

PHILIPPE LE HOUÉROU
Executive Vice President and Chief Executive Officer

November 4, 2016

Mr. David Pred
Co-Founder / Managing Director
Inclusive Development International
50 S French Broad Avenue
Suite 257
Asheville, NC 28801

Via e-mail: david@inclusivedevelopment.net, davidpred@gmail.com

Dear David,

Thank you for your e-mail dated October 19, 2016.

I am glad my colleagues had the opportunity to meet with you and other civil society representatives during the recent Annual Meetings to discuss your latest report and its findings, as well as to explain IFC's approach to environmental and social risk management in our investments with financial intermediaries (FIs). We appreciate you bringing the concerns of impacted communities to our attention.

Usage of coal is a complex matter, particularly in emerging markets. Today, about 1.2 billion people – 17% of the global population – live without access to electricity, and many more have irregular power service requiring expensive, polluting backup sources. It will be impossible to make a lasting development impact if families, businesses and factories lack reliable power. As such, we are helping our member countries find the right energy mix to ensure consistent, adequate power supplies – in the cleanest way possible. However, we also recognize that renewable energy cannot yet completely replace the need for thermal power – in developing or developed markets.

In many countries, coal still makes up a large percentage of the energy mix, including the Philippines where it accounts for 45% of the energy supply. The World Bank Group is encouraging countries to move toward less carbon-intensive options. However, until countries' national energy strategies reflect this, and technology and market incentives are in place – including a carbon price - to promote more renewable options, many financial institutions will continue to finance coal plants.

Renewable power is a fast-growing area of IFC's investment operations and we expect it to continue apace. However, we understand that we must do more to encourage our FI clients to diversify their energy portfolio and support more energy and renewable energy projects.

We are working now to better understand our clients' exposure to coal projects and determine how we can help them shift their financing mix to more renewable energy, even when we do not have a financing relationship. For example, IFC no longer has a stake in BDO Bank, and no investment relationship with them. We are however engaging with them on a Sustainable Energy Finance advisory program to expand their energy efficiency and renewable energy portfolio.

We need to replicate more engagements like this in order to shift the market in developing countries toward more green finance. IFC is also influencing sustainable finance in FIs as a standard setter through the Sustainable Banking Network, the only global, member-driven, knowledge and capacity building network on sustainable finance for financial sector regulators and banking associations from emerging markets.

We are committed to informing our clients of the concerns you have raised, even for the projects mentioned in your report where IFC does not have exposure, and working to address them where we can. We are also fully committed to improving our approach to E&S risk management with FIs, and are glad to have the continuous feedback from civil society and stakeholders on these important and complex issues.

Sincerely,

A handwritten signature in black ink, appearing to read 'Philippe Le Houérou', written in a cursive style.

Philippe Le Houérou
Executive Vice President and Chief Executive Officer
International Finance Corporation

cc: Dr. Jim Yong Kim, President, World Bank Group