Early Warning System

IADB-HO-L1191

Support to the Creation of employment and Economic Development Zones

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Quick Facts

Countries	Honduras
Financial Institutions	Inter-American Development Bank (IADB)
Status	Proposed
Bank Risk Rating	B
Borrower	Honduras
Sectors	Finance, Industry and Trade, Law and Government
Potential Rights Impacts	Cultural Rights, Healthy Environment, Housing & Property, Indigenous Peoples, Labor & Livelihood, Marginalized Groups
Investment Amount (USD)	$ 20.00 million

Project Description

FROM THE IDB:
This operation will support the Government of Honduras in the conceptualization and preparation of technical studies and designs for the establishment of Employment and Economic Development Zones (ZEDEs) that aim to foster: (i) the increase in investment in employment-intensive sectors, (ii) the creation of formal jobs, and (iii) the reduction of unemployment and informal employment.

Early Warning System Project Analysis

SOCIAL & ENVIRONMENTAL STANDARDS TRIGGERED BY THE IDB

As of the date of this project alert, the IDB has not yet produced any project documents or triggered any specific policies. It was downgraded from Category A to B by the Bank in mid 2017.

OUR RISK ASSESSMENT

This project has been flagged due to the dramatic changes to public policy-policy making, governance, oversight, accountability – as well as the fundamental rights of Hondurans – and the absence of any defined environmental and labor standards, social protections; vague consultation requirements; and its lack of coherency with IDB's stated mission, principles and policies.

About ZEDEs: The Honduran ZEDE law (Decree No. 120-2013) was passed in 2013 and legalized the special development zones to be governed by private entities, with little transparency and at the expense of Hondurans' constitutional rights. The law was hugely controversial and was almost immediately subject to a legal challenge by over 50 Honduran organizations representing a broad cross section of communities and geographic regions. The Honduran Constitutional Chamber rejected the legal challenge. Honduran communities, lawyers and civil society organizations continue to express concerns about ZEDEs and their possible impacts.

A ZEDE has no size limit and is financially and administratively autonomous, and operates with an independent judicial system. ZEDEs also have the legal authority to create their own public policies, utilize a private police force, and create their own educational curriculum. ZEDEs have the potential to nullify existing labor contracts and labor laws in their territory.

ZEDEs do not align with the IDB mission to reduce poverty and inequality, as there are no protections in the ZEDE law to ensure a living wage and no protections against forced displacement. At the same time, there is no public control over taxation or public spending, and no clear avenues for Honduran citizens to protect their rights in Honduran courts. This structure creates dramatic inequality between the corporate "owner" of the ZEDE and the local population, and exacerbates the vulnerable of marginalized communities.

Although there are no project documents available at present, the ZEDE Law itself represents concrete violations of IDB goals, policies, and social and environmental standards. Any support from the IDB to the Honduran government to implement the Law should trigger all of its Operational Policies due to the risks presented by this project:

• Access to Information (OP-102):
The Bank expresses its commitment to "transparency in all aspects of its operations" to "demonstrate its transparent use of public funds," and Principle 1 of this policy is to "maximize access to information." Yet by their very nature, ZEDEs are private business ventures and in Honduras may be legally exempt from the transparency laws which apply to municipal governments. ZEDEs could fall under Exception 4.1(f) which protects corporate administrative information from public disclosure, including information related to corporate expenses such as real estate. While by law a ZEDE must make its internal norms public, there has been no transparency as to the procedures a ZEDE will use to design and implement policies or what standards will apply.

• Disaster Risk Management (OP-704):

People Affected By This Project

The ZEDE law could impact Hondurans across the country, and could specifically impact indigenous and marginalized communities. The ZEDE Law reduces protections under the Honduran Constitution and explicitly states (in Art. 1) that the only Constitutional Articles to be fully enforced are 10, 11, 12, 13, 15, 19. In Art. 8, the law stipulates the normative hierarchy that applies to ZEDEs, including “The Honduran Constitution where it applies” – implying that some constitutional protections will not be recognized.

The ZEDE Law also undermines Honduras’ international obligations. The fact that communities would have no guaranteed opportunity to elect local representatives at all is a violation of Honduras’s treaty obligations under the American Convention on Human Rights, the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant of Economic, Social, and Cultural Rights. Having ratified the Indigenous and Tribal People’s Convention (ILO 169) and the United Nations Declaration of the Rights of Indigenous Peoples (UNDRIP), Honduras is obligated to consult with indigenous groups whenever consideration is being given to legislative or administrative measures that may affect them directly.

Investment Description

- Inter-American Development Bank (IADB)

Contact Information

ACCOUNTABILITY MECHANISM OF IADB

The Independent Consultation and Investigation Mechanism (MICI) is the independent complaint mechanism and fact-finding body for people who have been or are likely to be adversely affected by an Inter-American Development Bank Group (IDB)-funded project. If you submit a complaint to MICI, they may assist you in addressing the problems you raised through a dispute-resolution process with those implementing the project and/or through an investigation to assess whether the IDB is following its own policies for preventing or mitigating harm to people or the environment. You can submit a complaint by sending an email to MICI@iadb.org. You can learn more about the MICI and how to file a complaint at http://www.iadb.org/en/mici/mici,1752.html (in English) or http://www.iadb.org/es/mici/mici,1752.html (Spanish).