

# Coming out of the dark

Is the IFC investing in a fossil free future?



The research for this report was made possible by the generous support of KR Foundation, though the views expressed do not necessarily represent those of the funder.




For further information on the issues raised in this report please contact:

BIC Europe  
Sarphatistraat 30  
1018 GL Amsterdam  
The Netherlands  
Email: [info@bic-europe.org](mailto:info@bic-europe.org)

Bank Information Center Europe

BIC Europe promotes ecological and social justice by ensuring development finance protects and does not harm people and the natural resources they depend upon for their livelihoods. For more information, please visit [www.bic-europe.org](http://www.bic-europe.org)

This publication may be used free of charge for the purposes of advocacy, campaigning, education, and research, provided that the source is acknowledged in full. We request that all such use be registered with us for impact assessment purposes.



# Coming out of the dark

## Is the IFC investing in a fossil free future?

Published by Bank Information Center Europe and Centre for Research on Multinational Corporations (SOMO), November 2018.

This publication was authored by Kristen Genovese, Marian Ingrams and Kate Geary. Additional research by Vincent Kiezebrink and Petra Kjell. With thanks to Inclusive Development International for research support on the STC case study.

Review team: Natalie Bugalski, David Pred, Dustin Roasa, Christian Donaldson, Rajesh Kumar and Gerhard Schuil

Cover photo: Coal staging area in Sagaing region, Myanmar  
Cover photo credit: Inclusive Development International

Special thanks to: May Phyto Khaing, Maung Maung Oo, Wunna Htun, Anuradha Munshi, Joe Athialy and Nezir Sinani

## Executive Summary

The World Bank's private sector arm, the International Finance Corporation (IFC), has a crucial role to play in the battle to combat climate change. Not only is it a significant investor in its own right, with a portfolio worth \$57 billion,<sup>1</sup> it is also a standard-setter for investors around the world - from export credit agencies to commercial banks.<sup>2</sup> An estimated \$4.5 trillion in investments across emerging markets adhere to IFC's Performance Standards on Environmental and Social Sustainability.<sup>3</sup>

The IFC has transformed the way it lends over the last decade since the financial crisis, shifting from financing projects directly to investing via third parties, such as commercial banks or private equity funds. This form of 'hands-off' lending through financial intermediaries (FIs) has embroiled the IFC in a number of scandals, linking it to human rights abuses and environmental destruction from Honduras to Cambodia. Following public outcry, disastrous media coverage, damaging findings from IFC's independent accountability mechanism and pressure from the Board, the IFC has begun to reform its FI lending. The advent two years ago of a new CEO, Philippe Le Houérou, who unlike his predecessors has a development rather than commercial banking background, has accelerated the pace of change. Most striking have been his commitments in 2017 to track the IFC's exposure to coal and reduce the IFC's investments in high risk FI clients - something civil society has long called for. More recently, in October 2018, Le Houérou went further, announcing a new 'green equity approach' to help clients reduce and exit coal; and that the IFC will ask new equity FI clients to disclose their coal exposure publicly.<sup>4</sup>

Eighteen months after Le Houérou's first reform announcements, this report asks whether the IFC has started genuinely to change its lending profile. By tracking 148 medium and high risk FI investments from March 2017 to August 2018, this research aimed to uncover whether real change was evidenced in how the IFC spent over \$10 billion in mid to high-risk investments, by asking: **Has the IFC reduced its investments in higher-risk FIs? Has the IFC backed**

**any FI clients with exposure to coal and/or other fossil fuels? Have any of the IFC's FI clients funded sub-projects involving coal and other fossil fuels since March 2017? Has the IFC succeeded in closing loopholes to prevent its funds from being used to support coal and other fossil fuels?**

Our research unearthed some welcome surprises. The majority (53 out of 67) of IFC's investments in its largest FI client sector – commercial banks – are now 'ring fenced' to specific purposes such as lending to small and medium enterprises (SMEs), climate finance and women's economic empowerment. And a step civil society has long urged has begun to be taken: in a small number of FI investments, the IFC has explicitly excluded coal and large dams and also required its clients to omit projects that cause significant harm to indigenous people and biodiversity, or that lead to resettlement of affected communities. In response to this report, the IFC claimed that it excluded coal from fully 95% of its FI portfolio, though this was not publicly available information. These are promising shifts that potentially signal a vastly different and less harmful future for IFC's FI portfolio.

There remain, however, too many loopholes and risks. In several cases, our research found risky FI investments exposed to fossil fuels; meanwhile the rise in IFC's investments into funds could leave it exposed to future scandals. To illustrate the human and environmental cost of such risky investments, this report details the end-use of two IFC FI investments, in a coal plant in India and a cement plant and open cast coal mine in Myanmar. As long as such grave harm to communities and their forests and lands remains evident in IFC's FI portfolio, civil society will continue to demand change and support communities to gain justice and remedy.

This report makes several recommendations on how the IFC could turn its tentative and promising steps into a radical transformation, to help shift FI lending away from fossil fuels and to ensure no harm to people and the environment. There's a way to go yet.



Photo: Rodolfo Clix

## Section 1: The IFC's Promises and Progress Made

Since the financial crisis of 2008, the World Bank Group's private sector arm, the International Finance Corporation (IFC), has transformed the way it lends.<sup>5</sup> Rather than making investments that directly support named projects, the IFC now channels most of its lending through third parties called financial intermediaries (FIs). These FIs consist of an array of financial institutions, such as private equity or hedge funds, infrastructure funds, commercial banks, traders or mortgage lenders. As the IFC's investments into FIs mounted to 55% in FY18 - or \$6.4 billion<sup>6</sup> - so has the criticism of this controversial form of lending.

IFC's lending to third parties such as commercial banks and private equity funds requires close supervision and support,<sup>7</sup> because these entities are not development institutions with social and environmental expertise. However, in project after project, the IFC's influence and oversight over these FIs - and thus over the projects in which they invest - has fallen short, with often disastrous results. From human rights abuses and forced evictions to rainforest clearance and pollution, civil society has traced a rising tide of human suffering and environmental destruction in reports such as Oxfam's *The Suffering of Others*<sup>8</sup> and Inclusive Development International's *Outsourcing Development* series.<sup>9</sup>

Civil society is not the IFC's only critic. The IFC's own watchdog, the Compliance Advisor Ombudsman (CAO), has issued a highly critical audit of the IFC's handling of this new financial model. In March 2017, the CAO released its third monitoring report on the IFC's financial sector portfolio.<sup>10</sup> The report examined actions taken by IFC to address the findings of the CAO's 2012 *Audit of a Sample of IFC Investments in Third Party Financial Intermediaries*, in which the CAO found, among other things, that the "result of [IFC's] lack of systematic measurement tools is that IFC knows very little about potential environmental or social impacts of its F[inancial] M[arkets] lending."<sup>11</sup>

In the 2017 report, the CAO found that the "IFC does not, in general, have a basis to assess FI clients' compliance with its E&S [Environmental and Social] requirements." As the CAO states, this is highly problematic in relation to FI clients that are supporting high-risk projects and "where IFC does not have assurance that the development of a client's ESMS [Environmental and Social Management System] is leading to implementation of the Performance Standards at the sub-project level."

Independent research has supported these findings. Inclusive Development International (IDI) investigated IFC's investments in FIs and tracked them to their end use.<sup>12</sup> The research examined the business of only a tiny segment of the 700 financial institutions and 220 private equity funds in the IFC's FI portfolio; however, IDI found more than 130 projects and companies funded by two dozen IFC intermediaries that had caused or were likely to cause serious environmental harms and human rights violations.

The projects in 24 countries came from a range of high-risk sectors, including energy, industrial agriculture, mining, transportation, infrastructure and even private military contracting. In each, the IFC was not applying its own Performance Standards on Environmental and Social Sustainability. IDI detailed these findings, in collaboration with Bank Information Center Europe, Urgewald, 11.11.11, Ulu Foundation and Accountability Counsel, in a four-part investigative series entitled *Outsourcing Development: Lifting the Veil on the World Bank Group's Lending Through Financial Intermediaries*.<sup>13</sup>

In response, the IFC's CEO, Philippe Le Houérou, promised the IFC would be more "selective" in its FI investments, reducing its general lines of credit and increasing the number of FI investments that it "ring-fenced", or targeted to a specific purpose, such as for climate mitigation activities or women-owned small and medium enterprises (SMEs). He also committed to reduce IFC's high risk FI1 lending, announcing in October 2017 that the IFC had cut its FI1 investments from 18 to just five from 2016 to 2017.<sup>14</sup>

The IFC has proven sensitive to criticism to one issue in particular, most likely due to the climate change agendas of many shareholders following the Paris climate agreement of 2015. In four separate reports,<sup>15</sup> IDI examined the extent of the IFC's exposure to coal through its commercial bank clients, including in 19 coal projects in the Philippines.

"If Asia implements the coal-based plans right now, I think we are finished," World Bank President Jim Yong Kim told a climate conference in 2016.<sup>16</sup> However, in recent years, the IFC provided \$563 million to two commercial banks, Rizal Commercial Banking Corporation (RCBC) and BDO Unibank, which went on to become major financiers of the coal boom in the Philippines. Subsequently, these IFC clients participated in approximately \$13.4 billion worth of project finance, corporate loans and bond underwriting for the coal sector in the country.<sup>17</sup>

After this exposure of the IFC's hidden support for the new coal projects in the Philippines, a coalition

of more than 100 civil society organisations and affected communities filed a historic complaint to the CAO - the first mass climate-related complaint ever filed against the IFC. The CAO found the complaint eligible in relation to 11 of the 19 coal plants: 10 that received project finance from RCBC and one in which the bank underwrote and held bonds that were explicitly designed to raise funds for a specific project. The CAO excluded eight of the 19 coal projects, which RCBC financed through general corporate bond underwriting.<sup>18</sup>

Pressured by this controversy, in 2017 the IFC committed to begin tracking FI clients' exposure to coal and announced plans to incorporate a reporting requirement on coal exposures in legal documents with all new FI clients.<sup>19</sup>

In response to this report, the IFC claimed that its coal exclusion went far beyond the three investments with exclusion clauses that we discovered in its publicly-available project database. In fact, the IFC states that it has excluded coal from all types of FI investments:

*“About 95% of IFC FI investments in 2017 were targeted. This allowed IFC either to exclude coal related sub-projects up front (including coal mining, coal transportation or coal-fired power plants, as well as infrastructure services exclusively dedicated to support any of these activities) or define eligibility criteria for each individual FI project the way that supporting coal related sub-projects was not eligible. In the case of PE Funds, IFC excludes coal upfront as well. In cases it is not feasible IFC always includes a standard policy opt-out right provision in the legal documents that allows the Corporation to not participate in coal related investments.”*

IFC's Le Houérou further clarified in his October 2018 blog that, “we have changed our policy in the past two years to vastly reduce our direct and indirect exposure to coal in new financial intermediaries projects. For one thing, we have eliminated our general-purpose loans to any financial intermediaries; we now ring-fence about 95 percent of our lending to financial intermediaries”. In future, he wrote, the IFC will adopt a ‘green equity’ approach which will entail “working with financial intermediaries that formally commit upfront to reduce or, in some cases, exit all coal investments over a defined period”. The IFC will also “require new equity financial intermediary clients exposed to coal projects to publicly disclose their total exposure in this sector.”<sup>20</sup>

These steps represent an encouraging development that will send strong signals to IFC's clients and peers. However, excluding support for coal from its FI business is just the first needed move. To avoid surpass-

ing the carbon budget necessitated by the targets set in the Paris climate agreement, the world needs to shift away from fossil fuels. Development finance has a key role to play, not just in redirecting its own investments but also in sending the right signals to other investors. The IFC is not only a huge investor in its own right, but many public and private banks and companies use its Performance Standards as their benchmark too. In the past decade, an estimated \$4.5 trillion in investments across emerging markets have adhered to IFC's Performance Standards.<sup>21</sup>

This report asks whether the IFC has come good on its commitments and is cleaning up its act. It also looks at the IFC's exposure to fossil fuels more generally. Although Le Houérou did not make commitments on this issue specifically, the World Bank Group has promised to stop financing upstream oil and gas from 2019, and the IFC must play its part.

Specifically, the report seeks to answer the following questions:

- Has the IFC reduced its investments in higher-risk FIs?
- Has the IFC backed any FI clients with exposure to coal and/or other fossil fuels?
- Have any of the IFC's FI clients funded sub-projects involving coal and other fossil fuels since March 2017?
- Has the IFC succeeded in closing loopholes to prevent its funds from being used to support coal and other fossil fuels?

To answer these questions, section two provides an overview of the trends in IFC's FI investments since 2012, with a particular focus on the past 18 months since Philippe Le Houérou made commitments to reform the IFC's FI investing. Next, the report looks at the extent to which IFC's FI lending in the last 18 months can be linked to coal and fossil fuel projects and whether loopholes still remain. Section four presents a case study of a cement plant and open cast coal mine in Myanmar with financing from the IFC and the Emerging Asia Fund, administered by IFC's wholly-owned subsidiary, the Asset Management Company (AMC). The report concludes with recommendations aiming at a more transparent and accountable IFC that plays a catalytic role in shifting finance away from fossil fuels.

Data on the IFC's overall investments in FIs derives from the IFC's annual reports and online Project Information Portal. We identified IFC financial intermediary clients that might have past, present, or future engagement in fossil fuels by reviewing the summary of investment information (SII) on the IFC's Project Information Portal for all of the IFC's investments ap-

proved by the Board after 1 March 2017. This approach identified 44 potentially risky clients. Having identified these, we then used a subscription to the Thomson Reuters' Eikon database to assess whether any sub-projects backed by these clients since 2012 — the year the current IFC Policy and Performance Standards on Environmental and Social Sustainability came into force — had supported fossil fuel industries. We conducted further research into some of the clients' sub-projects using Eikon, Orbis and internet searching.

For the case study, a research team comprising representatives from Bank Information Center Europe, the Centre for Research on Multinational Corporations (SOMO) and Inclusive Development International met with approximately 35 community members and workers affected by the Shwe Taung Cement plant and associated coal mine in Myanmar in the third quarter of 2018.

We sent a draft of this report for review by IFC, the CAO, companies and banks referenced in the report, and experts. Their responses are noted, where appropriate.

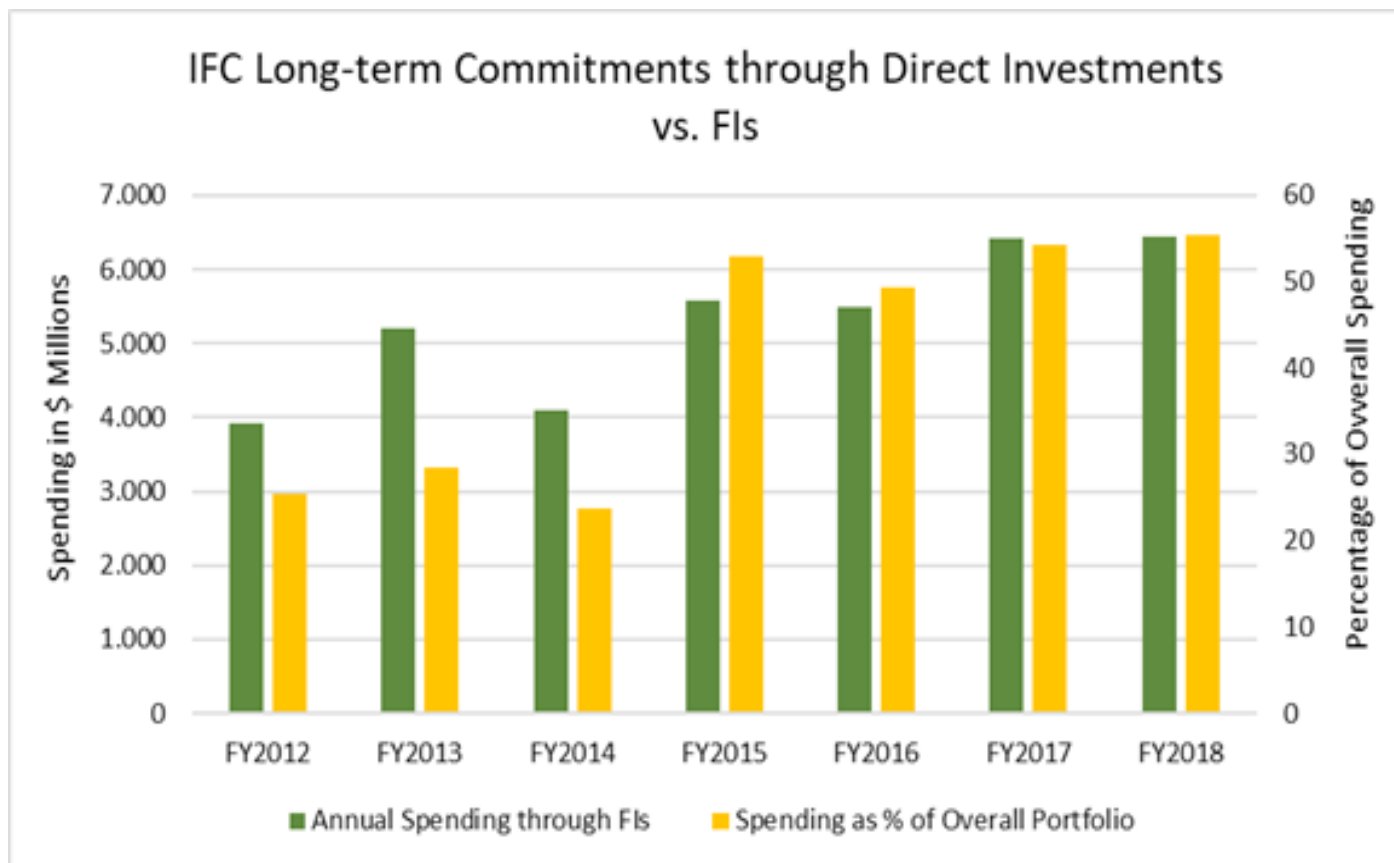
## Section 2: Overall Trends in IFC's FI Investments

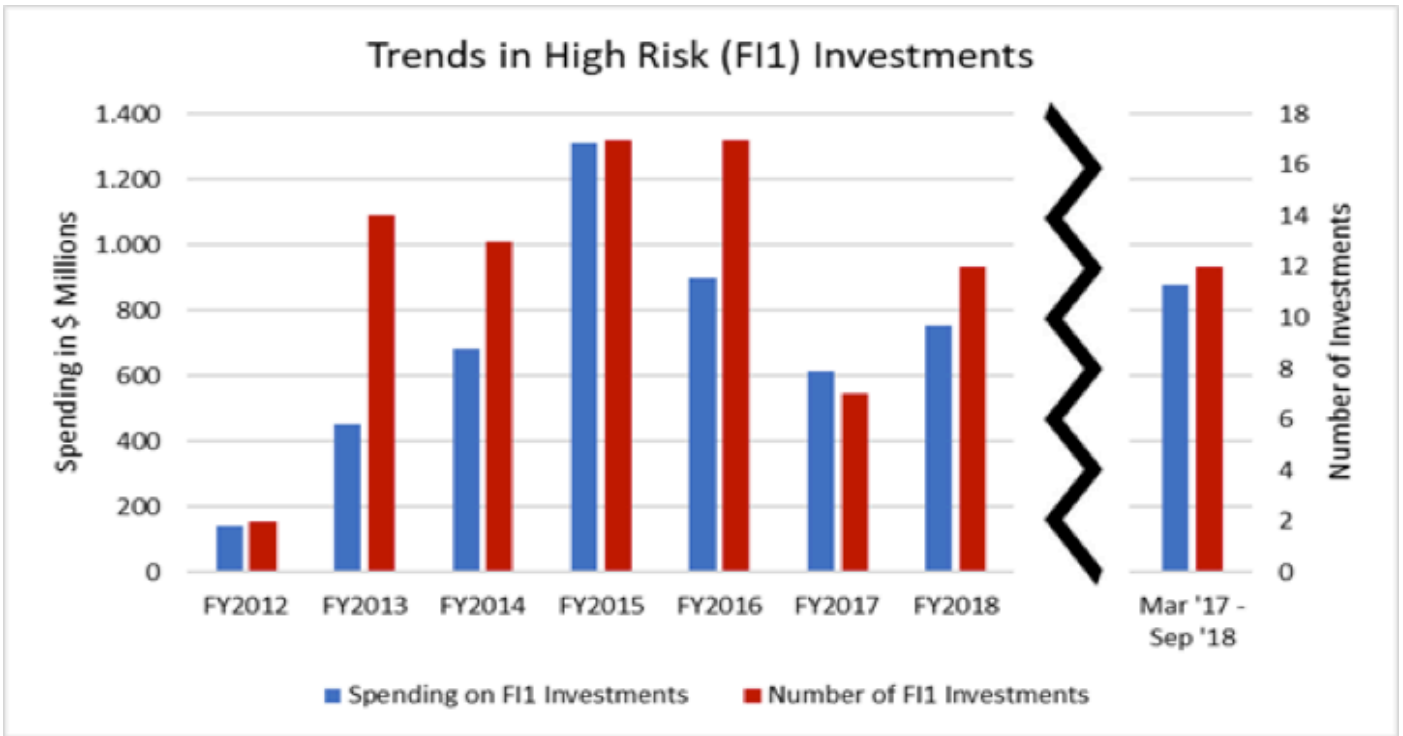
Since 2012, the IFC has invested an increasing amount of money, and an increasing portion of its overall spending compared to its direct investments, through FIs. The IFC's annual reports from FY2012 to FY2018 show a rise over these years of spending on FIs: from \$3.9 billion, or 25.4% of its overall portfolio in FY2012 to \$6.4 billion, or 55% in FY2018. To evaluate whether the IFC is living up to Philippe Le Houérou's commitment to reduce IFC's high risk FI lending,<sup>22</sup> we investigated this trend further: despite the increase in overall investment through FIs, is the IFC reducing its reliance on high risk FI clients?

### Q1: Has the IFC reduced its investments in higher risk FIs?

The answer is no, not really. The number of high risk investments (classified FI1) fell from 17 in 2015 and a total of 63 over 2012-2016 to just 7 in FY2017. The amount of money invested in FI1 clients also decreased during those years, from a high of \$1.3 billion in FY2015, down to \$614 million in FY2017.

That decline appears to have reversed, however, in FY2018. In its recently-released Annual Report FY



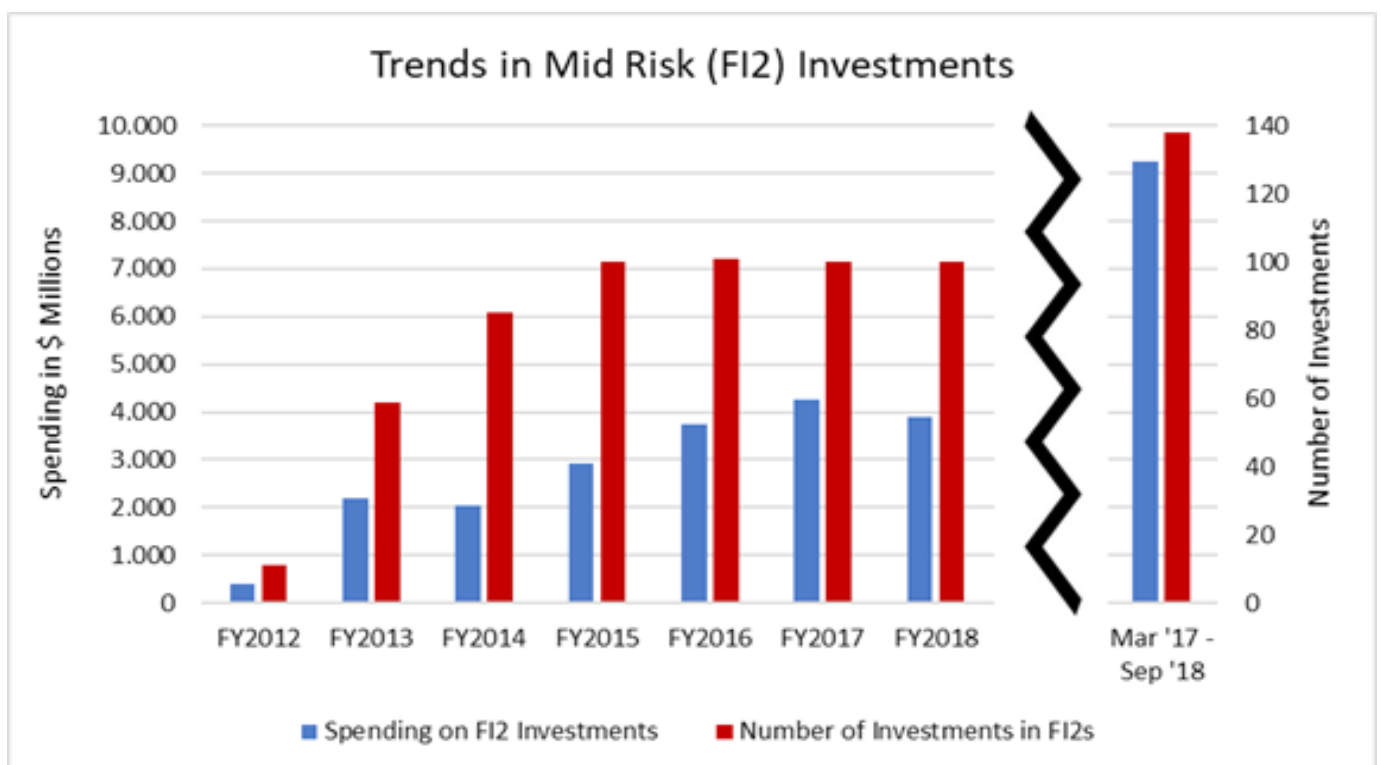


2018, the IFC claims it invested \$754 million in 12 FI1 projects. Our research using the IFC’s Project Portal shows that over the past 18 months since March 2017, the IFC has invested \$878.85 million in 10 FI1 projects. When consulted on these numbers, the IFC told us that the number of FI1 projects between March 2017 to August 2018 was 11. An explanation for the discrepancy may lie in the fact that at least one FI1 investment - into Green Bond Cornerstone Fund - has a “delayed disclosure procedure”, meaning no information is publicly available.

Both the annual report and the IFC’s response to this report confirm that there has been an increase

in both numbers of and spending on FI1 projects in FY2018. Is this uptick just a temporary outlier against an overall downward trend? Or is no downward trend in FI1 investments yet detectable - meaning the IFC is not yet meeting its commitment to reduce FI1 investments?

Further, what do the annual reports show for investments in medium risk (or FI2) projects? The number of projects that the IFC classifies as FI2 has remained high. From just 11 FI2 projects in FY2012, the IFC has maintained a steady investment in about 100 FI2 clients each year in FY2015 - FY2018. From March 2017 through August 2018, the IFC has dis-





closed 138 FI2 investments approved by the Board. The IFC has also been spending more on mid-risk investments. In FY2015, the IFC committed \$2.9 billion to FI2 investments, up to \$3.9 billion in FY2018. Information from the IFC's project portal suggests that from March 2017 to August 2018, the IFC has invested \$9.24 billion in FI2 projects.

Overall, publicly available data show that the IFC has invested more than \$10 billion in both FI1 and FI2 projects over the past 18 months.<sup>23</sup> The rise in the IFC's investments through FI2s raises concern. If the IFC accurately categorises its investment risks, there should be fewer problems with these FI2s than with FI1 investments. In the past, however, investigations by the IFC's watchdog, the CAO, have shown how the IFC or its clients have misrepresented the risk of their investments. For example, palm oil plantations were categorised C or low risk, rather than A,<sup>24</sup> and investments with clients linked to human rights abuses were classified as medium risk, as in the infamous Dinant case in Honduras, where over 100 local farmers died in the violence surrounding land disputes.<sup>25</sup>

A review of the 138 investments classified FI2 in the past 18 months by the IFC raises several red flags. For example, MCPP AXA, an investment platform created to catalyse private investment into infrastructure by turning it into an asset class, was mis-categorised as FI2 in IFC's project portal.<sup>26</sup> However, the project description itself states that it is high-risk: "This project is considered to be a Category FI-1 according to IFC's Sustainability Policy." This error has now been corrected by the IFC as part of the review process for this report.

Other FI2 investments that seem risky include a \$15 million equity stake in Bred Bank, a Cambodian bank whose portfolio includes agribusiness and possibly rubber plantations.<sup>27</sup> Given the recent history of egregious land-grabbing in Cambodia, often for agribusiness and commodities such as rubber,<sup>28</sup> it is a surprising investment to call "medium risk". Several other FI2 investments also list agribusiness as a sector in which clients will invest in regions where the threat of land-grabbing is common. For example, an \$18 million equity investment in the Amethis Fund will fund agribusinesses in countries potentially including Ethiopia, Ghana and Cote d'Ivoire;<sup>29</sup> a \$250 million equity stake in Anthem Asia, which may fund agribusiness in Myanmar;<sup>30</sup> or a \$20 million equity investment in Synergy II fund, which is slated to back oil, gas and agribusiness in West Africa. Backing fossil fuels in an era of climate change should surely count as high risk.

In response to this report, the IFC clarified the different risk levels that are included in its FI2 definition:

*"The FI-2 bucket consists of a) medium-high, b) medium and c) medium-low risk FI projects. FI-2 [projects] with the requirement for application of the Performance Standards (medium-high risk) are subject to the same level of DD [due diligence] and supervision as FI-1 projects. Such FI-2s have some exposure to higher risk sub-borrowers/investees, but these exposures constitute a small portion of their portfolios. IFC will consider better ways of flagging differences among various FI-2 projects in SII [summary of investment information]. \$ investments in FI-2 (medium high investments) were at the level of about 10-15% of all new FI investments in FY 16, 17 and 18 (excluding Private Equity funds – which are in majority FI-2 with the requirement of application of the Performance Standards)."*

### Section 3: IFC's FI Investments with Exposure to Coal and Other Fossil Fuels

Among Le Houérou's reforms in March 2017 was a commitment to tracking its clients' exposure to coal. Additionally, the World Bank Group as a whole committed at the end of 2017 to stop investing in upstream oil and gas from 2019.<sup>31</sup> In light of these commitments, this report attempts to analyse whether the IFC has reduced its exposure to coal and also assesses its FI investments' links to fossil fuels more broadly.

The research involved three steps. First, we analysed the IFC's FI portfolio from March 2017 to see whether any new clients already had a track record in coal and other fossil fuels. Our assumption was that those already invested in fossil fuels might be at high risk of continuing such investments. Next, we studied whether any clients approved for IFC investment after March 2017 invested in fossil fuels after that date, and finally, whether the IFC's support of those clients can be linked to their fossil fuel investments.

We flagged 44 FI clients that were approved for IFC investment after March 2017 and had a potential or actual track record in fossil fuels, based on whether the IFC's Summary of Investment Information for them indicated their:

- Engagement specifically in oil and gas;
- Engagement more broadly in high-risk sectors including the energy, power, infrastructure, or mining sectors; or
- Engagement in certain types of risky financial instruments, such as distressed assets.

It is critical to note we could not find financial data concerning the investments for nearly two thirds of the 44 clients we investigated. Inaccessibility of data on how these 28 clients invest their money makes it impossible for civil society organisations and shareholders to verify whether the IFC is continuing, through such clients, to support fossil fuels.<sup>32</sup>

## Q2: Has the IFC backed any FI clients with exposure to coal and/or other fossil fuels?

Yes. Even among the 28 clients whose investment data we could not find, the IFC's project documents demonstrated that five either have supported, currently support, or are likely to support fossil fuels:

### Coal-linked investments

- The **India Resurgence Fund**, approved for equity investment of \$100 million from the IFC in May 2018, "seeks to resolve corporate distressed assets ("DA") in India through distressed to control investments.<sup>33</sup> In India, stranded coal assets represent a large share of non-performing assets, thus the likelihood is high that this Fund will engage in coal-related investments.<sup>34</sup>

### Oil & gas-linked investments

- **ITAU Corpbanca Colombia SA**, a client in which the IFC invested \$80 million in December 2017, already has a portfolio with "exposure to Project Finance and high E&S risk sectors such as infrastructure, oil & gas and energy ... which may include potential impacts on biodiversity, affected communities, pollution and security related themes."<sup>35</sup> The IFC's financing in ITAU Corpbanca Colombia is targeted "to support the Bank consolidation in the Country, support the growth of its SME and climate-smart loan portfolio and strengthen its capital requirements."
- **Synergy Managers Limited**, a fund in which the IFC invested \$20 million in April 2018, has a pipeline that "includes the following sectors: ... oil and gas (midstream and downstream)."<sup>36</sup>
- **CAL Bank Ghana**, which received \$50 million of the IFC's investment in July 2018, is "a universal bank that provides financial services across a number of sectors, including electricity and gas." Particularly concerning, "the bank has an existing exposure to activities on the IFC's Exclusion List."<sup>37</sup> The funding is targeted to support CAL Bank's lending

to SMEs and growing CAL Bank's climate finance and women in banking business.

- **Société Générale Ghana**, signed by the IFC in June 2017, is slated to receive an IFC loan of \$20 million to provide "short term loans to SMEs and corporate clients in Ghana, to facilitate the importation of refined crude products."<sup>38</sup>

From among the 16 clients for which data on sub-investments could be found, at least eight, including one whose investment with the IFC is pending signature, had invested in fossil fuels before receiving investment from the IFC after March 2017.

### Coal-linked investments

- **FirstRand Bank** IFC has made two investments in FirstRand post-March 2017, with investments in October 2017 and May 2018.<sup>39</sup> Both are ring-fenced for small and medium enterprises, one for women-owned SMEs. In 2012, FirstRand Bank provided a loan of \$400 million to the Boikarabelo Coal Mine Project for development of a coal mine in South Africa.<sup>40</sup> In 2013, FirstRand Bank provided a loan of \$300 million to Universal Coal and Energy for the Kangala coal project in South Africa.<sup>41</sup>

### Oil & gas-linked investments

- **FirstRand Bank**, as stated above, received IFC investment in October 2017 and also in May 2018. In addition to its coal investments, it also in 2013 made several other investments in the oil industry, participating in a syndicated \$3.3 billion loan to Dangote Group, an investment holding company, for development of an oil refinery and petrochemical plant;<sup>42</sup> supporting a revolving credit facility of \$17.3 billion for Glencore Xstrata PLC, a wholesaler of oil and minerals;<sup>43</sup> and supporting a revolving credit facility of \$1.8 billion for Mercuria Energy Group Ltd, another petroleum and petroleum products wholesaler.<sup>44</sup>
- **Banco Davivienda** received IFC investment of \$150 million in April 2017 in green bonds to support projects mitigating climate change.<sup>45</sup> In 2012, Banco Davivienda supported a syndicated revolving credit facility totaling \$701.2 million to Pacific Rubiales-Arendajo for exploration and development of oil in the Colombian Arrendajo Block.<sup>46</sup> That year, Banco Davivienda also participated in a syndicated loan of \$100 million to Vetra Exploracion y Produccion, a Colombian oil and



The GMR Kamalanga Energy (GKEL) coal power project in Odisha, funded by IFC-backed financial intermediary, India Infrastructure Fund, in 2007. Photo: Joe Athialy

gas exploration company.<sup>47</sup> In 2015, Banco Davivienda participated in a syndicated loan totalling \$200 million to Canacol Energy Ltd., a Canadian oil and gas exploration and production company operating in Brazil.<sup>48</sup>

- **United Bank for Africa** was approved in June 2017 for an IFC loan of \$101.50 million, although that loan is still pending signature.<sup>49</sup> The loan is targeted towards SMEs in four African countries. In 2013, United Bank for Africa participated in a syndicated loan to Glencore International AG totalling \$537 to export oil from Chad.<sup>50</sup> Also that year, United Bank for Africa participated in a syndicated loan valued at \$500 million to Orion Group SA to finance the pre-purchase of crude oil from Societe Nationale des Petroles du Congo (SNPC), the national oil company of the Democratic Republic of the Congo.<sup>51</sup> In 2014, United Bank for Africa participated in a syndicated loan totalling \$914 million for the SNPC directly, to finance its capital expenditures.<sup>52</sup> In 2015, United Bank for Africa joined in supporting a term loan valued at \$1.2 billion to Project Cheetah to fund an infill drilling program comprising 36 on- and off-shore wells in Nigeria.<sup>53</sup> Also in 2015, United Bank for Africa participated in a syndicated loan of \$1 billion to Seplat Petroleum, a Nigerian oil and gas exploration and production company.<sup>54</sup> And in 2016, United Bank for Africa participated

in a syndicated loan of \$476 to Oando PLC, a Nigerian holding company operating in the exploration and production of oil and gas.<sup>55</sup>

- **Mercantile Bank Limited** received IFC investment of \$60 million in March 2018. The IFC's funding is intended to expand the bank's lending services to SMEs, including women- and Black Economic Empowerment-owned SMEs.<sup>56</sup> In 2014, Mercantile Bank participated in a syndicated revolving credit facility of \$1 billion to Pacifico Rubiales-Arendajo, for exploration and development of oil in the Colombian Arendajo Block.<sup>57</sup>
- **Federal Bank Limited (India)** received IFC investment of \$100 million in July 2017, targeted toward "FBL's International Financial Services Center Branch in GIFT City, Gujarat."<sup>58</sup> In 2014, Federal Bank Limited provided a loan of \$759 million to HPCL Mittal Energy Limited, the owner and operator of an oil refinery in Punjab, India.<sup>59</sup>
- **Indonesia Infrastructure Finance** was signed by the IFC in June 2017 for an investment of \$50 million targeted for a pipeline of infrastructure projects in Indonesia; the loan is still pending disbursement.<sup>60</sup> In 2014, Indonesia Infrastructure Finance participated in a syndicated loan totalling \$47.3 million to PT Arsynergy Resources, to be used to fund an

LNG extraction plant project in Indonesia.<sup>61</sup>

- **Bajaj Finance** received \$154.97 million of IFC investment in October 2017, for on-lending to micro, small and medium-sized enterprises.<sup>62</sup> In 2015, Bajaj Finance joined in a syndicated loan of \$219.3 million to Essar Power Hazira Ltd to support a multi fuel fire thermal power project in Gujarat, India.<sup>63</sup>
- **Commercial International Bank SAE** received an IFC investment of \$150 million in December 2017. The investment is meant “to add diversity to the Bank’s capital base and long-term growth prospects.”<sup>64</sup> In 2015, Commercial International Bank SAE participated in a syndicated loan of \$525 million to Egyptian Electricity Holding, to be used to import gas turbines and other related equipment in the context of Egypt’s Emergency Power Plan.<sup>65</sup> That year, Commercial International Bank SAE also joined a bilateral loan of \$340.5 million to Sokhna Port Bulk Liquid for its LPG and LNG Storage terminal facility project.<sup>66</sup>
- **Ethiopian Petroleum Supply Enterprise:** The IFC invested \$100 million in this enterprise in June 2017.<sup>70</sup> It is an international energy trading company established to sell petroleum products to Ethiopia.
- **Commercial International Bank SAE:** The IFC invested \$150 million in this bank in December 2017.<sup>71</sup> In February 2018, Commercial International Bank loaned \$305 million to Sokhna Port Bulk Liquid, an entity it had supported in the past, to develop a bulk liquid terminal for the import and storage of gas oil, LPG and LNG, and two floating storage regasification units at Sokhna Port, Egypt.<sup>72</sup>
- **United Bank for Africa:** The IFC Board approved a \$101.50 million loan into the United Bank for Africa in June 2017, although the loan is still pending signature.<sup>73</sup> In May 2017, the United Bank for Africa contributed to loans totaling \$1 billion for EA Field New Wells Drilling, a subsidiary of Shell, to drill new oil wells on the nearshore EA field off the coast of Nigeria.<sup>74</sup> In November 2017, United Bank for Africa participated in a syndicated loan of \$788 million to Project Cheetah, a drilling project joint venture between Chevron and the Nigerian National Petroleum Corporation.<sup>75</sup> In August 2017, it joined a syndicated loan of \$986.4 million to STOGG Eagle Funding Ltd, a site preparation contractor hired to develop 156 brownfield assets across 28 oil and gas fields in Nigeria.<sup>76</sup>

### Q3: Have any of the IFC’s FI clients funded sub-projects involving coal and other fossil fuels since March 2017?

Yes. Again, because we could not identify financial data for most of these clients, our research focused on the 16 for which we could find data. Of these, we identified four that went on to invest in fossil fuels after they received IFC funding. The box on page 16 and Section Four examine two cases in detail where IFC’s FI clients have backed projects involving coal.

#### Coal-linked investment

- **Federal Bank Limited (India)** received \$100 million from the IFC in July 2017.<sup>67</sup> The IFC approved this investment in June 2017, just days after Federal Bank Limited participated in a syndicated loan of \$768 million to refinance existing loans for MB Power, a coal-based sub-critical thermal power plant in Madhya Pradesh, India (see box page 16).<sup>68</sup>

#### Oil & gas-linked investments

- **Federal Bank Limited (India):** In addition to the above, in December 2017 the Federal Bank Limited also helped support a syndicated loan of \$651 million for Cairn India Holding Ltd, a crude petroleum and natural gas exploration, development, and production company.<sup>69</sup>

These IFC clients all received or were approved for IFC investment after the IFC’s commitment in March 2017 to track its exposure to coal and reduce high risk lending. The Ethiopian Petroleum Supply Enterprise itself was a trading facility in the fossil fuel industry. The other three had previously invested in fossil fuels, so it was perhaps predictable they would continue in this industry. In any case, the IFC’s investment did not change their clients’ decisions regarding their own fossil fuel investments.

### Q4: Has the IFC succeeded in closing loopholes to prevent its funds from being used to support coal and other fossil fuels?

The final critical research question was whether the IFC can be linked to any fossil fuel investments its client made *after* it had been approved for lending. Another way of thinking about this question is whether, via any of a number of “loopholes,” IFC funding could have supported fossil fuel, including coal, investments. We found mixed results.

### **Loophole One: General vs. targeted investments**

In 2017 Le Houérou promised the IFC would be more “selective” in its FI investments, in part by reducing its general lines of credit and increasing the number of FI investments that it would “ring-fence” for specific purposes.<sup>77</sup> One way in which the IFC might be linked to the above-identified fossil fuel investments is if it had not properly ring-fenced its investment, but instead offered an equity investment or general loan or guarantee that its client could apply towards its own fossil fuel investments.

Investing through equity, either in commercial banks or - more typically - funds, leaves the IFC exposed to all of the activities of its clients. Our research revealed a steep climb in the number of the IFC’s investments in funds versus commercial banks (42 to 67 respectively in the past 18 months - a much narrower ratio than in past years). It does appear however that the IFC has exercised some degree of “greater selectivity” in which ones it backs, focusing on those that prioritise SME and climate finance.

While many of the funds target specific activities such as technology or middle market activities, such as consumer goods, six of the 42 funds that the IFC has backed in past 18 months specifically target SMEs, MSMEs, women or green/climate finance. A few investments, however, risk being exposed to fossil fu-

els, such as the Synergy II Fund, Abraaj Global Credit, Eastspring Infrastructure Debt Fund, MCPP AXA and the India Resurgence Fund.

In response to this report, the IFC clarified its position regarding investments in funds and how it manages its exposure to risk:

*“When IFC invests in PE [private equity] fund structures, it gains additional leverage from the E&S risk management perspective. It allows IFC to: 1) review the first three [three] investments before investment decision is made by the fund manager; 2) review all category A projects (to avoid miscategorization IFC is moving towards [an] issue-based approach that is more prescriptive); 3) opt out from policy issues (e.g. from coal or palm oil investments); 4) opt out in case ESDD [Environmental and Social Due Diligence] or ESAPs [Environmental and Social Action Plans] for [category] A projects/High Risk Transactions are not sufficient; 5) have direct access right to investee companies, etc. For instance: India Resurgence DARP Fund was structured this way. IFC also invested in the past in a limited number of debt funds (loans and/or equity). Indonesia Infrastructure Finance is an example for that. In such investments the E&S approach and leverage is similar to universal banks. It is important to stress that in both cases the universe of projects financed by funds is relatively small - usually between 10 and 15.”*



It does appear that the IFC has increased specific ring-fencing provisions - such as for SMEs and women's enterprises - for its commercial bank investments. Out of its 67 commercial bank investments over the past 18 months, 53 are ring fenced. For example, among the 44 clients we looked at more closely, Banco Davivienda received IFC investment ring-fenced for renewable energy.<sup>78</sup> Other investments have been ring-fenced for micro, small, and medium-sized enterprises, including women- or minority-owned enterprises. For example, BRAC Bank Limited, which received \$50 million in July 2017, is ring-fenced to "initiate the Banking on Women (BOW) program in Bangladesh."<sup>79</sup>

Perhaps the most interesting development in the IFC's FI portfolio over the last 18 months is writing specific "exclusions" into its ring fence. These "exclusion" clauses rule out investments in coal, hydropower or highly risky Category A sub-projects. In six investments, the IFC explicitly excludes projects that would cause significant harm, such as large hydropower projects.<sup>80</sup> In three of its 148 FI1 and FI2 investments over the past 18 months, the IFC has stipulated a "coal exclusion" clause, specifying that its money not be used to back coal.<sup>81</sup> The IFC's response to this report clarifies that this exclusion extends to the vast majority of its FI clients, claiming:

*"As for coal, it was effectively excluded from FI-projects with defined use of proceeds (about 95% of all FI projects committed in FY2018)..."*

Though only applied to a minority of its FI investments, according to publicly available information, such exclusions raise the possibility of setting an important precedent. This should become the norm so that the IFC can limit the harmful impacts of its FI investments, by requiring clients to avoid riskier sectors or environmental and social damage.

Among the four IFC clients identified under Question 3, above, that did provide funding for fossil fuels activities *after* receiving IFC investment, the IFC's ring-fencing was successful in one case, United Bank for Africa. This deal was doubly ring-fenced, both geographically and client size-specific. The funding is intended to be used to support subsidiaries of United Bank for Africa, enabling them to lend to SMEs in Burkina Faso, Cameroon, Ghana, Liberia, and Senegal. The geographic fencing, in particular, means that United Bank for Africa could not draw from the IFC for its recent funding of Nigerian oil drilling.

However, three were not effectively ring-fenced, meaning the IFC's funding can be linked to these activities:

- As stated, the **Ethiopian Petroleum Supply Enterprise** was itself a trading facility for fossil fuel;<sup>82</sup>
- **Federal Bank Limited (India)**'s investment from the IFC was simply for "long term funding to [Fed Bank's] International Financial Services Center Branch in Gift City, Gujarat."<sup>83</sup> That banking unit provides financing to Indian and foreign corporations,<sup>84</sup> including clients in medium and high-risk sectors.
- **Commercial International Bank SAE**'s support from the IFC was "intended to add diversity to the Bank's capital base and long-term growth prospects."<sup>85</sup>

It is possible that Federal Bank Limited, whose IFC investment was made in July 2017, and Commercial International Bank, whose investment started in December 2017, represent holdovers from the IFC's earlier practice of offering general lines of credit. However, as recently as June 2018, the IFC invested \$145.16 million into Banca Transilvania SA simply "to strengthen and diversify BT's capital base,"<sup>86</sup> raising a doubt whether IFC is completely freeing itself from general investments.

### ***Loophole Two: Leaky ring-fencing***

The IFC may still be exposed to riskier investments if it fails to define, disclose, and supervise its ring-fencing effectively. If a ring fence is badly designed or poorly enforced, IFC's investment could end up supporting investments in the client's wider portfolio.

The IFC's \$50 million loan to One Bank is an example where the ring fence was poorly designed. The loan is targeted toward "development of SME portfolio," and also "green portfolio including renewable energy (RE) and energy efficiency (EE) in Bangladesh."<sup>87</sup> The ring fence even explicitly aims to avoid investments that would cause harm - sub-projects impacting biodiversity or indigenous peoples - or result in resettlement, which are explicitly excluded by a requirement that they "will not be included in the portfolio to be supported." Critically, however, the ring-fence enables proceeds to support "trade finance" by One Bank. Through this gap in the ring fence, the IFC's investment could support sectors the IFC wishes to exclude.

Another way in which ring-fenced investments may end up supporting high risk projects is if the IFC fails to monitor and supervise how its funds are being used. Banco Davivienda provides one such example. The IFC bought "green" bonds issued by Banco Davivienda. Green bonds do not, however, enable investors much ability to monitor or enforce how funds

are used. In some cases green bonds have been used to finance “clean” coal.<sup>88</sup>

The CAO has found that the IFC does not always adequately track and supervise its ring fencing of SME investments through FIs, with the result that it may end up exposed to high risk sectors. For example, in its Third Monitoring Report of March 2017, the CAO found an investment in a commercial bank exposed to high risk sectors that was targeted to SMEs. The IFC had relaxed its SME definition for this investment to include bigger companies (with annual revenue up to \$60 million). The CAO noted “Given the expanded definition of SME lending for this project, however, IFC is potentially exposed to higher (E&S) risk sub-projects than would usually be the case for an SME loan. IFC’s supervision has not engaged with this issue nor has it considered whether the bank has complied with the restriction against lending to support business activities in the environmentally sensitive region.”<sup>89</sup>

### ***Loophole Three: Fungibility of money***

Clients like the United Bank for Africa and Itau Bank highlight a broader problem with ring-fencing, regardless of how effectively the target language is drafted. The fact that the IFC defines how its own money should be used does not prevent the client, as in the case of United Bank for Africa, from funding fossil fuel industries. Because money is fungible, arguably the IFC’s ring-fencing serves no meaningful purpose because clients are still enabled to continue and even expand their fossil fuel investments. *Broken Promises*, a report by Inclusive Development International, BIC Europe and the Philippine Movement for Climate Justice, noted that although two recipients of green-targeted funding from the IFC – BDO Unibank and Bank of the Philippine Islands – had indeed used their IFC investment to expand support of renewable energy, both still remained leading funders of coal during that time.<sup>90</sup>

Private banks are taking steps to counteract this shortcoming. ING, for example, has stated it will no longer finance utilities sector clients that will be more than 5% reliant on coal in 2025 and has told its existing utilities sector clients they should end their reliance on coal by 2025 if they are to maintain a relationship. Similarly, BNP Paribas will only serve or invest in companies that are diversifying from coal.<sup>91</sup>

### ***Loophole Four: The AMC’s clients***

Finally, a fourth loophole that may allow IFC funding to support coal or other fossil fuels is via the clients of the IFC’s wholly-owned Asset Management Company (AMC). The AMC typically invests in clients

that have already received IFC support. The AMC relies on the IFC’s due diligence process but it does not practice the same information disclosure, so the details of its investments are often unknown. The AMC normally takes equity investment in each client, which exposes it to the client’s entire portfolio of commercial bank or equity fund clients.

The AMC has invested in four of the 44 clients we studied, including Banco Davivienda<sup>92</sup> and FirstRand Bank,<sup>93</sup> both of which have fossil fuel ties. As mentioned earlier, IFC ring-fenced Banco Davivienda for renewable energy, but this bank is also financing the oil and gas sector. The IFC has made two investments in FirstRand post-March 2017, with investments in October 2017 and May 2018.<sup>94</sup> Both are ring-fenced for small and medium enterprises, one for women-owned SMEs. Even if the IFC has effectively ring-fenced its investments in these clients, the AMC may be financing these banks without any restrictions, effectively channeling funds to these fossil-fuel sub-projects, which the IFC has specifically avoided.

In response to this report, the IFC said that the AMC would apply the same terms in its agreements with its clients as IFC does. To the extent that the IFC can exclude fossil fuel investments from its own equity investments either up front or through opt-out clauses, the AMC could as well. However, given the lack of information about the AMC’s investments, it is impossible to verify.

While our research focused on IFC clients, a few other AMC clients also caught our attention because of their post-March 2017 investments in fossil fuels:

- In 2016, **Bank Muscat** provided a loan of \$640 million to Salalah LPG for an LPG project in Oman.<sup>95</sup> In 2018, **Bank Muscat** participated in a syndicated loan of \$206 million to Samsung Engineering Co Ltd. for finance bonding requirements for the Duqm Refinery Project.<sup>96</sup>
- In June 2017, **Bank of South Pacific** participated in a syndicated revolving credit facility valued at \$600 million for Oil Search (PNG) Ltd. for funding of general corporate purposes. Oil Search (PNG) Ltd. is an oil and gas exploration and production company headquartered in Papua New Guinea.<sup>97</sup>

## MB Power, India

MB Power Madhya Pradesh Ltd is a subsidiary of Hindustan Powerprojects Private Limited that operates a coal-based power plant in Laharpur Murra, Tehsil Jaithari, Anuppur district of Madhya Pradesh.<sup>142</sup> Anuppur, at the headwaters of the Narmada and Son rivers, is inhabited by a number of scheduled tribes such as Gond, Baiga, Panika, Kol and Agaria.<sup>143</sup> The original project was intended to have two phases of 1200 MW (2 units) and 1320 MW.<sup>144</sup> It appears that only the first phase has been completed, commissioned in March 2016.<sup>145</sup> The second phase is currently underway, with the company acquiring more land in Laharpur, Murra, Amgava Belia, Guwari and Takohali villages,<sup>146</sup> and expect to be completed by 2020.<sup>147</sup> The company has power purchase agreements with Madhya Pradesh and Uttar Pradesh<sup>148</sup> and sources its coal from South Eastern Coalfields.<sup>149</sup>

In June 2017, MB Power received a \$768 million syndicated refinancing loan. Two of the banks in the syndicate are IFC clients: Federal Bank Ltd. and Axis Bank Ltd. In 2006, IFC invested \$50 million in Federal Bank Ltd (a \$10 million loan and a \$40 million equity investment) which is still active.<sup>150</sup> This was categorized as a F11, indicating potential environmental and social risks. In June 2017, IFC made a second investment - a \$100 million loan - which it categorized F12.<sup>151</sup> In 2014, IFC made a \$50 million equity investment in and lent \$100 million to Axis Bank Ltd., the latter of which is still active.<sup>152</sup> It was categorized as F11, given the bank's exposure to high risk sectors such as mining and power.<sup>153</sup>

In 2012, Bhartiya Kisan Union (BKU) did a fact-finding visit to the MB Power site and interviewed affected farmers. BKU reports that much of the land that was required for the project was obtained without adequate compensation and against the will of many farmers. One hundred thirty-one of them wrote to BKU expressing that they did not want to give up their land. When they complained to local officials and tried to re-enter their fields, they were met with repression and, reportedly, injury by the police. BKU found that 35 farmers were detained but subsequently released.<sup>154</sup>

The BKU also documented environmental impacts. The company cleared 37.875 hectares of forest land allegedly without permits or public hearings.<sup>155</sup> Recently, in response to a petition filed by Amer Singh, Deputy Sarpanch of Kauter Gram Panchayat, the High Court requested that the central government clarify the project's acquisition of forest land, since none of the project documents referenced it.<sup>156</sup> Community members were also concerned with the company's use of water from its wells.<sup>157</sup> In 2016 a boiler at the plant exploded, killing three people and injuring 24, 11 critically.<sup>158</sup>

MB Power's coal supplier, South Eastern Coalfields Limited (SECL), is a subsidiary of Coal India Limited, India's state-owned coal mining company. SECL's 2015 annual report lists operations in 85 mines in Chhattisgarh and Madhya Pradesh.<sup>159</sup> While it is not known which of SECL's mines provides the coal to MB Power (and it may not be possible to identify), Amnesty International has documented human rights abuses against Adivasi communities around SECL's Kusmundra mine in Chhattisgarh.<sup>160</sup> Last year there were protests against SECL's operations in the Gare Pelma coal blocks, also in Chhattisgarh.<sup>161</sup> Local authorities retaliated against affected communities who had raised concerns about resettlement, environmental impacts and broken promises of employment.<sup>162</sup>



## Section 4: The case of Shwe Taung Cement in Myanmar - IFC investing in coal through its own FI

In response to the global economic crisis of 2008, at a time when its investments into FIs were rising quickly, the IFC took what it called “a historic step” by setting up its very own FI. In 2009, it created the Asset Management Company (AMC) led by ex-Goldman Sachs MD Gavin Wilson, as a wholly-owned subsidiary that “will serve as a fund manager of third-party capital.” The AMC aims “to maximize [the IFC’s] ability to mobilize capital to address the effects of the global financial crisis and serve longer-term development needs.”<sup>98</sup>

In less than ten years, the AMC has raised \$10 billion across 13 regional, sector-focused and fund-of-funds.<sup>99</sup> It manages funds on behalf of institutional investors such as sovereign funds, pension funds and development finance institutions. All its investments are subject to the IFC’s Performance Standards.<sup>100</sup> Bloomberg reports the AMC’s mission as heavily climate-focused: aiming to invest in “early and growth-stage firms that are developing innovative technologies and helping reduce climate change” and that “the firm typically invests in companies that develop technologies to help fight climate change.”<sup>101</sup>

In 2016 the AMC created a new vehicle: the IFC Emerging Asia Fund (EAF) with a \$200 million equity injection by the IFC.<sup>102</sup> The EAF is classified by the IFC as “F11” or high risk, since the IFC anticipated that its projects could have “potentially significant adverse environmental and/or social risks and impacts.” Since 2016 the AMC has raised approximately \$693

million for the EAF.<sup>103</sup> Other investors include the Asian Infrastructure Investment Bank, the Korean Development Bank, the Fiji National Provident Fund and Chiba Bank. EAF’s implementation period will be 2017-2027.

The IFC describes EAF as a fund that “makes equity, equity-related and mezzanine investments across all sectors in the emerging markets of Asia” and that seeks to invest alongside the IFC.

### How the IFC invested in Shwe Taung Cement despite 2017 commitments

Despite its toughening line on coal, in 2017 and 2018 the IFC approved two investments in a project in Myanmar that will result in a huge increase in greenhouse gas (GHG) emissions. The Shwe Taung Cement Company (STC), a subsidiary of the Shwe Taung Group (STG) trading under the Apache brand, will expand an existing cement plant in the Mandalay region, including via associated mudstone and limestone quarries.<sup>104</sup> The project will also expand a coal mine in the Sagaing region, operated by Shwe Taung Mining—another STG subsidiary - which supplies the cement plant. The IFC first invested directly in STC with a \$20 million loan and \$15 million equity investment in January 2018,<sup>105</sup> followed by an indirect investment, via the EAF, in the same month.

The IFC requires its clients to assess greenhouse gas (GHG) emissions when they are forecasted to reach 25,000 tons of CO<sub>2</sub> equivalent (CO<sub>2</sub>e) per year.<sup>106</sup> The STC cement plant vastly exceeds this. The IFC reports that while GHG emissions from the existing plant equate to 550,000 tons of CO<sub>2</sub>e per annum, once the new kiln is commissioned this will rise to about 2 million tons.<sup>107</sup> In response to a draft of this report, STC provided an updated emissions estimate of 1.35 million tons per annum after the new kiln



View of STC’s cement plant in Thazi District, Mandalay region of Myanmar. Photo: Petra Kjell

becomes operational. This rise in GHG emissions is partly attributable to the increased use of coal which the IFC's investment has helped to support. Coal production at the open-cast mine in Kalewa that supplies the STC plant will increase from 60,000 to 150,000 tons per day, and the STC plant will also supplement this with coal from other sources, both local and imported.

This estimate of total GHG emissions per year does not take into account more emissions still from the expansion of the STC-owned coal mine. IFC explains that "emissions from the mine have not been quantified as yet, however relative to the cement plant these are considered limited; this component will be updated once the information becomes available."<sup>108</sup> STC claims that the emissions from the mine will be limited and primarily generated by emissions from vehicles.

More than 170 civil society groups, most of them local, urged the IFC not to fund the plant's expansion in a letter in June 2017.<sup>109</sup> They wrote: "As the World Bank has pledged not to finance coal power plants in Myanmar due to their devastating environmental, health and climate impacts, it is not clear why the IFC is considering funding this project." IFC officials have argued that the STC deal is not in breach of its policies because it does not involve coal for energy but instead for industrial processes. However, the climate change impacts will be significant regardless of the purpose for which the coal is used.

Most of the world's planned new coal-fired plants are in Asia, a continent where GHG emissions grew by 3.6% per year from 2006-14, at a rate 3% higher than the global average.<sup>110</sup> While much attention is understandably given to coal's role in energy use, industrial processes, such as cement production, are also a growing source of emissions, contributing over a fifth of direct global GHG emissions.<sup>111</sup>

In its plans to combat climate change, the World Bank Group commits to address the massive problems caused by increased coal use globally. In its recent Energy Sector Strategy, which also applies to the IFC, the Bank effectively excluded coal, stating it would support it only in "rare circumstances".<sup>112</sup> However, this strategy does not cover coal use for industrial processes, such as that employed at STC's cement plant. The Bank's 2016 Climate Change Action Plan likewise makes scant mention of industrial processes, and fails to mention cement at all. This is a glaring loophole and one that has enabled IFC officials in the STC case to downplay the massive increase in coal use in this project.

## **Impacts on Local Communities**

In addition to the global impacts that will be felt from this project, the communities surrounding the operations are already experiencing its direct impacts. In the third quarter of 2018, our research team met with approximately 30 members of two villages near the cement plant in the Mandalay region and six more from a village near the mine in the Sagaing region.<sup>113</sup> It was not possible to meet with other villages near the coal mine. The team also spoke to a group of temporary workers near the cement plant. The villagers from both regions, separated by over 350km, had the same concerns over lack of information about the project and how to raise their grievances. They also shared similar concerns about lack of access to clean drinking water and anxiety that the expansion of the cement plant and the coal mine will increase the negative environmental impacts that they are already suffering.

## **Community engagement**

STC is a category A investment, meaning that it poses "potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented". In addition to the usual information disclosure and consultation, an IFC category A client is supposed to undertake a process of Informed Participation and Consultation (IPC), which is "a more in-depth exchange of views and information, and an organized and iterative consultation, leading to the client's incorporating into their decision-making process the views of the Affected Communities on matters that affect them directly, such as the proposed mitigation measures, the sharing of development benefits and opportunities, and implementation issues."<sup>114</sup> The IFC is required to ascertain, prior to investment in category A clients, that the IPC has led to broad community support (BCS) for the project. The IFC defines BCS as "a collection of expressions by Affected Communities, through individuals or their recognized representatives, in support of the proposed business activity."<sup>115</sup> BCS is supposed to be maintained throughout the life of the project.

## **Consultation and information disclosure**

The company reports that community briefings, focus group discussions and household surveys took place in both regions in January 2017.<sup>116</sup> Further meetings were not held until after the IFC disclosed the project information in April 2017 and the CSO letter in June 2017 raising concerns about the proposed funding. A multi stakeholder meeting was held in Yangon in July 2017 – just under two weeks prior to IFC Board approval. This was followed by two meetings organised in the communities near the cement plant in July 2017, and two meetings in the coal mining region after IFC Board approval, in September 2017. STC published the minutes of these meetings online.<sup>117</sup>



One of the workers at the cement plant without a permanent contract. Photo: Petra Kjell

Community members spoken to by the research team were aware that some meetings had occurred. However, community members from the two villages near the cement plant both reported that the village administrator did not invite everyone to a meeting with Environmental Resources Management (ERM), the Environmental and Social Impact Assessment (ESIA) consultant, in 2017. Further, despite these meetings, when the research team met with villages affected by the project, several community members were unaware of critical elements of the project. This was especially true in the coal mining region where villagers did not know about the end use of the extracted coal, nor of the planned construction of a new access road.

There are also gaps in the information that is publicly available about the impacts of the project, including a biodiversity survey during the rainy season, an indigenous peoples assessment, an assessment of whether Performance Standard 5 on land acquisition and involuntary resettlement applies and, importantly, a cumulative impact assessment.<sup>118</sup> STC, in its response to this report, noted that the Biodiversity Action Plan will be disclosed following agreement by the government. The seeming lack of a more robust consultation process could be, in part, explained by the fact that the IFC did not require STC to develop and implement a Stakeholder Engagement Plan until February 2018,<sup>119</sup> seven months after the investment was approved.

### **Community benefits**

The company has provided some support to the villages in both regions in the form of, *inter alia*, generators and fuel, latrines, and a small water purification plant. In one case, the generator was provided to the community shortly before the meeting with ERM, which according to a villager who attended the meeting made them less likely to speak up since the company representative was also in the room. This also appears to be inconsistent with IFC's ICP requirement that the process "not be influenced by outside pressure or monetary inducements."<sup>120</sup> STC also reports building schools and supporting staff salaries in the communities near the cement plant.<sup>121</sup>

The research team visited an STC information centre, which has a small room attached with a bed, chair, table, sink and cabinet, where the company provides health care services. Villagers asserted that the doctor, employed by STC, came only twice a month. Villagers in a community closer to the plant also informed the team that the doctor visits them twice a month. The company reports that a medical officer who it employs provides medical services to the villages near the coal mine on a monthly basis.<sup>122</sup>

Other requests from the communities to the company for benefits, including drinking water wells and road renovation, have gone unanswered or unmet. According to villagers in both communities near the cement plant, the company stopped caring about them after the investment by IFC was approved last year.

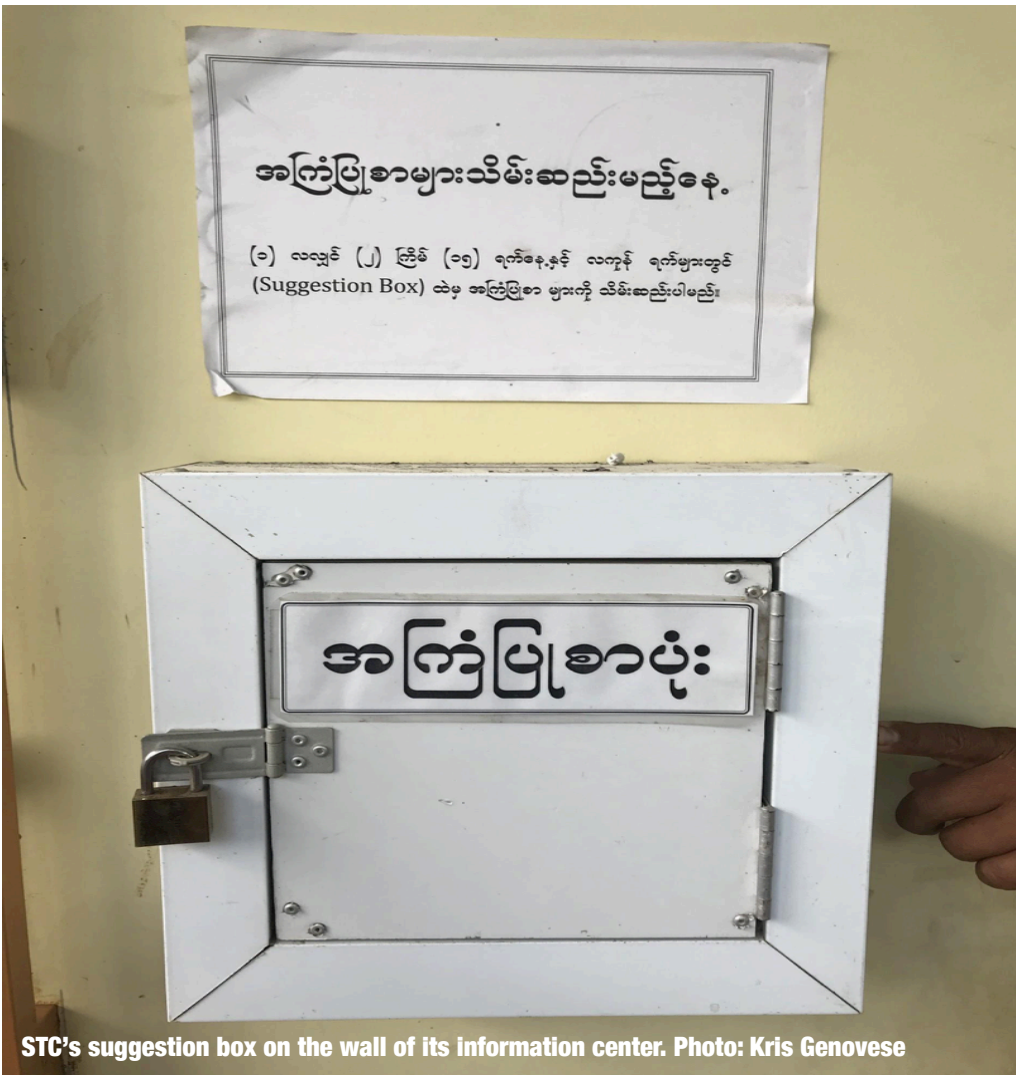
Despite the IFC’s claim that the project will employ 1,000 workers at its peak,<sup>123</sup> the project is providing very few job opportunities to members of the affected communities. Near the cement plant, the villagers estimated that no more than 11 people, in both villages, had been hired by the company. The community members explained that they lacked the education level to be qualified for the jobs. STC responded that the local community members preferred to engage in “independent economic activities” because such activities provide more income and a “freelance-lifestyle”.<sup>124</sup> According to information provided by the IFC, most of the workers employed by the company will be Chinese.<sup>125</sup> The company, in its response, reports that there are 250 foreign workers and 400 nationals employed in the construction phase.<sup>126</sup>

The research team spoke to a group of casual workers, employed on a day-to-day basis without contract, near the cement plant. They come from other parts of the country and do not have permanent housing, like the contract workers, but rent land from local farmers where they live in informal settlements. The company reportedly forces them to move regularly. The people with whom the team spoke had moved six times already and had been told by the company to move again by the end of the month to somewhere

far from the road. STC reports that they have agreed to a plan with village leaders for “suitable and permanent accommodation,” but the workers the research team spoke with did not have any knowledge of that plan. The company does not compensate them for their moving expenses. The workers have to pay for all their living expenses, including rent, electricity and drinking water. They also have to pay for part of the work equipment that is mandatory to wear.

**Broad community support determination**

Despite the IFC’s requirement to ascertain BCS prior to investment, the BCS determination is still pending more than a year later. For that reason, there is limited information available about the basis upon which IFC asserts that BCS exists for the project except for a brief reference in IFC’s Environmental and Social Review Summary: “[c]ommunity members consulted during the ESIA and during IFC’s site visits generally expressed a positive view towards the project and described it as important for local development.”<sup>127</sup> Community members the research team spoke with were not aware of the IFC’s requirement to ascertain BCS. They did not feel that they were asked whether they supported the project. They were surprised to learn from the research team that the IFC had made that determination. Given the small number of people



STC’s suggestion box on the wall of its information center. Photo: Kris Genovese

involved in the consultation, the limited information provided to villagers about the project's impacts, and the minimal amount of benefits provided to the affected villages, it is difficult to understand the IFC's basis for finding BCS.

### **Grievance mechanism**

The IFC requires its clients to establish a grievance mechanism that should be "scaled to the risks and adverse impacts of the project" and to inform affected communities about it through the stakeholder engagement process.<sup>128</sup> Villagers we spoke to in both regions are unaware of the company's procedures for resolving grievances.

Initially, a village committee was established in the cement plant region to engage with the company to resolve complaints. The committee was involved in the resolution of one complaint related to compensation for loss of crops due to the construction of the new transmission line to the cement plant. But following that complaint, the company ceased its engagement with the village committee. A second complaint related to compensation for the original transmission line was reportedly rejected by the company because it was outside the statute of limitations.

The research team observed a "suggestion" box on the wall of the company's information center. Neither the personnel at the information center nor the community members could explain to the team what happened after the contents of the box were collected and transmitted to the company. There was no written material in the information center explaining how to submit a complaint or the procedures that were followed to handle them. In response to this report, STC said it will ensure additional information is available on how to submit a complaint and how complaints are handled.<sup>129</sup> Finally, none of the villagers in either region had heard of the IFC's grievance mechanism, the Compliance Advisor Ombudsman, or knew how to file a complaint there.

### **Environmental and Social Impacts**

Communities in both regions are concerned about the project's impacts on their drinking water. Both villages near the cement plant complained of limited water quantity, especially in the dry season, in two nearby rivers as a result of the company's construction of a dam and weir to provide water for their industrial processes. The villagers were also concerned with water quality, especially the village that is directly downstream from the cement plant. In that village, people reported that they have suffered skin rashes after bathing in the river, which the company attributes to hygiene issues unrelated to its operations.<sup>130</sup> Villagers further from the cement plant are also concerned about the cumulative impacts on water quality from

the other cement plants in the region and a nearby gold mine that villagers suspect of also contributing to deteriorating water quality.

The village closest to the cement plant reports experiencing dust and ash pollution from the cement plant that coats their solar panels and damages their subsistence crops. STC responded that it had implemented an air monitoring programme and will take additional measures, if necessary.<sup>131</sup>

Community members near the cement plant complained that land and crops losses they suffered during the construction of the first transmission line were not adequately addressed yet. Some of those claims were reportedly settled prior to IFC's investment, but the legacy of the land conflict due to the construction of the original transmission line supplying power to the plant remain unresolved. More claims arose in the summer of 2018 during the construction of the new transmission line, as there appeared to be no consistent methodology for determining the compensation amounts, resulting in some recipients receiving more than others for similar losses. Information provided by the IFC implied that the new transmission line would use the same land as the first one, but the number of new complaints about loss of crops and access to land suggests otherwise.

In the coal mining region, villagers are also concerned about the cumulative impacts from all of the coal mines in the area on the water, biodiversity and climate. The villagers stated that temperatures in the region are rising, which they attributed to increased deforestation to make way for the coal mines. The research team observed ships loaded with coal without any cover or protection. Similarly, the team observed multiple coal staging areas directly on the riverbanks with seemingly no provision for preventing run-off or spills, with no barrier between the coal and the soil. Despite an assertion by STC that there are storm-water diversion berms and collection pools,<sup>132</sup> the research team did not observe them. The new coal staging area for the company next to one of the villages looks to be under development, but the villagers had not been informed if or when it would be operational. On a road to the company's mine entrance, currently maintained by the company but used by various companies, the team observed a large coal stockpile uphill and a short distance away from the river. STC asserts that the stockpile is not associated with its operations.<sup>133</sup> The team did not observe any measures to prevent run-off or spillage from entering the river.

While these impacts are already occurring, villagers express concern and anxiety about the expansion of the project because they believe it will result in the intensification of impacts.

## Conclusions and recommendations

It is clear from our research that the IFC has taken significant steps towards changing the way it does business. The IFC is ring-fencing many of its investments towards SMEs, women and climate finance. Several of IFC's investments in the last 18 months have explicit exclusions covering not only coal but also other harmful activities, such as construction of large dams, impacts on indigenous peoples or resettlement of communities. If the IFC's claim that it is excluding coal from 95% of its FI business can be publicly substantiated, this would demonstrate that fundamental reform is possible. Such progress is welcome and points to a willingness by the IFC to respond to criticism and reform its practices.

Our research also makes clear that problems remain. General purpose investments, AMC investments and equity stakes continue to present gaps through which IFC investment may support risky and harmful projects. While the IFC is excluding coal from some investments, in others it remains exposed to coal mines and plants, as our case studies from India and Myanmar illustrate. The IFC continues to invest in clients exposed to other fossil fuels, such as oil and gas, at a time when the World Bank Group as a whole has announced its commitment to stop funding upstream oil and gas from 2019.

There are also questions about how effective IFC's ring fencing can be if monitoring and supervision are not sufficient. And even in those investments where the IFC has articulated a strong and positive ring-fence, such as in the case of the BDO bank in the Philippines where all harmful projects including coal and large dams are excluded and renewable energy promoted, the IFC must not close its eyes to the rest of what the bank is doing. If a client receives IFC funding, the IFC must insist it transform its portfolio - away from fossils and towards a low carbon and pro-poor future.

Le Houérou's commitment that the IFC will work with equity clients that "formally commit upfront to reduce or, in some cases, exit all coal investments over a defined period"<sup>134</sup> is welcome in this regard, but this should extend to all fossil fuels.

### Recommendations

The following recommendations are based around two complementary requirements: for greater transparency and for further action by the IFC to decarbonise its FI portfolio. We urge the IFC to take these recommendations into consideration as it develops the parameters of its new 'green equity' approach in the coming months.

In order for civil society to hold the IFC accountable to its reforms and to ensure any affected communities know who is financing the project affecting them and therefore have the ability to complain to the Compliance Advisor Ombudsman, it is vital that the IFC improves transparency around its FI lending to both debt and equity clients.

Le Houérou's commitments to improve transparency through piloting "a voluntary initiative with our financial intermediary clients exposed to high-risk projects for the next two years to promote disclosure of such high-risk sub-projects"<sup>135</sup> is a step in the right direction but simply does not go far or fast enough.

The IFC and the AMC should:

- **Disclose** the name, sector and location of risky sub-projects financed via FIs on the IFC's and AMC's websites and on the client's website;
- **Publicise** the IFC's involvement in sub-projects at the project sites among affected communities;

When the IFC develops "a framework for transparency and disclosure as well as time-bound commitments"<sup>136</sup>, it should adopt a requirement for all FI equity and debt clients, old and new, to track and disclose not only coal but other fossil fuel investments.

In order to clean up its FI lending portfolio and achieve a transformational shift in global finance flows through its influence on clients and other financial actors, the IFC and the AMC should:

- **Ensure that none of its investments results in an increase in coal use:** whether for power generation or industrial uses, and associated facilities such as transmission lines and railways or ports primarily meant for the transportation of coal;
- **Extend its coal exclusion clauses across all IFC FI investments** and disclose this exclusion, so that it can be publicly monitored; also exclude upstream oil and gas from 2019 in line with World Bank Group's commitments;<sup>137</sup>
- **Not invest in clients with more than 5% portfolio exposure to coal.** Dutch Bank ING<sup>138</sup> has stated it will no longer finance utilities sector clients that will be over 5% reliant on coal in 2025; additionally existing clients in the utilities sector should have ended their reliance on coal by 2025<sup>139</sup> for ING to continue

the relationship. BNP Paribas will only provide services to, or invest in, companies that diversify<sup>140</sup> away from coal. While IFC's clients differ from those of ING and BNP Paribas, these banks are not development institutions like the IFC. The Dutch development finance institution FMO, which is a similar operator to the IFC, investing in the same markets, has a 20% portfolio coal exposure limit in place,<sup>141</sup> demonstrating that such target-setting is possible.

- **Invest only in clients who commit to develop a portfolio decarbonisation plan** within a year of investment, which aims to achieve emissions reductions in line with targets set under the Paris Climate Agreement.

Finally, the IFC should also ensure that harms caused by existing coal projects supported via FI clients are remedied and that local communities receive adequate redress. In particular, the communities affected by STC's cement plant and coal mine in Myanmar specifically request that IFC, as part of its monitoring duties, visit them to hear their concerns.

## ENDNOTES

- 1 International Finance Corporation, Our Impact, no date <[https://www.ifc.org/wps/wcm/connect/corp\\_ext\\_content/ifc\\_external\\_corporate\\_site/annual+report/results/our-impact](https://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/annual+report/results/our-impact)> (3 October 2018).
- 2 15 international financial institutions, 84 private banks in the Equator group, 270 IFC client banks and funds and 32 export credit agencies use the IFC's standards as their benchmark. See: International Finance Corporation, Sustainability is Opportunity: How IFC has Changed Finance, no date, <[https://www.ifc.org/wps/wcm/connect/news\\_ext\\_content/ifc\\_external\\_corporate\\_site/news+and+events/news/impact-stories/how-ifc-has-changed-finance](https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/impact-stories/how-ifc-has-changed-finance)> (3 October 2018).
- 3 H. Wright & N. Sinani, "Why the World Bank's private sector arm must close its coal loopholes," Medium, 6 September 2018, <<https://medium.com/@drhelenawright/why-the-world-banks-private-sector-arm-must-close-its-coal-loopholes-9a691749f82>> (3 October 2018).
- 4 P Le Hou rou, A new IFC vision for greening banks in emerging markets, Devex <https://www.devex.com/news/opinion-a-new-ifc-vision-for-greening-banks-in-emerging-markets-93599> (8 October 2018).
- 5 International Finance Corporation, Telling Our Story: Crisis Response, 2009, <[https://www.ifc.org/wps/wcm/connect/0ea8cb004c557ed48c49cef12db12449/tos\\_CrisisResponse.pdf?MOD=AJPERES](https://www.ifc.org/wps/wcm/connect/0ea8cb004c557ed48c49cef12db12449/tos_CrisisResponse.pdf?MOD=AJPERES)> (3 October 2018).
- 6 Total FI investments in FY 2017. Total FI1 and FI2 lending March 2017-Sept 2018 totaled nearly \$10 billion.
- 7 Bretton Woods Project, Follow the Money: The World Bank Group and the Use of Financial Intermediaries, April 2014, <[https://www.brettonwoodsproject.org/wp-content/uploads/2014/04/B\\_W\\_follow\\_the\\_money\\_report\\_WEB-VERSION.pdf](https://www.brettonwoodsproject.org/wp-content/uploads/2014/04/B_W_follow_the_money_report_WEB-VERSION.pdf)> (3 October 2018).
- 8 Oxfam et al., The Suffering of Others: The human cost of the International Finance Corporation's lending through financial intermediaries, April 2015 <<https://www.oxfam.org/en/research/suffering-others>> (3 October 2018).
- 9 Inclusive Development International, Financial Intermediary Lending, no date <https://www.inclusivedevelopment.net/campaign/campaign-to-reform-development-lending-through-financial-intermediaries/> (3 October 2018).
- 10 Compliance Advisor Ombudsman, Third Monitoring Report of IFC's Response to: CAO Audit of a Sample of IFC Investments in Third-Party Financial Intermediaries, 6 March 2017 <[http://www.cao-ombudsman.org/documents/CAOMonitoringReport\\_FIAudit\\_March2017.pdf](http://www.cao-ombudsman.org/documents/CAOMonitoringReport_FIAudit_March2017.pdf)> (3 October 2018). The first two monitoring reports were released in 2014 ([http://www.cao-ombudsman.org/documents/CAOFIAuditMonitoringReport\\_October102014.pdf](http://www.cao-ombudsman.org/documents/CAOFIAuditMonitoringReport_October102014.pdf)) and 2015 ([http://www.cao-ombudsman.org/documents/CAOMonitoringReportC\\_I\\_R9\\_Y10\\_F135\\_October132015.pdf](http://www.cao-ombudsman.org/documents/CAOMonitoringReportC_I_R9_Y10_F135_October132015.pdf)).
- 11 Compliance Advisor Ombudsman, CAO Audit of a Sample of IFC Investments in Third-Party Financial Intermediaries, 10 October 2012 <[http://www.cao-ombudsman.org/newsroom/documents/Audit\\_Report\\_C-I-R9-Y10-135.pdf](http://www.cao-ombudsman.org/newsroom/documents/Audit_Report_C-I-R9-Y10-135.pdf)> (3 October 2018).
- 12 Inclusive Development International, Financial Intermediary Lending, no date <https://www.inclusivedevelopment.net/campaign/campaign-to-reform-development-lending-through-financial-intermediaries/> (3 October 2018).
- 13 Inclusive Development International, Outsourcing Development: Lifting the Veil on the World Bank Group's Lending through Financial Intermediaries <https://www.inclusivedevelopment.net/what-we-do/campaigns/outsourcing-development/> (3 October 2018).
- 14 P. Le Hou rou, "Opinion: Here's how the IFC is working with financial institutions," Devex, 10 October 2017 <<https://www.devex.com/news/opinion-here-s-how-the-ifc-is-working-with-financial-institutions-91223>> (3 October 2018).
- 15 Inclusive Development International et al., 'Disaster for Us and the Planet': How the IFC is Quietly Funding a Coal Boom, October 2016, <<https://www.inclusivedevelopment.net/wp-content/uploads/2016/09/Outsourcing-Development-Climate.pdf>> (3 October 2018); Inclusive Development International et al., Bankrolling India's Dirty Dozen, December 2016 <<https://www.inclusivedevelopment.net/wp-content/uploads/2017/04/Outsourcing-Development-India.pdf>> (3 October 2018); Inclusive Development International et al., Time to Come Clean: How the World Bank Group and International Investors can Stop the World's Most Dangerous Coal Plant, October 2017 <<https://www.inclusivedevelopment.net/wp-content/uploads/2018/04/Time-to-Come-Clean-Report-Oct.-2017.pdf>> (3 October 2018); Inclusive Development International et al., Broken Promises: The World Bank, International Investors and the Fight for Climate Justice in the Philippines, April 2018 <<https://www.inclusivedevelopment.net/wp-content/uploads/2018/04/Philippines-Coal-Report.pdf>> (3 October 2018).
- 16 S. Goldenberg, "Plans for coal-fired power in Asia re 'disaster for planet' warns World Bank," The Guardian, 5 May 2016 <<https://www.theguardian.com/environment/2016/may/05/climate-change-coal-power-asia-world-bank-disaster>>. (3 October 2018).
- 17 Inclusive Development International et al., Broken Promises: The World Bank, International Investors and the Fight for Climate Justice in the Philippines, April 2018 <<https://www.inclusivedevelopment.net/wp-content/uploads/2018/04/Philippines-Coal-Report.pdf>> (3 October 2018). The IFC disputes these figures but did not provide information to substantiate this claim.
- 18 Inclusive Development International et al., Broken Promises: The World Bank, International Investors and the Fight for Climate Justice in the Philippines, April 2018 <<https://www.inclusivedevelopment.net/wp-content/uploads/2018/04/Philippines-Coal-Report.pdf>> (3 October 2018). IDI points out that this exclusion is problematic "Excluding these projects sends a worrying signal: the IFC's financial sector clients will not be held responsible for their role in facilitating access to the all-important corporate bond market."
- 19 International Finance Corporation, Improving IFC's Approach to Environmental and Social Risk Management, April 2017 <<https://www.ifc.org/wps/wcm/connect/77c11449-261e-484b-a885-f9d77b087386/Improving-IFCs--Approach-to-ES-Risk-Management-Updated-April-2017.pdf?MOD=AJPERES>> (3 October 2018).
- 20 P Le Hou rou, A new IFC vision for greening banks in emerging markets, Devex <https://www.devex.com/news/opinion-a-new-ifc-vision-for-greening-banks-in-emerging-markets-93599> (8 October 2018).
- 21 International Finance Corporation, Sustainability is Opportunity: How IFC has Change Finance, no date, <[https://www.ifc.org/wps/wcm/connect/news\\_ext\\_content/ifc\\_external\\_corporate\\_site/news+and+events/news/impact-stories/how-ifc-has-changed-finance](https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/impact-stories/how-ifc-has-changed-finance)> (3 October 2018).
- 22 P. Le Hou rou, "Re-examining our work with financial Institutions," Medium, 10 April 2017 [https://medium.com/@IFC\\_org/re-examining-our-work-with-financial-institutions-208c4161d9e3](https://medium.com/@IFC_org/re-examining-our-work-with-financial-institutions-208c4161d9e3) (3 October 2018) ("We will reduce IFC's own exposure to higher risk FI activity").
- 23 The total figure for FI1 and FI2 investments is \$10,120.4\$9,990.4 million, although this does not include undisclosed FI1 investments such as Green Bond Cornerstone Fund.
- 24 Compliance Advisor Ombudsman, Indonesia / Wilmar Group-01/West Kalimantan, 1 July 2014, <[http://www.cao-ombudsman.org/cases/case\\_detail.aspx?id=76](http://www.cao-ombudsman.org/cases/case_detail.aspx?id=76)> (4 October 2018).
- 25 Compliance Advisor Ombudsman, Honduras / Dinant-01/ CAO Vice President Request, 25 August 2017 <[http://www.cao-ombudsman.org/cases/case\\_detail.aspx?id=188](http://www.cao-ombudsman.org/cases/case_detail.aspx?id=188)> (4 October 2018).
- 26 IFC Disclosure Information Portal, MCPP Axa, 9 <<https://disclosures.ifc.org/#/projectDetail/SII/39175>> (4 October 2018).
- 27 IFC Disclosure Information Portal, BRED Cambodia <<https://disclosures.ifc.org/#/projectDetail/SII/39331>> (4 October 2018).
- 28 See for example: Global Witness, Rubber Barons, May 2013 <<https://www.globalwitness.org/fr/campaigns/land-deals/rubberbarons/>> (4 October 2018) and Clean Sugar Campaign, ANZ Bank <<http://www.boycottbloodsugar.net/anz-bank/>> (4 October 2018).
- 29 IFC Disclosure Information Portal, Amethis II <<https://disclosures.ifc.org/#/projectDetail/SII/40245>> (4 October 2018).
- 30 IFC Disclosure Information Portal, Anthem Asia Myanmar SME Venture Fund, L.P. <<https://disclosures.ifc.org/#/projectDe>



tail/SII/40253> (4 October 2018).

31 World Bank, World Bank Group Announcements at One Planet Summit, 12 December 2017 <<http://www.worldbank.org/en/news/press-release/2017/12/12/world-bank-group-announcements-at-one-planet-summit>> (4 October 2018).

32 Our lack of findings on these 28 clients underscores the point long made by advocates, that the IFC must itself publish data on what its clients invest in, to ensure transparency in how IFC money is being spent.

33 IFC Disclosure Information Portal, DARP SPV IndiaRF, <https://disclosures.ifc.org/#/projectDetail/SII/40569> (21 September 2018).

34 Tim Buckley and Kashish Shah, "IEEFA update: India coal plant cancellations are coming faster than expected," Institute for Energy Economics and financial Analysis, IEEFA.org, <http://ieefa.org/india-coal-plant-cancellations-are-coming-faster-than-expected/> (3 October 2018).

35 IFC Disclosure Information Portal, ITAU Corpbanca Colombia SA, <https://disclosures.ifc.org/#/projectDetail/SII/40562> (21 September 2018).

36 IFC Disclosure Information Portal, Synergy II, <https://disclosures.ifc.org/#/projectDetail/SII/40184> (21 September 2018).

37 IFC Disclosure Information Portal, CAL Bank II, <https://disclosures.ifc.org/#/projectDetail/SII/41047> (21 September 2018).

38 IFC Disclosure Information Portal, WCSS SG GHANA II, <https://disclosures.ifc.org/#/projectDetail/SII/39486> (21 September 2018).

39 October 2017: IFC Disclosure Information Portal, FirstRand SL, <https://disclosures.ifc.org/#/projectDetail/SII/39943> (21 September 2018) and May 2018: IFC Disclosure Information Portal, FirstRand SL, <https://disclosures.ifc.org/#/projectDetail/SII/40511>

40 Thomson Reuters Eikon, Tear sheet 2976744115 (10 Dec 2017).

41 Thomson Reuters Eikon, Tear sheet 2994181115 (10 Dec 2017).

42 Thomson Reuters Eikon, Tear sheet 3021879115 (10 Dec 2017).

43 Thomson Reuters Eikon, Tear sheet 2964172115 (10 Dec 2017).

44 Thomson Reuters Eikon, Tear sheet 2969501115 (10 Dec 2017).

45 IFC Disclosure Information Portal, Banco Davivienda S.A., <https://disclosures.ifc.org/#/projectDetail/SII/39057> (21 September 2018).

46 Thomson Reuters Eikon, Tear sheet 2891031115 (10 Dec 2017).

47 Thomson Reuters Eikon, Tear sheet 2856147115 (10 Dec 2017).

48 Thomson Reuters Eikon, Tear sheet 9813427115 (10 Dec 2017).

49 IFC Disclosure Information Portal, UBA subsidiaries, <https://disclosures.ifc.org/#/projectDetail/SII/38549> (21 September 2018).

50 Thomson Reuters Eikon, Tear sheet 3035954115 (10 Dec 2017).

51 Thomson Reuters Eikon, Tear sheet 3306351115 (10 Dec 2017).

52 Thomson Reuters Eikon, Tear sheet 8317520115 (10 Dec 2017).

53 Thomson Reuters Eikon, Tear sheet 3204002115 (10 Dec 2017).

54 Thomson Reuters Eikon, Tear sheet 9212641115 (10 Dec 2017).

55 Thomson Reuters Eikon, Tear sheet 3289241115 (10 Dec 2017).

56 IFC Disclosure Information Portal, Mercantile Bank Limited, <https://disclosures.ifc.org/#/projectDetail/SII/40330> (21 September 2017).

57 Thomson Reuters Eikon, Tear sheet 3091289115 (10 December 2017).

58 IFC Disclosure Information Portal, Fed Bank Loan, <https://disclosures.ifc.org/#/projectDetail/SII/38848> (21 September 2018).

59 Thomson Reuters Eikon, Tear sheet 7917730115 (10 Dec 2017).

60 IFC Disclosure Information Portal, IIF USD Loan, <https://disclosures.ifc.org/#/projectDetail/SII/39160> (21 September 2018).

61 Thomson Reuters Eikon, Tear sheet 8191018115 (10 Dec 2017).

62 IFC Disclosure Information Portal, DCM Bajaj Finance, <https://disclosures.ifc.org/#/projectDetail/SII/39493> (21 September 2018).

63 Thomson Reuters Eikon, Tear sheet 3134385115 (10 Dec 2017).

64 IFC Disclosure Information Portal, CIB Subdebt, <https://disclosures.ifc.org/#/projectDetail/SII/39595> (21 September 2018).

65 Thomson Reuters Eikon, Tear sheet 3194344115 (9 March 2018).

66 Thomson Reuters Eikon, Tear sheet 3178146115 (9 March 2018).

67 IFC Disclosure Information Portal, Fed Bank Loan, <https://disclosures.ifc.org/#/projectDetail/SII/38848> (21 September 2018).

68 Thomson Reuters Eikon, Tear sheet 3475555115 (10 Dec 2017).

69 Thomson Reuters Eikon, Tear sheet 3449353115 (13 Sep 2018).

70 IFC Disclosure Information Portal, GTST Ethiopia17, <https://disclosures.ifc.org/#/projectDetail/SII/39592> (21 September 2018).

71 IFC Disclosure Information Portal, CIB Subdebt, <https://disclosures.ifc.org/#/projectDetail/SII/39595> (21 September 2018).

72 Thomson Reuters Eikon, Tear sheet 3637850115 (9 March 2018).

73 IFC Disclosure Information Portal, UBA subsidiaries, <https://disclosures.ifc.org/#/projectDetail/SII/38549> (21 September 2018).

74 Thomson Reuters Eikon, Tear sheet 3443903115 (10 December 2017).

75 Thomson Reuters Eikon, Tear sheet 3561487115 (10 May 2018).

76 Thomson Reuters Eikon, Tear sheet 3545879115 (10 May 2018).

77 P. Le Houerou, "Re-examining our work with financial Institutions," Medium, 10 April 2017 [https://medium.com/@IFC\\_org/re-examining-our-work-with-financial-institutions-208c4161d9e3](https://medium.com/@IFC_org/re-examining-our-work-with-financial-institutions-208c4161d9e3) (3 October 2018).

78 IFC Disclosure Information Portal, Banco Davivienda S.A., <https://disclosures.ifc.org/#/projectDetail/SII/39057> (21 September 2018).

79 IFC Disclosure Information Portal, BRAC Women Banking, <https://disclosures.ifc.org/#/projectDetail/SII/39516> (21 September 2018).

80 Investments with a large dams or Category A exclusion include: IFC Disclosure Information Portal, DCM BDO Green <https://disclosures.ifc.org/#/projectDetail/SII/40419> (4 October 2018); IFC Disclosure Information Portal, Itau Arg CL <https://disclosures.ifc.org/#/projectDetail/SII/40916> (4 October 2018); IFC Disclosure Information Portal, DCM Gaucho GB <https://disclosures.ifc.org/#/projectDetail/SII/41090> (4 October 2018); IFC Disclosure Information Portal, ONE Bank Debt <https://disclosures.ifc.org/#/projectDetail/SII/39532> (4 October 2018); IFC Disclosure Information Portal, DARP - OB <https://disclosures.ifc.org/#/projectDetail/SII/38071> (4 October 2018); IFC Disclosure Information Portal, DARP APS 2 <https://disclosures.ifc.org/#/projectDetail/SII/38692> (4 October 2018).

81 Investments with a coal exclusion clause include: IFC Disclosure Information Portal, DARP - OB <https://disclosures.ifc.org/#/projectDetail/SII/38071> (4 October 2018); IFC Disclosure Information Portal, DARP APS 2 <https://disclosures.ifc.org/#/projectDetail/SII/38692> (4 October 2018); and IFC Disclosure Information Portal, DCM BDO Green <https://disclosures.ifc.org/#/projectDetail/SII/40419> (4 October 2018).

82 IFC Disclosure Information Portal, GTST Ethiopia17, <https://disclosures.ifc.org/#/projectDetail/SII/39592> (21 September 2018).

83 IFC Disclosure Information Portal, Fed Bank Loan, <https://disclosures.ifc.org/#/projectDetail/SII/38848> (21 September 2018).

- 2018).
- 84 Federal Bank website, IFSC Banking Unit, Gift City, <https://www.federalbank.co.in/ibu-gift-city> (21 September 2018).
- 85 IFC Disclosure Information Portal, CIB Subdebt, <https://disclosures.ifc.org/#/projectDetail/SII/39595> (21 September 2018).
- 86 IFC Disclosure Information Portal, BT B3T2 Bond, <https://disclosures.ifc.org/#/projectDetail/SII/41084> (21 September 2018).
- 87 IFC Disclosure Information Portal, ONE Bank Debt <https://disclosures.ifc.org/#/projectDetail/SII/39532> (4 October 2018).
- 88 David Stanway, "China coal-fired power plant issues green bonds," Reuters.com, 4 August 2017, <https://www.reuters.com/article/china-power-financing/china-coal-fired-power-plant-issues-green-bonds-idUSL4N1KP3RQ> (3 October 2018).
- 89 Compliance Advisor Ombudsman, Third Monitoring Report of IFC's Response to: CAO Audit of a Sample of IFC Investments in Third-Party Financial Intermediaries, 6 March 2017 <[http://www.cao-ombudsman.org/documents/CAOMonitoringReport\\_FIAudit\\_March2017.pdf](http://www.cao-ombudsman.org/documents/CAOMonitoringReport_FIAudit_March2017.pdf)> (3 October 2018).
- 90 Inclusive Development International, BIC Europe, and the Philippine Movement for Climate Justice, "Broken Promises: The World Bank, International Investors and the Fight for Climate Justice in the Philippines", April 2018, <https://www.inclusivedevelopment.net/wp-content/uploads/2018/04/Philippines-Coal-Report.pdf> (21 September 2018).
- 91 Nezir Sinani & Dr. Helena Wright, "Why the World Bank's private sector arm must close its coal loopholes," Medium, <https://medium.com/@drhelanawright/why-the-world-banks-private-sector-arm-must-close-its-coal-loopholes-9a691749f82> (21 September 2018).
- 92 IFC Asset Management Company, IFC Capitalization (Sub Debt) Fund, <https://www.ifcamc.org/funds/ifc-capitalization-sub-debt-fund>. The AMC invested in Banco Davivienda S.A. in July 2014.
- 93 IFC Asset Management Company, IFC Capitalization (Sub Debt) Fund, <https://www.ifcamc.org/funds/ifc-capitalization-sub-debt-fund>. The AMC invested in FirstRand Bank, Ltd. in April 2014.
- 94 October 2017: IFC Disclosure Information Portal, FirstRand SL, <https://disclosures.ifc.org/#/projectDetail/SII/39943> (21 September 2018) and May 2018: IFC Disclosure Information Portal, FirstRand SL, <https://disclosures.ifc.org/#/projectDetail/SII/40511>.
- 95 Eikon, Loans Tearsheet Salalah LPG Prices US\$640M Term Loan, accessed 6-12-2017.
- 96 Eikon, Loans Tearsheet Samsung Engineering Co Ltd Prices US\$206M Term Loan, accessed 3-9-2018.
- 97 Eikon, Loans Tearsheet Oil Search (PNG) Ltd Prices US\$310M Revolving Credit Facility, accessed 6-12-2017.
- 98 IFC, In a Historic Step, IFC Launches Subsidiary to Manage Third-Party Capital for Development: Gavin Wilson Is Appointed First CEO of IFC Asset Management Company, 7 May 2009 <https://ifcext.ifc.org/IFCExt/Pressroom/IFCPressRoom.nsf/0/FD0A212B06FCC317852575AF00646966> (4 October 2018).
- 99 IFC Asset Management Company, Funds <<https://www.ifcamc.org/funds>> (4 October 2018).
- 100 IFC, IFC Emerging Asia Fund Completes Fundraising at \$693 Million <<https://ifcext.ifc.org/IFCExt/Pressroom/IFCPressRoom.nsf/0/2FCE49AEB374A7888525823200541B85>> (4 October 2018).
- 101 Bloomberg, Company Overview of IFC Asset Management Company, LLC <<https://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapId=58974708>> (4 October 2018).
- 102 IFC Disclosure Information Portal, IFC Asia Fund <https://disclosures.ifc.org/#/projectDetail/SII/33800> (4 October 2018).
- 103 IFC Asset Management Company, IFC Emerging Asia Fund <<https://www.ifcamc.org/funds/ifc-emerging-asia-fund>> (4 October 2018).
- 104 IFC Disclosure Information Portal, STG Cement <https://disclosures.ifc.org/#/projectDetail/ESRS/38831> (4 October 2018).
- 105 IFC Disclosure Information Portal, STG Cement <<https://disclosures.ifc.org/#/projectDetail/SII/38831>> (4 October 2018).
- 106 IFC Performance Standard 3: "For projects that are expected to or currently produce more than 25,000 tonnes of CO2- equivalent annually, the client will quantify direct emissions from the facilities owned or controlled within the physical project boundary, as well as indirect emissions associated with the off-site."
- 107 IFC Disclosure Information Portal, STG Cement <https://disclosures.ifc.org/#/projectDetail/ESRS/38831> (4 October 2018).
- 108 Ibid.
- 109 EarthRights International et al., Open letter to the IFC regarding its proposed financing of a crony-owned cement factory and coal mine in Myanmar, 7 June 2017 <https://earthrights.org/media/open-letter-to-the-ifc-regarding-its-proposed-financing-of-a-crony-owned-cement-factory-and-coal-mine-in-myanmar/> (4 October 2018).
- 110 Asia Infrastructure Investment Bank, Energy Sector Strategy: Sustainable Energy for Asia, 11 April 2018 [https://www.aiib.org/en/policies-strategies/strategies/sustainable-energy-asia/.content/index/\\_download/energy-sector-strategy.pdf](https://www.aiib.org/en/policies-strategies/strategies/sustainable-energy-asia/.content/index/_download/energy-sector-strategy.pdf) (4 October 2018).
- 111 Fishedick M. et al. 2014: Industry. In: Climate Change 2014: Mitigation of Climate Change. Contribution of Working Group III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change [Edenhofer, O., R. et al. (eds.)]. Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA. [https://www.ipcc.ch/pdf/assessment-report/ar5/wg3/ipcc\\_wg3\\_ar5\\_chapter10.pdf](https://www.ipcc.ch/pdf/assessment-report/ar5/wg3/ipcc_wg3_ar5_chapter10.pdf) (4 October 2018).
- 112 World Bank Group, Toward a Sustainable Energy Future for All: Directions for the World Bank Group's Energy Sector <<http://documents.worldbank.org/curated/en/745601468160524040/pdf/795970SST0SecM00box377380B00PUBLIC0.pdf>> (4 October 2018).
- 113 The names of the villages and the people with whom the team met are omitted here to ensure their safety.
- 114 IFC, Performance Standard 1, para. 31.
- 115 IFC Sustainability Policy on Environmental and Social Sustainability, para. 30.
- 116 Kyaw Naing Soe, Shwe Taung Cement, email 2 October 2018.
- 117 Apache Cement, Shwe Taung Cement, News, <https://www.apachecement.com/category/news/> (4 October 2018).
- 118 See Supplementary ESIA for STC Cement Plant & Associated Facilities in Myanmar available at IFC Disclosure Information Portal, STG Cement <https://disclosures.ifc.org/#/projectDetail/ESRS/38831> (4 October 2018).
- 119 IFC Disclosure Information Portal, STG Cement <https://disclosures.ifc.org/#/projectDetail/ESRS/38831> (4 October 2018).
- 120 IFC, Performance Standards on Environmental and Social Sustainability, GN105.
- 121 Kyaw Naing Soe, Shwe Taung Cement, email 2 October 2018.
- 122 Ibid.
- 123 IFC Disclosure Information Portal, STG Cement <https://disclosures.ifc.org/#/projectDetail/ESRS/38831> (4 October 2018).
- 124 Kyaw Naing Soe, Shwe Taung Cement, email 2 October 2018.
- 125 IFC Disclosure Information Portal, STG Cement <https://disclosures.ifc.org/#/projectDetail/ESRS/38831> (4 October 2018).
- 126 Kyaw Naing Soe, Shwe Taung Cement, email 2 October 2018.
- 127 IFC Disclosure Information Portal, STG Cement <https://disclosures.ifc.org/#/projectDetail/ESRS/38831> (4 October 2018).
- 128 IFC, Performance Standard 1, para. 35.
- 129 Kyaw Naing Soe, Shwe Taung Cement, email 2 October 2018.
- 130 Kyaw Naing Soe, Shwe Taung Cement, email 2 October 2018.
- 131 Ibid.
- 132 Ibid.
- 133 Ibid.

- 134 P Le Houérou, A new IFC vision for greening banks in emerging markets, Devex <https://www.devex.com/news/opinion-a-new-ifc-vision-for-greening-banks-in-emerging-markets-93599> (8 October 2018).
- 135 Ibid.
- 136 Ibid
- 137 World Bank, World Bank Group Announcements at One Planet Summit, 12 December 2017 <<http://www.worldbank.org/en/news/press-release/2017/12/12/world-bank-group-announcements-at-one-planet-summit>> (4 October 2018).
- 138 ING, ING further sharpens coal policy to support transition to low-carbon economy, 12 December 2017 <<https://www.ing.com/Newsroom/All-news/ING-further-sharpens-coal-policy-to-support-transition-to-low-carbon-economy.htm>> (4 October 2018).
- 139 BankTrack, List of banks' policies on coal utilities <[https://www.banktrack.org/campaign/list\\_of\\_banks\\_policies\\_on\\_coal\\_utilities](https://www.banktrack.org/campaign/list_of_banks_policies_on_coal_utilities)> (4 October 2018).
- 140 BNP Paribas, BNP Paribas takes further measures to accelerate its support of the energy transition, 11 October 2017 <http://www.bnpparibas.com.au/en/2017/10/11/bnp-paribas-takes-further-measures-to-accelerate-its-support-of-the-energy-transition/> (4 October 2018).
- 141 FMO, Position Statement on Coal Power Generation and Coal Mining, 23 December 2016 [https://www.fmo.nl//library/download/urn:uuid:bc67f804-1588-4542-8ac8-5f168b5f417f/position+statement+on+coal.pdf?format=save\\_to\\_disk&ext=.pdf](https://www.fmo.nl//library/download/urn:uuid:bc67f804-1588-4542-8ac8-5f168b5f417f/position+statement+on+coal.pdf?format=save_to_disk&ext=.pdf) (4 October 2018).
- 142 Hindustan Powerprojects, Anuppur Thermal Powerproject, <http://www.hindustanpowerprojects.com/businesses/thermal-power/thermal-projects/anuppur-project/> (4 October 2018).
- 143 C.P.R. Environmental Education Centre, The Son River or Sone <[http://www.cpreecervis.nic.in/Database/Sone\\_1776.aspx](http://www.cpreecervis.nic.in/Database/Sone_1776.aspx)> (4 October 2018); C.P.R. Environmental Education Centre, River Narmada <[http://www.cpreecervis.nic.in/Database/River\\_Narmada\\_906.aspx](http://www.cpreecervis.nic.in/Database/River_Narmada_906.aspx)> (4 October 2018); R. Chaturvedi, Occupational Structure of Population in Anuppur District: Geographical Analysis, Research Trend, <https://www.researchtrend.net/ijamh/pdf/JAMH-1062-DR%20RICH%20CHATURVEDI.pdf> (4 October 2018).
- 144 Hindustan Powerprojects, Anuppur Thermal Powerproject, <http://www.hindustanpowerprojects.com/businesses/thermal-power/thermal-projects/anuppur-project/> (4 October 2018).
- 145 Hindustan Powerprojects, Hindustan Power commissions phase 1 (1200 MW) of its 2520 MW Anuppur thermal power plant, 14 April 2016 <<http://www.hindustanpowerprojects.com/hindustan-power-commissions-phase-1-1200-mw-of-its-2520-mw-anuppur-thermal-power-plant/>> (4 October 2018).
- 146 Dainik Bhaskar Hindi, Jabalpur, Madhya Pradesh, Challenged the Forest land allocation to Moser Baer Power project, 3 May 2018.
- 147 Hindustan Powerprojects, Hindustan Power commissions phase 1 (1200 MW) of its 2520 MW Anuppur thermal power plant, 14 April 2016 <<http://www.hindustanpowerprojects.com/hindustan-power-commissions-phase-1-1200-mw-of-its-2520-mw-anuppur-thermal-power-plant/>> (4 October 2018).
- 148 Ibid.
- 149 Hindustan Powerprojects, Hindustan Power achieves COD of unit-I of its Anuppur thermal power plant, 5 January 2016 <http://www.hindustanpowerprojects.com/hindustan-power-achieves-cod-unit-anuppur-thermal-power-plant-2/> (4 October 2018).
- 150 IFC Disclosure Information Portal, Federal Bank <https://disclosures.ifc.org/#/projectDetail/SPI/24493> (4 October 2018).
- 151 IFC Disclosure Information Portal, Fed Bank Loan <https://disclosures.ifc.org/#/projectDetail/SII/38848> (4 October 2018).
- 152 IFC Disclosure Information Portal, Axis Bank III <https://disclosures.ifc.org/#/projectDetail/SII/34782> (4 October 2018).
- 153 IFC Disclosure Information Portal, Axis Bank III <https://disclosures.ifc.org/#/projectDetail/SII/34782> (4 October 2018).
- 154 Bhartiya Kisan Union, Police brutalities and Farm Land Grabbing for Moserbaer Power Plant in Jaithari Tehsil of Anuppur District in Madhya Pradesh, 6 July 2012 <https://viacampesina.org/en/india-moserbaer-land-grab-report-by-bku-on-farmers-rights-violations/> (4 October 2018).
- 155 Ibid.
- 156 Dainik Bhaskar Hindi, Jabalpur, Madhya Pradesh, Article Titled: Challenged the Forest land allocation to Moser Baer Power project, May 3, 2018.
- 157 Bhartiya Kisan Union, Police brutalities and Farm Land Grabbing for Moserbaer Power Plant in Jaithari Tehsil of Anuppur District in Madhya Pradesh, 6 July 2012. <https://viacampesina.org/en/india-moserbaer-land-grab-report-by-bku-on-farmers-rights-violations/> (4 October 2018).
- 158 P. Naveen, 3 engineers killed, 24 others injured in Moser Bear's boiler blast, Times of India, 17 May 2016 <https://timesofindia.indiatimes.com/city/bhopal/3-engineers-killed-24-others-injured-in-Moser-Bears-boiler-blast/articleshow/52303879.cms> (4 October 2018).
- 159 South Eastern Coalfields Limited, Annual Report 2014-2015, [https://www.coalindia.in/Portals/13/PDF/SECL\\_13082015.pdf](https://www.coalindia.in/Portals/13/PDF/SECL_13082015.pdf) (4 October 2018).
- 160 Amnesty International India, "When Land is Lost, Do We Eat Coal?" Coal Mining and Violations of Adivasi Rights in India, 2016 <[https://www.amnestyusa.org/files/report\\_final.pdf](https://www.amnestyusa.org/files/report_final.pdf)> (4 October 2018).
- 161 A. Chandrasekhar, A Successful Protest Against a Chhattisgarh Mine Highlights the Failure of India's Coal Auctions, The Wire, 10 September 2017 <https://thewire.in/175055/chhattisgarh-mine-protest-coal-auctions/> (4 October 2018).
- 162 Ibid.

**B*i*C** EUROPE



Bank Information Center Europe  
Sarphatistraat 30  
1018GL Amsterdam  
The Netherlands  
[info@bic-europe.org](mailto:info@bic-europe.org)