

Via Electronic Mail

Dr. Philippe Le Houérou
Executive Vice President and Chief Executive Officer
International Finance Corporation
2121 Pennsylvania Avenue, NW
Washington, D.C. 20433

cc: Jim Yong Kim, President, World Bank Group

Re: New research on climate impacts of IFC's Financial Intermediary investments

Dear Dr. Le Houérou,

We are writing following the publication of new research into the IFC's financial intermediary investments, which we released during the recent World Bank Annual Meetings.

We regret that you were unable to meet with us, as we would have liked to discuss with you in person the serious questions our research raises about the environmental and human rights compliance of IFC's financial sector investments and the impacts that these investments are having on communities around the world.

Since IFC does not disclose the vast majority of high-risk sub-projects financed by its FI clients, we have been following the trail of money to answer three questions:

- How are financial intermediary investments impacting people on the ground?
- Is IFC taking effective steps to avoid and mitigate the human rights and environmental risks of these investments?
- Are IFC's FI clients ensuring that its investments comply with the Performance Standards?

We are detailing our findings in a four-part investigative report called *Outsourcing Development: Lifting the Veil on the World Bank Group's Lending Through Financial Intermediaries*.¹

While our research only tackled a small portion of IFC's sprawling FI portfolio, we have already identified 91 FI sub-projects that have caused or threaten to cause serious harm to people and the environment, in clear violation of the E&S requirements that are contractually binding on IFC's clients.² We found projects and companies financed by IFC clients that have forcibly evicted and impoverished tens of thousands of people. They have contributed to climate change, ravaged tropical forests, polluted the oceans and rivers, and killed endangered species. Activists who have dared to resist them have been jailed, beaten and even murdered. Despite the limited scope of our research, our findings strongly suggest that there is a systemic problem of non-compliance in the FI portfolio.

The first part of the series, which we released during the week of the Annual Meetings, *'Disaster for us and the planet': How the IFC is quietly funding a coal boom*,³ reveals how the IFC's investments in commercial banks are providing indirect support for dozens of the largest and dirtiest coal projects and companies in the world. IFC-supported financial institutions in just a few countries have funded at least 41 new coal projects since the World Bank Group's 2013 commitment to drop coal except in "rare circumstances."

¹ See: <http://www.inclusivedevelopment.net/wp-content/uploads/2016/09/Outsourcing-Development-Introduction.pdf>

² A database of these projects and their links to IFC, which will be periodically updated with new findings, is available here: <http://www.inclusivedevelopment.net/wp-content/uploads/2016/09/IFC-FI-Harmful-Sub-Projects-Database-27-Sept-2016.pdf>

³ See: <http://www.inclusivedevelopment.net/wp-content/uploads/2016/09/Outsourcing-Development-Climate.pdf>

We were privileged to be joined in Washington DC by CSOs working directly with communities affected by these coal power plants and mines, including Dr Bharat Patel from the Tata and Adani Mundra coal-affected region, Priya Pillai, who works with communities struggling against the coal development in the Singrauli region of India, and Bibiano Rivera from the Philippines Movement for Climate Justice (PMCJ) - a coalition of 130 environmental groups in that country. We held several meetings with the IFC, the CAO, and Executive Directors to discuss these issues.

Now we are now calling upon you to take action to address this crisis.

It is in regard to the IFC's coal investments in the Philippines that we are writing to you today, as there is a real possibility for the IFC to have an impact in turning the tide against dirty energy in this country.

The IFC owns equity in two commercial banks in the Philippines: RCBC and BDO, and it has representation on the boards of both banks. Together the two banks have financed at least 20 coal projects with a total capacity of 11,653MW since 2013. Eight of these plants are already operational and have caused severe social, environmental and human rights impacts for local communities in breach of the IFC's Performance Standards. Twelve projects are still in the pipeline, in various stages of construction, which gives IFC a unique opportunity to use its influence and stake in the projects' financiers for the public good.

Local communities and the PCMJ have a strong and simple demand - to put a stop to the 12 coal projects still in the pipeline and to provide remedy for harms suffered by communities in the eight operational projects.

The Philippines is consistently ranked among the world's most vulnerable countries to climate change, and local communities and campaigners are calling on their national government and investors to uphold the Philippines' bold commitments in Paris and build a low carbon future, rather than locking the country into more dirty coal. One activist who paid the ultimate price for her work was Gloria Capitan, murdered in July this year following her opposition to the massive coal expansion in Bataan, including three projects backed by IFC.

We urge you, in your first year as head of the IFC, to respond to the calls of Gloria and her colleagues, and all those around the world who are struggling to prevent a climate catastrophe, by ensuring that the IFC's new FI investments are coal-free. We ask you to ensure that the IFC uses its leverage with RCBC and BDO to ensure that neither bank finances another harmful coal project, and to compel their sub-clients to rectify the harms they have already caused, bring their investments into line with the IFC Performance Standards and Philippines environmental regulations, and redirect their support to the renewable energy future that the Philippines so desperately needs and deserves.

We will be in touch again in the near future to share the next parts of our series, which will examine the impacts of FI investments in India, the Mekong region and Africa. Until then, we hope to see you take decisive action regarding IFC's Philippines FI investments, to adhere to the requirements of the IFC Sustainability Framework and live up to the World Bank Group's climate commitments.

Sincerely,



David Pred
Managing Director, Inclusive Development International

On behalf of Inclusive Development International, Bank Information Center, Urgewald, 11.11.11,
Philippines Movement for Climate Justice, Machimar Adhikar Sangharsh Samiti (MASS).