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Inter-American Development Bank Audit Shows Project Threatens Panamanian River
Affected Local Groups Demand that the Bank Suspend Funding until Corrective Action Taken

Cerro Punta, Panama, October 23, 2012 – On Wednesday, October 24, the Inter-American Development Bank (“IDB”) Board of Directors will discuss an audit report finding that an IDB hydroelectric power project violates Bank policy and threatens the life of a major river in Western Panama and the communities that depend on the river for survival.

The Bank approved a US\$40 million loan for the Pando-Monte Lirio Hydroelectric Power Project as part of a US\$180 million funding consortium that also included the World Bank’s International Finance Corporation (“IFC”). The audit confirms the IDB approved the loan despite knowledge that the Project fails to adequately address the risk that the Bank supported 83 MW Pando and Monte Lirio dams, set to divert 90 percent of the river’s water for 26 kilometers, will, together with the many other dams planned for the Chiriquí Viejo River, transform it into a series of isolated pools. Twenty-seven hydroelectric projects are currently planned on the River, of which eight are already operating or being constructed, without finalization of studies or plans to understand or manage the harm that will result from water diversion along the entire River. Panamanian groups demand that the IDB Board take urgent action to protect the River and nearby communities before it is too late.

“We need the Bank to show leadership by conditioning any further loan disbursements on completion of key environmental studies, implementation of a watershed-wide management plan and verification that changes to the Project will safeguard the River,” states Damaris Sánchez, Coordinator of **Environmental Alliance for Integral Development - United for Panama** (“AAPRODIUPA” for its initials in Spanish), an umbrella organization representing nineteen local groups who came together to demand accountability from the IDB. “Such conditions must have teeth,” she explains, referring to information disclosed in the audit report, released last Friday, indicating that the Bank had conditioned the first loan disbursement on a key environmental study, yet released the money anyway when the study was not conducted as promised.

The audit report found that the dam constructor, Electron Investment S.A. (“EISA”) repeatedly missed deadlines to complete required environmental impact studies and commit to adequate harm prevention measures. The report also questions the Panamanian environment authority’s capacity to manage risks. Vince McElhinny, Senior Policy Advisor at the **Bank Information Center**, explains, “The audit asks whether IDB should be involved in a high risk project before the minimum safeguards are in place for managing impacts? The Pando-Monte Lirio experience seems to indicate that the answer is no. The Bank should meet the demands of the local complainants to show that it has learned this lesson.”

The poorly planned expansion of hydroelectric dams in Panama has been the source of growing conflict between the government, private sector and local communities. According to David Samudio, an Agriculture Specialist at an AAPRODIUPA member organization, “The report issued by the IDB’s accountability mechanism largely validates the concerns we raised in our complaint that the Bank Project sends the wrong signal to other dam builders and risks killing the River – damaging the environment and local communities who depend on the River for consumption and agriculture. The decision to move forward with the Project was made without any of the necessary studies or a plan to manage the cumulative impacts of all similar projects.”

“The IDB’s accountability mechanism has shown independence and candor by putting together a hard-hitting report that finds numerous significant violations of Bank policy, which will hopefully lead to concrete changes on the ground to protect the River and the people who depend on it,” states Sarah Singh

of **Accountability Counsel**, an organization assisting the groups in Panama. “In sharp contrast, after receiving a nearly identical complaint by AAPRODIUPA, the IFC’s accountability mechanism declined to conduct an audit, a puzzling decision given the similarity in the two Banks’ policies and the potentially dire consequences of the Project.”

For more information and access to the [report](#), please contact:

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