans for resettlement of Chicruz people to National Farm Primavera are continuing, and design of the urban segment of the settlement has begun.

Pacux, Rabinal, Baja Verapaz designated by INDE as resettlement site for Rio Negro people. Contract signed with Ingenieros Constructores de Guatemala, S.A. to build 150 houses, a Catholic church, a Protestant church, a 6-room school, and a community center.

In meetings with inhabitants of Rio Negro Chicruz, INDE rejects notion of a bridge over reservoir and promises boats and ferries so that normal communications and commerce can be resumed.

1st semester 1980

New socioeconomic surveys by Dr. Gaitán and team of bilingual fieldworkers produce revised census of "affected population." There are now said to be 437 families threatened with resettlement, some 3,445 people.

Payments for crop losses and damages are now paid to 80% of "affected population."

Surveys and soils studies of National Farm Primavera now completed. Design of urban center of National Farm Primavera now completed. The 130 families of Chicruz are to be resettled here. Contracts for construction of houses, access road, public buildings, and water system to be completed in June 1980.

Construction of urban center for Pacux, Rabinal for resettlement of Rio Negro families begun. Agricultural lands not yet located.

Resettlement sites for remaining communities not yet located, and it is noted that all of these have likewise rejected the plan to resettle them to the National Farm Primavera.

April 1980

Archeologists present results of study with proposal for salvage and development of the city of Cauinal as a tourist site to the Executive Director of the project, who in turn

routes the proposal to the attention of the supervisor of complementary studies. The archeologists estimate \$200,000 as cost of protection of the site for tourism purposes.

2nd semester 1980

In response to continued resistance of the inhabitants of Chicruz, their resettlement site is changed to some (unspecified) location in their own municipio of Cabulco. Plan for resettlement communities at National Farm Primavera are now dropped. Search for site begun.

Construction of urban center at Pacux now 30% done. Agricultural lands still not located.

The farm El Naranjo is selected as the resettlement site for the settlements of Guaynep, Chitomax, and Chirramos, located in Cubulco, Baja Verapaz. Process of acquisition begun.

As the date for filling the reservoir (according to the original project design) is January 1981, the inhabitants of Chicruz, Guaynep, Chitomax, Chirramos, and those of River Carchela petition INDE to provide emergency housing at the margin of reservoir until the permanent resettlement sites are identified and ready for occupancy.

August 1980

Supervisor of Complementary Studies of Chixoy Project informs Project Director and Archeologists that the plan to protect Cauinal and develop it as a tourism business is not feasible. Two major reasons are: (1) the rock in the area may not be suitable, even though the engineer made no geological studies of the site and (2) not enough time remains to complete the engineering work for protecting the archeological city from flooding, since the date for filling the reservoir is January 1981.

January 1981

Original date for filling reservoir passes.

Archeologist appeals to assistant project director for approval of salvage plan, noting the potential of Cauinal as a tourist attraction and the fact that the date for closing the dam will be delayed anyway in all likelihood. No response to this appeal documented.

April 1981

BID sends mission to reevaluate Chixoy Project's progress, to determine realistic schedule for completion, evaluate new economies of project, determine reasons for delay, determine ability of INDE to complete project under conditions of higher costs, and determine new scheme for financing project. Resettlement problems not a major focus of this mission.

Coincident with this mission, INDE publishes "Los Asentamientos Humanos en la Cuenca del Río Negro o Chixoy" from the Office of Human Resettlement and authored by Dr. G. A. Gaintán Sánchez, containing census materials on the 23 settlements to be flooded, social statistics, history of region, archeological site locations and importance, information on housing types, and economic resources. Resettlement plans and progress are summarized, problems are identified, solutions and recommendations are made.

Resettlement Annex
1st semester 1981

Some 95% of payments for lost crops and damages have been made.

Delays in acquisition of land for displaced families attributed to "change in mind of relocatees" regarding sites selected. Further delays stem from protests of owners of expropriated lands over prices offered.

Acquisition of agricultural lands is "going well" but problem is lack of any large land holdings in Cubulco suitable for resettlement, so that several smaller holdings must be identified, evaluated, and litigated, further slowing process of acquisition.

Pacux resettlement community completed and ready to receive families from Río Negro. Documents registering ownership of houses being prepared.

Delivery of boats and ferries suspended temporarily, as all energies are being devoted to constructing emergency housing at reservoir margin in anticipation of flood.

October 6, 1981

"Informe de Proyecto, Financiamiento Adicional Para el Aumento de Obras del Proyecto Hidro-electrico Pueblo Viejo--Quixal en el Río Chixoy" submitted.

Report identifies zone "affected directly or indirectly" by the reservoir as inhabited by 443 families and 3,445 people. The economic base is described as "precarious" and "subsistence" only.

Importance of land tenancy to the people highlighted. Some 50 archeological sites affected by the project mentioned, some of which are mentioned in the Popol Vuh (described as the Maya Bible).

It is noted that urban center of Pacux is ready for 150 families. The remainder of displaced families are said to be being prepared for relocation to National Farm Primavera (Alta Verapaz) where INDE is at that point constructing houses.

The displaced people are said to be collaborating with the authorities in the selection of adequate sites and the types of houses being constructed, which has resulted in a change in original plans to include temporary housing in the agricultural lands in addition to permanent housing in the urban centers under construction. INDE is in the process of acquiring new agricultural lands.

INDE has decided, it is said, to construct a road of 6 kilometers that will unite the new urban sites with the reservoir zone, from which the families may take boats being supplied by INDE to cross the reservoir.

Finally, a footnote indicates that the World Bank contract with INDE (BIRF-1605/GU) includes a clause obligating INDE to provide houses and services for the relocatees of better quality than those they enjoyed previously. For this reason, the new loan contract between BID and INDE does not include a clause of this nature.

The report further states that a program exists to rescue important archeological sites that will be flooded by the reservoir, not only because of their cultural importance but also in order to develop tourism in the region, with reference to report of A. Ichon in 1979.

December 17, 1981

Second loan contracts signed by Republic of Guatemala and BID, Nos. 301-A/OC-GU and 302-A/OC-GU.

Resettlement Annex
1st semester 1982

No specific clause makes reference to requirements for resettlement planning or implementation; but for the first time a budget line exists under the direct costs of construction for "Purchase of Lands and Resettlement" in amount of US \$3.8 million. The source of these funds not clearly identified, but assumed to be local.

Initiated payments to Ladinos owning private farms (145 in total) whose land will be flooded but not replaced.

After two years, urban center El Naranjo in Cubulco for Guaynep, Chitomax, and Chirramox about to be purchased by INDE.

Urban center Chicuxtín in Cubulco evaluation still pending after one year; planned for Chicruz.

Urban center Italia, for settlements of River Carchela, now surveyed and awaiting evaluation.

Agricultural lands in Cubulco identified and owners advised of INDE evaluation. Awaiting responses (4 different farms).

Plans for settlement at El Naranjo ready, in progress for Chicuxtín, and not yet begun for Italia.

Emergency housing 98% completed. Residents provided labor, cutting trees in reservoir area to build houses, and INDE provided some milled lumber and training programs for carpentry and woodworking. Some cement and some block provided by INDE and school building. An endless series of courses offered to "improve" lives of displaced families.

Insurgency and counterinsurgency armies occupy areas of Cubulco, Rabinal, and San Cristóbal Verapaz. Army of Guatemala occupies Pacux resettlement community beginning December 1981 until present. [Author's note: In fact, army stayed until March 1983.]

June 25, 1982

Junta Directiva de la Comunidad Indígena of Los Pajales, Directors of Local Committees of Reconstruction in Los Encuentros, El Cebollal, Chirramos, Chitomax, Guaynep, Patsulup, Chicruz, Cauinal, some 20 professionals

and merchants of Cubulco (including mayor) all sign a petition addressed to President of the Republic of Guatemala. It asks that the archeological city Cauinal be rescued from the flood waters both because of its religious significance to the Maya-Quiché and because of its potential for generating a tourism industry. The petition points out that INDE plans to build a monument of steel and cement to honor an engineer that will cost three times what rescue of the sacred site would cost and suggests that this money be allocated to save Cauinal.

Resettlement Annex
2nd semester 1982

Almost all inhabitants along river system now transferred to emergency housing, excepting settlement of Río Negro. Population of Río Negro implicated by Guatemalan army in insurgency activity, and emergency housing burned. Most scattered into mountains, but a few (17 out of 150 families) have moved into Pacux urban center now shared with army garrison.

Dirección de Catastro y Avalúo de Bienes Inmuebles (DICABI) continues to be slow in making final evaluation of lands to be acquired. Matters still pending action. Until this is done, all work is stopped except for continuing courses to "improve" life for the displaced families.

It is predicted that once land is acquired, construction of new settlements will not be completed until end of 1983 or beginning of 1984.

Work begun on foot and mule paths between emergency settlements and Cubulco, since old ones will be unnundated.

Site of new bridge (hammock) located near Chicruz emergency settlement to link two halves of municipio and designs have been developed for its construction. School, clinic, and community center under construction in Chicruz to serve all displaced people of that area. Health center put in Chirramos with help of USAID; potable-water system put in Chirramos with help of UNICEF.

Boat purchases delayed because prices have been inflated over two years since estimates were obtained.

All work made dangerous and slowed by continuation of warfare in the countryside.

Worry expressed that budget in future will be insufficient because all funds not expended for land acquisition, boat purchases, construction, etc. is absorbed by central fund of INDE. The resettlement unit must then argue for them again in the future (slowing even further any possible actions). The social, economic, and political consequences of further delays are predicted to be grave.

Resettlement Annex
1st semester 1983

DICABI still has not completed the fiscal evaluation of needed lands.

The 145 private-property holders who are to receive cash compensation only are still awaiting payment, pending review of their appeals.

Urban center of El Naranjo now in possession of INDE. Chicuxtin urban center awaiting approval of acquisition papers by Contraloría de Cuentas. La Libertad now in possession of INDE. Negotiations opened with Banco Nacional de la Vivienda to construct houses for the settlement of Camalmapa whose petitions for such help were received at the "last hour."

INDE has in possession agricultural lands of 27 hectares in Cubulco and 47 hectares in San Cristóbal Verapaz. Remainder still in process.

Construction of urban centers now in stage of approval of plans and terms of bidding and contracting construction.

Still only 17 families living at Pacux, two years after its construction.

Two boats delivered to people in emergency housing in Chicruz, but these must serve to unite all settlements.

January 27, 1983

Dam closed and reservoir begins filling.

Response of people seeing water rising while promised assistance not yet available described as "anímico."

May 19, 1983

At the palace of the President of the Republic, 34 leaders of settlements displaced by the Chixoy reservoir assembled. They threaten not to eat until the promised road to link Cubulco with the emergency-housing settlements along the reservoir margin is completed. Extensive press coverage is given their protest.

May 22, 1983

Bulldozer begins cutting road from Cubulco to edge of reservoir and emergency settlements.

May 27, 1983

President of the Republic sends telegram to settlement leaders promising that INDE will complete the road and all other promises will be honored.

August 27, 1983

Petition presented to President of the Republic by the members of the Junta Directiva de la Comunidad Indígena at Los Pajales and the Directors of the Local Committees for Reconstruction of numerous towns and villages of the indigenous highlands of the municipios of Cubulco and Rabinal (claiming to represent over 6,000 families). Petition signed by 490 leaders of indigenous towns and villages. It notes that for years the government has ignored them, and now because of the Chixoy dam they are unable to go to their Maya-Quiché market in Cubulco (the road linking Cimientos Cala/Pajales/Cubulco cut by reservoir) and are forced to go to a foreign market, the Uspanteca-Quiché in Uspantan where they are not welcome. The petition refers to previous petitions for boats to cross the reservoir, rescue of Cauinal, etc. that have gone unanswered. They ask for (1) a road from Cimeintos Cala to Cubulco with a bridge to cross reservoir; (2) two boats to transport cargo across reservoir--small passenger boats now in use don't serve this purpose; (3) access to electricity generated by the dam so they can have lights; (4) health centers, schools, churches, community centers; (5) reversal of INDE's historic position that they are "not affected" by the Chixoy Project, because they cannot cross the river as their fathers have for centuries; (6) opportunity to work on these projects rather than everything being done by outsiders.

Note:

Nowhere in the INDE Project Reports from 1975 to 1983, nor in the BID-Guatemala correspondence, nor in the report by Dr. Gaitán Sánchez ("Los Asentamientos Humanos en la Cuenca del Río Negro o Chixoy") is the resettlement plan developed by Lamarre Valois International Limitée Lavalin (Canadian consulting firm) and submitted to INDE mentioned. The document is not dated, but the plan is detailed and recommendations are good. It is a mystery why the consultant's work was ignored.

C. Analysis of the Planning and Recruitment Phase

By any measure, the resettlement program of the Chixoy Project has been a disaster. The author is skeptical, moreover, that the relocated population will be able to recover its former level of living under current conditions. The fundamental reasons for the failure of the resettlement program are found in several steps of the planning and recruitment stage.

(1) Office of Resettlement

The Office of Human Resettlements was created by INDE within the Division of Planning and Projects on March 1, 1979. This was over three years after the BID loan contracts were signed. As a result, during the initial three-year period responsibilities for planning aspects of the resettlement program remained poorly defined. No one was certain who had responsibility for how much of the program. The Project Report dated December 1975 recommends that planning for the resettlement take place, but no mention is made of responsibility or budget for this. The BID loan contracts executed in January 1976 make no mention of the need for resettlement planning, responsibility for resettlement programs, or financial aspects of either.

The only relevant clause contained in the BID loan contracts concerns the requirement that INDE present evidence that it has possession of lands necessary to execute the Chixoy Project in conformity with the laws of Guatemala in force at the time. In fact, as of January 1983 when the dam was sealed and the reservoir began filling, some of the properties flooded had not been paid for and were in litigation. The communal lands flooded are a more complicated legal problem than it appears on the surface, for it is the community as a whole that owns such lands. To the author's knowledge, INDE at no time even contacted the leaders of the community, much less discussed with them compensatory actions could be undertaken in exchange for legal ownership of those lands by INDE.

The ambiguity surrounding the role of INDE in resettlement, the roles of other government agencies in resettlement, and the expectations of BID regarding resettlement resulted in failure to establish any systematic planning process to design and implement a resettlement program. The

OFFICE MEMORANDUM

DATE: May 15, 1996

TO: Mr. Caio Koch-Weser, EXC

FROM: Zafer Ecevit, Acting RVP, LAC *Z.H.E.*

EXTENSION: 84072

SUBJECT: **Background on Massacre Allegations in Guatemala**

1. Allegations have recently been made public that massacres occurred in Guatemala in 1980-82 that were directly connected to protests against resettlement under the Bank-financed Chixoy Dam.
2. Given the possibility that questions might be asked of Mr. Wolfensohn on his current trip, we in the Region concluded that at least a preliminary briefing package should be provided to the President's party as a matter of urgency.
3. For your information a copy of the package faxed to Tokyo last night is attached.

cc: Mr. M. Strong
Ms. J. Bassinette

*File
it*



cc. T. Ory
/

FACSIMILE COVER SHEET AND MESSAGE

DATE: May 14, 1996

NO. OF PAGES: {#}
(including cover sheet)

MESSAGE NO.: {#}

TO: **Mr. Satoru Miyamura**
Title: Director
Organization: **World Bank**
City/Country: **Tokyo, Japan**

Fax: (81-3) 3214-3657

FROM: **Shahid Javed Burki**
{Title} Telephone:
Dept/Div: {DivName}
Room No.: {Room #}

FAX NO.: (202) 676-9271 Title:
(202) 458-2332
Dept./Div. No.: 311/05

SUBJECT:

MESSAGE:

^{cc}
URGENT.....URGENT

FOR WOLFENSOHN PARTY

Grateful you help in providing the attached package to Ms. Atsuko Horiguchi, EXC as soon as possible.

Please also provide set to Mr. Mark Malloch-Brown, EXT, on arrival.

Many thanks,


LACVP.

**PLEASE CONFIRM
RECEIPT : TOTAL 9 PAGES.**

Transmission authorized by: authorization

If you experience any problem in receiving this transmission, inform the sender at the telephone or fax no. listed above.

The World Bank
Washington, D.C. 20433
U.S.A.

ANTHONY ODY
Special Assistant to the Vice President
Latin America and the Caribbean Regional Office

May 14, 1996

Ms. A. Horiguchi & Mark Malloch Brown

Atsuko/Mark:

Re: Guatemala massacre and Bank investment in Chixoy Dam

A recent press release by International Rivers Network and Witness for Peace alleges that protesters against resettlement under this Bank project were massacred in 1980-82 and that we either knew or should have known. A letter writing campaign to J.D.W. is getting under way.

As background for the two of you, I am attaching the Department's brief on the subject sent to Javed this afternoon. Just in case a question is asked at JDW's press events on this, Mario has drafted a suggested short answer you may want to share with JDW.

Many thanks,


Tony Ody

We only recently heard about these allegations. I can assure you that the World Bank takes allegations of this nature very seriously. As we all know Guatemala has been experiencing a terrible civil war for the last thirty years, and they now seem to be in reach of peace. Our staff is looking into these charges about events that may have taken place more than a decade ago. Right now we have no reason to believe there is a connection between the violence in Guatemala and any project financed by the World Bank and the IDB. But we are looking into it, and I can assure that we will share any further findings on this matter.

OFFICE MEMORANDUM

DATE: May 14, 1996

TO: Mr. Shahid Javed Burki, Vice President, LAC

FROM: Donna Dowsett-Coirolo, Acting Director, LADCN

EXTENSION: 30121

SUBJECT: **GUATEMALA: Chixoy Project**

Background

1. A recent report from Witness for Peace¹ claims that between 1980 and 1982, some 376 people were massacred by the Guatemalan military and paramilitary death squads when they resisted eviction from their village of Rio Negro, to make way for the reservoir of the Chixoy Hydroelectric Project. The accounts of the massacres are gruesome, and were pieced together from survivors who began to speak to outsiders in 1993.

2. The World Bank and IDB co-financed the Chixoy Project under several loans. (IDB: \$105 million in 1975, and \$70 million in 1981; World Bank: \$72 million in 1978, and \$45 million in 1985). Various World Bank missions visited the project site in the years following the attacks on Rio Negro, but there are no specific reports on the subject. The accusation against the Bank now is that if the Bank knew about the massacres, continued support for the project was at best a cover up and at worst an act of complicity in the violence. If the Bank did not know of the slaughter, then it was guilty of gross negligence since the massacres, and the reason behind them, were allegedly common knowledge among the local people. The report also criticizes the project itself and quotes the 1991 PCR which describes Chixoy as an "unwise and uneconomic disaster".

3. Since hearing last month that such a report was about to come out, the Department has made a quick effort to find out what were the facts. Meanwhile, Mr. Wolfensohn received a letter from Rev. Lester and Mrs. Jane Bill, to which a reply was sent (May 6), signed by Ian Bannon as Acting Director, based on the information we had been able to gather from our preliminary investigation. Evidently, the Bank did learn of the attack on Rio Negro, but interpreted it in the context of the broader military-guerrilla insurgency conflict in Guatemala. The Bank did, however, attempt to deal with the survivors by designing and taking a tough negotiating stance on a sensible resettlement program, as a condition for the second loan. On May 9, the International Rivers Network and Witness for Peace issued a press release, demanding an investigation into the Chixoy massacres and attaching a letter to Mr. Wolfensohn (copied to Mr. Iglesias).

¹ *A People Dammed: The World Bank-Funded Chixoy Hydroelectric Project and Its Devastating Impacts on the People and Economy of Guatemala.* Witness for Peace, Washington, DC, May 1996.

Next Steps

4. On May 15, a group of us met to consider our options. Attending the meeting were Mario del Carril, Tim Cullen, Bill Partridge, Robert Goodland, Shelton Davis, Martin Staab, Ian Bannon, Jose-Roberto Lopez-Calix, Cora Shaw and myself. We agreed that: (i) the accusations are serious, (ii) they are likely to be picked up soon by the more established media, and (iii) the Bank should take a pro-active stance in dealing with them. Although we have not heard from Mr. Wolfensohn's office, the letter from Witness for Peace and the International Rivers Network must be on its way and will require a considered reply. It was also agreed that Mr. Wolfensohn should be alerted as soon as possible of the issue, so that he is not caught off guard, especially if the matter is brought up by the press during his travels.

5. The group recommends the following course of action, subject to your agreement:

(i) **The UN Human Rights Commission (MINUGUA):** The Commission was set up last year as part of the peace negotiations, and would be the proper forum within Guatemala to examine whether the atrocities did occur, and what were the circumstances. We have good relations with MINUGUA because of our current involvement in the peace process, and will check quickly whether the Chixoy incident has been investigated or if it is in their current agenda of cases. If neither, the parties could be encouraged to bring their claims to MINUGUA. We would offer to provide any reasonable assistance that MINUGUA requested.

(ii) **The Government:** We are informally alerting the Minister of Finance of the situation and warning him that this may soon hit the media and, if so, will be quickly picked up by the local papers. We will also keep Mr. Jimenez-Ortiz (EDS) appraised of the situation and the steps we are taking.

(iii) **The Department:** We are putting together a factual summary of what we know based on our official files and the oral recollections of those that were involved in the project (it turns out that several people in the Bank do have considerable knowledge of the events surrounding the Chixoy project since the early 1980s).

(iv) **Maurice Strong:** It would appear that this is not a case for the Inspection Panel, since the project is now closed. On the other hand, an investigation only by the Department itself into the Bank's own role and compliance or not, with its policies on resettlement, proper supervision, etc., may not be credible. We therefore considered the option of having someone like Maurice Strong take charge of the review, perhaps with the assistance of the Legal Department (e.g., the new lawyer responsible for resettlement).

(v) **IDB:** We will contact IDB to coordinate our response and whatever course of action we decide on.

May 14, 1996

(vi) **Press Contacts:** For the time being, all media questions at this end should be handled by Mr. del Carril. If the matter is raised directly with Mr. Wolfensohn, he should take the position that the Bank takes the matter very seriously and is looking into it. Once we have additional input from MINUGUA, the Government and IDB, and have decided on a course of action, we should probably take the initiative in issuing a press statement. This would be preferable to waiting for an onslaught of press reports, which will inevitably place us on the defensive.

Attachments

cc: Ody (LACVP); del Carril (LACEA); Cullen (EXTME); Goodland (ENVDR); Davis (ENVSP); Partridge (LATEN); Lopez-Calix, Bannon (LADCN); Staab, Shaw (LASLG).

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

May 6, 1996

Reverend Lester and Mrs. Jane Bill
1015 White Oak Drive
South Bend, Indiana 46617

Dear Rev. and Mrs. Bill:

Thank you very much for your letter to Mr. Wolfensohn, who has asked me to respond on his behalf. Let me state at the outset that we at the World Bank understand the revulsion you feel and have expressed in your letter. I understand that the attack on the village of Rio Negro in 1982, to which you refer, did indeed occur and many people were killed. However, the Bank had no reason to believe that this attack was related to the resettlement of villagers to make room for a reservoir of the Chixoy Power Project. As you know, the Guatemalan highlands were the scene of major insurgency and counter-insurgency activity during this period. Rio Negro was one focal point for the insurgency movement, and we understood that the attack had been a military operation aimed at the rebels.

This civil war, as you may know, has festered for a long time. Many people have been killed and the country has suffered enormously. It is only in the last year, that peace negotiations seem to be leading to a sustainable peace accord. We are hopeful, as I am sure you are, that the peace process will continue, and we will do everything possible to help Guatemala achieve this result.

I would also like to respond to your more general concern regarding the World Bank's policy with respect to large dam projects. First, I want to assure you that our current policies require that: the affected parties participate at all stages in the project cycle, including at the earliest conception stage; that resettlement plans be drawn up and implemented to ensure that the affected parties are properly resettled and compensated; and that adequate environmental impact assessments are carried out and appropriate safeguards are put in place. The Bank's policies in these areas have been evolving over the past several years and, at present, are much tighter than in the past.

With regard to the resettlement of villagers under the Chixoy Power Project, it is clear that this aspect of the original project encountered difficulties from the start. The original resettlement planning efforts of the agency responsible fell well short of Bank expectations, and implementation suffered major delays due to these deficiencies. The Government and the Bank were able to assess and improve the situation when, in 1985, working with the affected people and the Government, and as a condition of a new loan, an entirely new approach to resettlement was agreed. I am happy to inform you that this

May 6, 1996

new plan was much better designed than the original scheme, and was also well carried out.

I hope this answers at least some of your questions, although as I said above, I understand and fully appreciate your concern. Please rest assured, though, that the Bank's objective in all our client countries is the same as yours—to improve people's living standards—and we are constantly trying to learn and improve the way we go about doing that.

Sincerely yours,

A handwritten signature in dark ink, appearing to read 'Ian Bannon', with a long horizontal line extending to the left.

Ian Bannon
Acting Director
Central America Department
Latin America and the Caribbean Region

NGOs Demand World Bank Investigation Into 1980s Massacres at Guatemalan Dam Report Reveals 376 Murdered After Resisting Eviction

International Rivers Network and human rights group Witness for Peace have today written to World Bank President James Wolfensohn calling for an independent investigation into World Bank involvement with Guatemala's Chixoy Dam. A recent report from Witness for Peace* reveals that between 1980 and 1982 some 376 people, mostly women and children, were brutally murdered in a series of massacres when they resisted eviction from their village of Rio Negro to make way for the Chixoy Reservoir.

The World Bank and Inter-American Development Bank (IDB) both gave two loans for the Chixoy Dam, the World Bank's second loan being made in 1985 - after the massacres took place. Internal reports from the World Bank and IDB refer to problems with resettlement at Chixoy but nowhere mention that more than one in ten of the people supposed to be resettled were murdered shortly before the reservoir filled.

After years of living in fear, survivors of the atrocities first began to speak to outsiders in 1993. In November of that year forensic experts began to exhume the bodies from the largest massacre.

The Witness for Peace report says:

"If the [World] Bank knew about the massacres, then giving an additional loan to the project was at best a calculated cover up, and at worst an act of complicity in the violence. If the Bank did not know about the slaughter, then it was guilty of gross negligence. Either way, the Bank is implicated in the horrors perpetrated against the village of Rio Negro in 1982."

Patrick McCully, Campaigns Director of International Rivers Network says:

"We believe that these shocking revelations require an independent investigation to discover whether or not Bank project staff knew about the massacres and if so why these were not reported in subsequent Bank documents. If it is concluded that Bank staff were unaware of the massacres then it should be investigated how they were able to remain ignorant."

"The Chixoy massacres hold important lessons for the consequences of funding forced resettlement in countries with repressive regimes. An investigation into this matter is also extremely important given the tendency seen in other projects for Bank staff to ignore or suppress information on the real impacts of their projects on local people."

While the Rio Negro massacres occurred in the context of the brutal government counterinsurgency campaign which left 72,000 Guatemalans dead or missing between 1980 and 1984 alone, local church workers, journalists and the survivors themselves all directly link the massacres to attempts to evacuate the reservoir area. All deny that there was ever any organized guerrilla activity in Rio Negro.

* A People Dammed: The World Bank-Funded Chixoy Hydroelectric Project and its Devastating Impacts on the People and Economy of Guatemala. Witness for Peace, Washington, DC, May 1996.

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