A woman washes clothes at a drinking water source that is next to a toxic ash-pond from the Sasan project in Singrauli. Photo: Joe Athialy.

OWNING THE OUTCOMES

Time to make the World Bank Group's financial intermediary investments more accountable

Over the past six years, the International Finance Corporation has channelled over $50bn to the financial sector, and its long-term investments in financial intermediaries such as commercial banks and private equity funds have dramatically risen by 45 percent over that same period. However, the evidence continues to grow that this private sector arm of the World Bank Group has little control over how a great deal of this money is spent. This lack of accountability is having devastating impacts on many poor communities. The IFC must start taking more responsibility for these outcomes and ensure that its investments are benefitting, rather than harming people and the environment.

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SUMMARY

Over the past six years, the International Finance Corporation (IFC), the World Bank Group's private-sector arm, has dramatically increased its funding to the financial sector. Between fiscal years (FY) 2010 and 2015 the IFC channelled over $50bn into this sector, and over $8bn in 2015 alone. Looking at long-term investments in financial intermediaries (FIs) such as commercial banks and private equity funds, the IFC has increased its investments by 45 percent between FY2010 and FY2015. Those types of investments made up approximately 50 percent of the IFC's FY2015 long-term commitments. Yet, while these investments in financial institutions continue to grow, there is mounting evidence that the IFC has little control over how a great deal of this money is spent. This lack of accountability has had, and continues to have, devastating implications for many poor communities.

Our research suggests that despite progress in the past few years, the IFC is not taking a firm enough approach to its financial-sector investments. This briefing paper challenges five arguments that the IFC has put forward to justify limiting its responsibility for the environmental and social risks and impacts of these investments.

The paper looks at:

- the IFC's responsibility for outcomes of its commercial bank client sub-projects;
- disclosure of information in the financial sector;
- the concept of 'ring fencing' investments, employing IFC's links to Peru's Tia Maria copper mine as a case in point;
- the argument that the IFC cannot be responsible for projects that were approved by its FI clients before the IFC's financial relationship with the FI began, where we highlight IFC's investments in financial intermediaries in Vietnam and India which have on-lent to highly risky projects in those countries' energy sectors;
- the argument that the system is working since the 2012 Performance Standards were adopted, taking the examples of IFC's links through financial intermediaries to coal projects in both Bangladesh and the Philippines.

There can be no more excuses. In a context where the global community, including the WBG, has come together to commit to climate action and the Sustainable Development Goals, all must play their part. Not least are those international financial institutions with a mandate for reducing poverty. That mandate must not be limited to direct investments but must also extend to the investments the WBG makes possible through its investments in financial intermediaries. The IFC must ensure that its financial-sector investments fight poverty and promote sustainable development, while doing no harm to people and the environment. The whole institution must take a leadership role in bringing about stronger environmental, social, and human rights accountability in global finance.

We present eight recommendations that we believe will help the IFC move toward a more meaningful and constructive role in improving environmental, social, and human rights accountability in the financial sector:

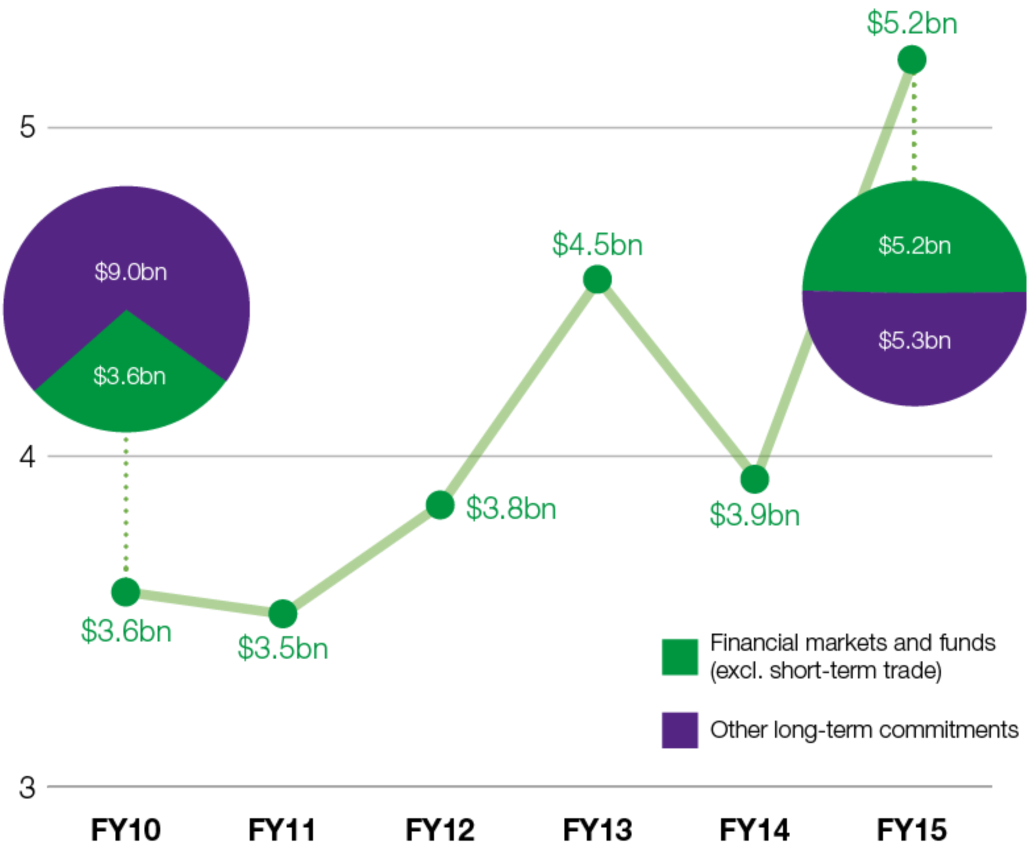
1. Regular supervision of FI sub-projects, including commercial bank sub-projects, particularly in high-risk sectors.
2. Individual appraisal, categorization, disclosure, and monitoring of all higher-risk sub-projects of FI clients.
3. Requiring all of its FI clients, as a condition of IFC's investment, to adopt a human rights policy that is aligned with the United Nations Guiding Principles on Business and Human Rights.
4. Public disclosure of higher risk FI sub-clients and their projects (requires FI to obtain consent of client).
5. Public disclosure of how the IFC monitors and tracks development impact from FI investments and ensuring that FI clients use IFC financing for the intended purposes and not for other projects.
6. Making remedying of harms in a prospective FI client's existing portfolio a condition for IFC's investment.
7. Actively ensuring FI sub-project affected communities have access to redress, including through the CAO.
8. Scaling down its FI portfolio to a level commensurate with its own capacity to ensure FI sub-projects comply with the Performance Standards.

1 INTRODUCTION

Picture a situation in which a development institution is channelling money through commercial banks and other financial intermediaries with the rationale that this money is helping to promote access to finance, particularly for small and medium-sized enterprises. Only it turns out that this institution actually has little control over the way in which much of its money is spent by the FIs. In fact, research shows that several of these FIs have gone on to invest in projects that have had, and continue to have, devastating implications for many poor communities. Who bears responsibility for the outcomes suffered as a result of this financial chain? This paper argues that the International Finance Corporation (IFC) – the development institution in this case – must be responsible and accountable for the outcomes, alongside its financial-sector clients. This is particularly relevant given the IFC's position as a branch of the World Bank Group, whose stated goals are to end extreme poverty and promote shared prosperity.

The IFC's mandate is to boost development in low- and middle-income countries by providing loans, equity, and advisory services to the private sector. However, over the past decade, there has been a dramatic departure from direct financing of businesses in developing countries by the IFC and other international financial institutions. Increasingly, development funds are being channeled through third parties, including commercial banks, private equity and hedge funds, and insurance companies. Today this is the predominant financing model of the IFC, with over $50bn channelled into this sector between fiscal years (FY) 2010 and 2015, and over $8bn in FY2015 alone.[1] Looking at long-term investments in financial intermediaries such as commercial banks and private equity funds, the IFC has increased its investments by 45 percent between FY2010 and FY2015. Those types of investments made up approximately 50 percent of the IFC's long term commitments in FY2015 (this figure excludes short-term trade finance which would increase the percentage significantly).[2]

Figure 1: IFC's long-term commitments for financial markets and funds



Source: IFC annual reports for fiscal years 2010–2015.[3] Note: Until 2015, IFC used to report total short-term trade finance (with tenor of less than 1 year) as part of its total commitments by Industry Group within its FI operations, but beginning in 2015 IFC changed the metric it uses to report on short-term trade finance from commitment volume to average outstanding volume. This graphic does not include short-term trade finance.

As suggested above, the primary rationale for the IFC's investments in the financial sector is to help it achieve development impacts by increasing its reach, particularly to micro, small and medium-sized enterprises in developing countries, which lack access to credit and other financial services.[4] Supporting this rationale, the IFC states that in 2014 its financial-sector clients provided $235bn in loans to small and medium-sized enterprises and $35bn in microfinance loans.[5] Such a reach is impressive, and particularly in countries where access to finance is limited, this could be an attractive strategy.

There is mounting evidence that much of the IFC's investments in FIs are not actually going to small businesses run by local entrepreneurs that would otherwise lack access to finance. Instead, substantial investments are going to large corporations that own and operate major high-risk investment projects.

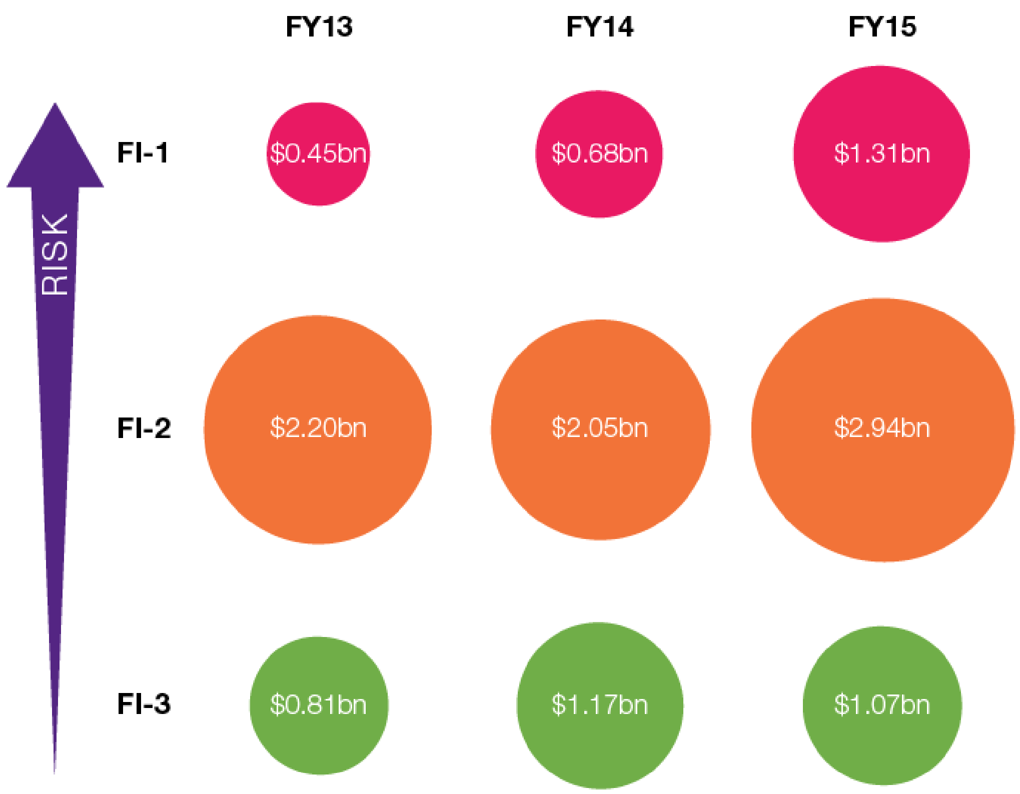
Yet there is mounting evidence that much of the IFC's investments in FIs are not actually going to small businesses run by local entrepreneurs that would otherwise lack access to finance. Instead, substantial investments are going to large corporations that own and operate major high-risk investment projects, including mega-dams, industrial mono-crop plantations, bauxite, coal and other mines, and large-scale commercial developments. While these types of investments may create jobs and contribute to economic growth, they also frequently cause serious harms to the environment and vulnerable communities, including women and children. In fact, many of these projects challenge the very ethos of sustainable development and would likely have a hard time being approved for direct financing by the World Bank Group. In the cases uncovered, the projects are often accompanied by violence and human rights abuses, especially when local communities are not consulted and do not consent to the projects. The series *Outsourcing Development: Lifting the Veil on Financial Intermediary Lending*[6] paints a portrait of numerous such cases

Many of these projects challenge the very ethos of sustainable development and would likely have a hard time being approved for direct financing by the World Bank Group.

in Africa, Asia, and Latin America and shows that high-risk, harmful investments are, in fact, a common feature of the IFC's financial intermediary portfolio and cannot be regarded as anomalies.

Indeed, the IFC's own data confirms this increase in investments in high-risk FIs, both in absolute terms as well as relative to other risk categories.[7] Whereas in FY2013, the IFC committed $450m to high-risk financial sector clients (categorized as FI-1), in FY2015, it committed $1.3bn to FI-1s – a jump of almost 300 percent.[8] This compares to a 130 percent increase in the same period for lower-risk investments (categorized as either FI-2 or FI-3). The IFC acknowledges that its 'FI business is taking [it] into more challenging areas with increasing E&S [environmental and social] risks'.[9]

Figure 2: IFC's FI long-term commitments by environmental and social category



Source: IFC annual reports for fiscal years 2013–2015.[10]

The IFC does have a Sustainability Framework in place that is intended to protect local communities and the environment from harm caused by IFC-supported projects. But there are major gaps and weaknesses in how the framework is being applied when it comes to IFC's financial-sector portfolio. Because the IFC is one step removed from the projects causing harmful social and environmental impacts, there is an added layer of complexity in managing this third-party risk. Such complexity should warrant more rigorous due diligence by the IFC and stronger monitoring and supervision processes. Yet, the organization is not doing enough to monitor the impacts of these investments on the ground. As a result, it is unfortunately failing to ensure that any and all harms arising from projects linked to its FI investments are avoided, mitigated, or redressed. At the same time, the opaque nature of its financial-sector investments and the difficulty of tracking where its funds end up impedes public scrutiny of a huge portion of its business. The result is that accountability of the IFC's FI portfolio is sorely lacking.

Following pressure from civil society groups, the IFC's Compliance Advisor Ombudsman (CAO) conducted an audit of the institution's FI portfolio, which was published in a highly critical report in 2013.[11] In response, the IFC developed an action plan to improve environmental and social performance of its FI clients. Since then, Oxfam, Inclusive Development International and other organizations have engaged in dialogue with the IFC about these issues and it is clear that there is some movement forward.

The IFC has acknowledged that 'E&S risk management needs greater attention in these areas and has committed to continually strengthen implementation of its policies and procedures'.[12] It has taken steps towards greater due diligence, increasing screening of its top financial intermediary exposures (largest investments) and paying greater attention to the capacity and commitment of FIs to uphold environmental and social standards. It has also committed to strengthening monitoring and supervision of the environmental and social management systems of its FI clients after investments are made.[13] These are welcome and important steps. However, they still do not relieve the IFC of its responsibility to ensure its financing is not resulting in harms to communities.

Significantly, the IFC has also committed to disclosing the names of companies that its new private-equity fund clients invest in using IFC funds. Though the extent of disclosure has so far been limited, this commitment is a noteworthy step forward. It allows people affected by investment projects owned by these companies to be aware of the link to the IFC, know they have specific rights as a result, and engage with and, if necessary, seek redress through the IFC and its FI client for any adverse social and environmental impacts. As notable a step as this might be, private equity funds constitute only 6–10 percent of the IFC's FI portfolio.[14]

Confidentiality and privacy regulations prohibiting the disclosure of investments by banks is one of several arguments used by the IFC to explain why it cannot make its financial-sector portfolio more transparent and accountable. But these types of excuses sound increasingly feeble, as ever more cases emerge in which local communities are forcibly displaced, fishing villages impoverished, and forests and rivers ravaged by projects financed by IFC's FI clients. These widespread and serious harms show that the IFC and its clients are not fulfilling the promise on which this business model is predicated: that the World Bank Group's financial-sector investments will be not just profitable, but also responsible and sustainable – and they will respect local communities and the environment.

This briefing paper follows on from previous reports, including *Risky Business*[15] and *The Suffering of Others*,[16] as well as written correspondence and events at which the IFC's FI cases and related issues have been presented and discussed. The paper challenges five arguments the IFC has put forward to justify limiting its responsibility for the environmental and social risks and impacts of its financial intermediary investments. We present eight recommendations to begin working towards a meaningful and constructive role for the IFC in improving environmental, social, and human rights accountability in the financial sector.

2 CHALLENGING THE ARGUMENTS

Argument 1: The IFC has only limited responsibility for investments made by its commercial bank clients

The IFC has indicated that, apart from its investments in private equity funds, the environmental and social risks and impacts of sub-projects are the FI's responsibility. Once the investment has been made, the IFC's responsibility for how its funds are used essentially ends there. Specifically, it has stated that:

'We believe it is important to stress that IFC does not finance specific companies through its investments in FIs, except in the case of Private Equity Funds. Therefore, most of the investments made by our clients are outside the scope of IFC's direct supervision.'[17]

Our response

Most of the IFC's FI portfolio is in financial markets – primarily commercial banks – with private equity funds comprising only a small fraction of clients. In FY2015, for example, the IFC invested $507m in funds but more than $4.5bn in financial markets.[18] This means the IFC considers itself to have little responsibility for the end use of around 90 percent of its FI business.

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Yet at the same time as avoiding responsibility for the *negative* impacts of commercial bank investments, the IFC justifies – and indeed claims credit for – the *positive* development impacts that it anticipates will be achieved through the FI's on-lending to businesses in developing countries.

For example, the IFC claims that its investments in eight Chinese commercial banks built the capacity and enhanced sustainability of best-practice 'role-model banks'. The investments thereby 'contributed significantly to the overall development of the banking sector … and improved services to the underserved sectors of the economy such as SMEs'.[19]

In order to achieve these positive impacts, the IFC did more than just provide financing to those banks – it actually helped to manage them. It appointed directors to the boards of seven of the eight banks, and provided technical assistance (pre- and post-investment) on business strategy, risk management, and corporate governance.[20] In a report on its impact on the Chinese banking sector, the IFC highlights an SME sub-project, the Nanjing Dongdian Inspection and Measuring Equipment Co., citing its five-fold increase in staff and seven-fold increase in sales since receiving financing from IFC's client, the Bank of Nanjing.[21] This level of support to commercial banks, and the IFC's willingness to claim credit for any positive development impacts accruing from sub-projects, stands in stark contrast to its repudiation of responsibility for any negative environmental and social impacts of its FI sub-investments.

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Another example is the IFC's investment in one of Vietnam's largest banks. In 2011, the IFC invested $307m in VietinBank, buying a 13 percent ownership stake.[22] One of the main reasons it gave for this investment was to 'improve access to finance for small and midsize enterprises'.[23] However, from publicly available information, it is not clear how the IFC has monitored the increase in VietinBank's SME lending since 2011, and how it can be assured that positive development impacts have occurred as a result of its investment.

One of VietinBank's top exposures is Electricity of Vietnam (EVN).[24] EVN is a state-owned enterprise with a near monopoly on Vietnam's power sector. It has built (or is building) most of the country's 205 hydropower projects set to be generating electricity by 2017, as well as eight coal plants.[25] EVN is part or full owner of projects that include the Son La and Lai Châu dams in northern Vietnam, the Duyên Hải Power Generation Complex (a coal plant and port) in Trà Vinh province of the Mekong Delta, and the Lower Sesan 2 hydropower dam in Cambodia.[26] In April 2015, EVN secured a $309m loan for the Duyen Hai 3 coal-fired plant from a consortium of three domestic banks led by VietinBank.[27] Various independent reports demonstrate that these projects have caused or threaten to cause displacement of local communities and serious environmental damage, both before and after the IFC's investment in VietinBank.[28]

While the IFC claims credit for the unquantified increase in VietinBank's SME lending, it does not accept responsibility for the adverse impacts of its sub-projects, despite the fact that they represent large investments in known high-risk sectors. This position is inconsistent with prevailing business and human rights standards as they relate to the financial sector, which require ongoing due diligence and the active use of leverage to avoid, mitigate, and remedy any harms.[29]

The IFC's argument is also inconsistent with its own Policy on Environmental and Social Sustainability, which says that '[e]nvironmental and social risk management is part of the responsibilities that FIs assume,'[30] but also places a duty on the IFC to conduct regular supervision, including of sub-projects, and especially those with 'significant environmental and social risk'. [31]

The IFC's argument is inconsistent with its own Policy on Environmental and Social Sustainability, which places a duty on the IFC to conduct regular supervision, especially of projects and sub-projects with 'significant environmental and social risk'.

The procedures elaborate on these responsibilities, and although deeper supervision is required for private equity funds, for all other FI investments, supervision includes a review of the due diligence prepared by the client for its investments. The procedures also state: 'Site visits to sub-projects can be added if required … and should focus on high-risk transactions'.[32] There is no reason why commercial bank investments, such as that in VietinBank, should not be subject to these direct supervision requirements, including site visits for high-risk sub-investments like EVN projects. Yet, according to the IFC's CAO, since it undertook its audit in 2012, 'the number of sub-project visits by IFC E&S staff has decreased, particularly when the growth in IFC's FI portfolio is considered.'[33] The IFC has committed to increasing its staffing capacity in the area of supervision and doing systematic sampling of FI sub-clients where Performance Standards are supposed to be applied.[34] This is a step in the right direction. However, this supervision must apply to more than just samplings.

The IFC's shared responsibility for the environmental and social impacts of its investments in commercial banks should not end once a commitment to the FI is approved. To be fully accountable and ensure that its investments do no harm, the IFC must apply ongoing due diligence, maintaining an active monitoring and supervisory role, including through the use of third party verification, especially for sub-projects in high-risk sectors.

Such an approach is not unprecedented: the Asian Development Bank's (ADB) safeguards mandate that institution to take a far more rigorous approach to supervising its FI sub-projects. According to its Safeguard Policy Statement, prospective sub-projects that have the potential for significant environmental and social impacts must be referred by the FI to the ADB so that it can assist in the appraisal process, including determining mitigation measures. Environmental impact assessments, resettlement plans and indigenous peoples' plans are then submitted to the ADB for clearance before sub-projects can be approved.[35] These requirements help to ensure that ADB safeguards are implemented on the ground, as well as boost the capacity of the financial sector client and its sub-clients.

It appears that the IFC itself has used this approach before for a commercial bank client in Côte d'Ivoire. In August 2015, the IFC approved a risk-sharing facility for Société Générale de Banques en Côte d'Ivoire for a portfolio of loans to SMEs. The Summary of Investment Information states: 'IFC will be individually appraising, categorizing, disclosing and monitoring its sub-projects, in accordance with IFC's environmental and social procedures'.[36] This is a responsible approach, especially for FI clients that have low environmental and social management capacity and the potential for higher-risk investments in their portfolio.

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If the IFC does not have the capacity to supervise all its FI investments at this level, it should limit its investments in commercial banks – especially where those banks are financing business activities that pose serious environmental and social risks.

Argument 2: IFC's commercial bank clients cannot be required to disclose their sub-projects

In response to continued pressure, the IFC recently took a positive step forward by committing to disclose the investments of its private equity clients. But this is the reason it gives for not doing the same for commercial banks, which constitute the bulk of its FI portfolio:

'There is general recognition that banking and privacy laws in most countries constrain the disclosures that a Bank can make regarding its portfolio or a specific sub-project. Mandating such disclosure would entail asking FI clients to have each of their own sub-clients/borrowers waive the confidentiality protections that form an integral part of prevailing banking privacy laws and long-standing commercial practices.'[37]

Our response

Communities have a right to know who is financing investment projects that affect their land, housing, water, productive resources, and other aspects of their lives and livelihoods. When they have concerns about adverse impacts, or when harms ensue, access to redress requires that they know who is enabling and profiting from these investments so that they can seek remedies and demand accountability.

While in many jurisdictions, banks are indeed subject to client confidentiality laws and regulations that restrict disclosure of individual and business financing relationships, the duty of confidentiality to clients can be overturned by agreement with the client and, in some jurisdictions, if it is in the public interest.[38] It is certainly not prohibited anywhere for the clients themselves to disclose their relationship with the bank. In many jurisdictions, regulations governing publicly listed companies require the disclosure of securities and debts. In other cases, banks and companies disclose information about their investments or financiers for marketing purposes. Much of this information is captured by financial databases such as those run by Bloomberg and Thomson Reuters, and is available to those who buy licences for these products. Bloomberg's database, for example, discloses some 54,000 bank loans. In other words, much of this information is available to Wall Street insiders and others with the means to pay for it.

The IFC has proposed that progress on disclosure be made through voluntary mechanisms, similar to those being initiated by the Equator Principles Financial Institutions.[39] The third version of the Equator Principles sets out a framework for disclosure by signatory banks of the names, locations and sectors of its project finance investments with the consent of its clients.[40]

We believe this is a useful intermediary step but much more can be done to make disclosure mandatory for FI corporate investments. The IFC itself provides the perfect model of enforcing disclosure rules: it requires its direct clients, as a condition of financing, to agree to public disclosure of the investment. There is no good reason this could not be extended to the corporate sub-investments of FI clients that meet appropriate criteria.

The IFC itself provides the perfect model of enforcing disclosure rules: it requires its direct clients, as a condition of financing, to agree to public disclosure of the investment. This could be extended to the corporate sub-investments of FI clients that meet appropriate criteria.

If the IFC is concerned that adding to its safeguards would detract FI clients, we would point to the fact that the IFC's overall lending portfolio has increased over the years since adopting the Performance Standards, rather than decreased, indicating that new standards have not resulted in deterring potential clients, and have possibly attracted more.

Disclosure of FI financial relationships is, in fact, implicitly required by the Performance Standards. Performance Standard 1 requires IFC clients to establish a grievance mechanism for affected communities to give them an accessible avenue to communicate concerns about the environmental and social impacts of an investment. The client must inform affected communities about the grievance mechanism.[41] The requirement to establish a grievance mechanism also applies to FI clients. If communities are to avail themselves of the grievance mechanism, they must first know that the FI is financing the project and that the project is supposed to adhere to the IFC's Performance Standards. As noted by the IFC's CAO, however, the extensive failure of FI clients to either establish grievance mechanisms, or make their financial relationships with the project known to affected communities, means they are not complying with IFC's requirements.[42]

Disclosure is a necessary condition to ensure that commercial banks comply with IFC Performance Standards and other requirements. It also places a reputational incentive on the FI and the sub-client to: perform better due diligence; consult with communities and obtain free, prior, and informed consent when appropriate; conduct robust environmental and social impact assessments; and develop strong risk management plans. It also allows for communities to alert the FI and the IFC early on if concerns arise. Indeed, greater transparency in the financial sector is crucial for banks to meet their responsibilities under the UN Guiding Principles on Business and Human Rights.[43] The IFC is well positioned to play an important role in making this happen.

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The IFC should make the disclosure of all higher-risk FI sub-clients and sub-projects a condition of receiving IFC investment. Sub-clients should, at a minimum, make public the name of the company and its subsidiaries, the sectors in which it operates, and the names and locations of sub-projects. The IFC should collect this information and make it available through a dedicated searchable online database.

Argument 3: The IFC cannot be held responsible for *all* business activities of its FI clients because its funds are 'ring-fenced'

When the IFC wants to support a particular sector through an intermediary, it provides targeted loans for a specified end use. FI clients do business in multiple sectors, not all of which the IFC wants to be exposed to, so it 'ring-fences' its financing for a defined purpose. For example, it may provide a credit line for microfinance, SMEs, housing finance, or renewable energy.

When Inclusive Development International presented details of a number of harmful projects financed by the IFC's FI clients, the IFC responded by claiming that its funds were ring-fenced and could not have been used to support those projects:

'Some of the IFC projects identified in your research consist of targeted loans to support specific sectors/segments. These are the clients where our use of proceeds are targeted to different assets than the sub-projects identified in your research.'[44]

The IFC Sustainability Policy states that in 'cases where IFC's investment is targeted to a specified end use (e.g. credit line for microfinance), IFC's requirements regarding environmental and social risk management … will cover the specified end use only'.[45]

Our response

The concept of ring-fencing IFC funds so that the FI client only uses them to achieve the development impacts IFC is striving for makes sense in theory. But ring-fencing to achieve specific development impacts while also disavowing responsibility for harmful projects financed by that same FI raises some questions.

First, how can the public be assured that the IFC is contractually requiring the intermediary to use its funds for a specified purpose only? The IFC does not disclose its investment agreements, and ‘ring-fencing’ is often not clearly or accurately described in the publicly disclosed Summary of Investment Information.

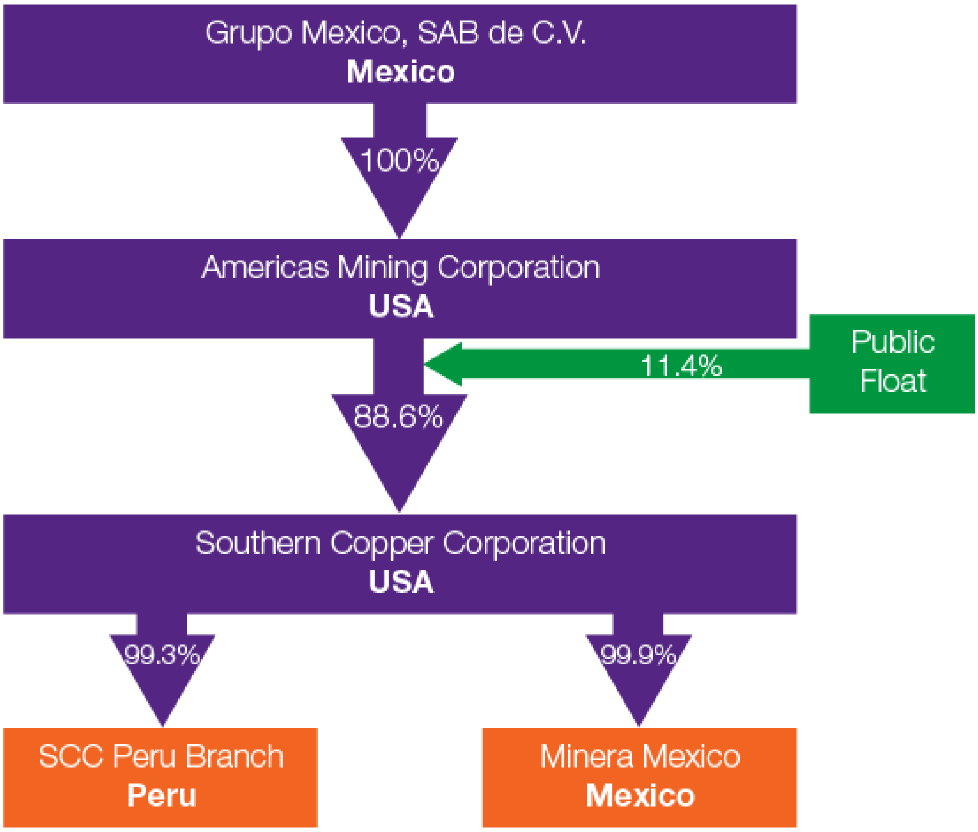
For example, the IFC has twice committed financing – in 2006 and 2012 – to BBVA Banco Continental (now BBVA Continental), Peru’s second-largest commercial bank, and a signatory to the Equator Principles. According to the IFC’s website, the purpose and structure of the two loans were different, but both appear to have some form of ring-fencing.

In 2006, the IFC approved a financing package of up to $130m, consisting of two parts: a loan of up to $100m ‘with the objective of supporting an expansion of the Bank’s residential mortgage lending operations in Peru’; and a $30m credit facility ‘to be used to develop the Bank’s sustainable lending portfolio, particularly in the areas of supply chain (forestry and timber) and energy efficiency’.[46] While both investments are described as having specific objectives, there is nothing about their structure – as described in the Summary of Investment Information – which suggests that the IFC can control how BBVA uses the $130m.

The 2012 investment was different. The IFC’s online information describes two credit lines of up to $175m combined. Depending on the terms of the agreement, credit lines may give the IFC more control in monitoring and approving drawdowns by its client. However, the IFC describes the purpose of the investment in a more ambiguous and open-ended way than the 2006 loans: ‘proceeds from this facility will be used *mainly* [our emphasis] to support the Bank’s growth in renewable energy projects, mortgages, *and other medium-term needs* [also our emphasis]’.[47] It also describes the facility’s expected development contribution as the ‘mobilization of international funds to support the Bank’s growth’. [48]

Our research uncovered a number of financial links between BBVA and a controversial open-pit copper mine, Tia Maria, in the Valle de Tambo in southern Peru.[49] The project, set to become the second-largest copper mine in the world,[50] is operated by Southern Copper, which is owned by Americas Mining Corporation, part of Grupo Mexico (see Figure 3).[51]

Figure 3: Southern Copper corporate structure



Source: Southern Copper website

Among other links, BBVA participated in a \$2.1bn syndicated loan to Americas Mining Corporation in 2012.[52] It also underwrote \$1.5bn in Southern Copper bonds in 2010, the proceeds of which were invested in Tia Maria.[53]

Southern Copper has a poor track record with its mining projects in neighbouring regions, some of which have reportedly dried up water supplies and contaminated surrounding lands, leaving local communities with serious illnesses and loss of livelihoods.[54] As a result, the Tia Maria project is staunchly opposed by the Valle de Tambo communities. In a popular consultation in 2009, more than 90 percent of people rejected the project.[55] According to media reports, protests in Tia Maria in 2015 were violently suppressed, leaving more than 200 people injured and several dead.[56]

When, in 2015, Oxfam asked the IFC about its financial links to Tia Maria and another mine connected to BBVA, the IFC responded:

'Regarding BBVA – we only have a credit line targeted to housing and energy efficiency with them … In this situation, we therefore do not have exposure to either of these projects through this bank.'[57]

Without seeing the relevant terms of the contract between the IFC and BBVA, it is not possible for the public to be assured that this is the case. While the publicly available information indicates that these are the main objectives of the loans, it does not guarantee that IFC funds are not flowing to potentially harmful projects such as Tia Maria.

Even if the agreement does stipulate how IFC funds are to be used, the BBVA example raises questions about how the IFC assures itself that this actually occurs in practice. Are IFC funds kept separately from other funds and their end use tracked? What sort of evidence does it require from its client to demonstrate that it has increased its housing mortgage or renewable energy project portfolio? What consequences are there if it does not? Similarly, for the many FI projects that are justified as increasing access to finance for SMEs, how does the IFC ensure that its clients have expanded credit to small businesses in proportion to the funds it has provided?

If, under the best-case scenario, the IFC successfully manages to ring-fence its investment to a particular 'safe' sector, does this justify investing in a bank or fund that regularly provides finance to companies complicit in serious human rights violations or major environmental damage? In such cases, even if the IFC's funds are directed through the FI towards low-risk sectors with genuine development benefits, the fact remains that it is providing financial support to and profiting from corporate actors that are not taking their human rights responsibilities seriously.

If, under the best-case scenario, the IFC successfully manages to ring-fence its investment to a particular 'safe' sector, does this justify investing in a bank or fund that regularly provides finance to companies complicit in serious human rights violations or major environmental damage?

The IFC should publicly disclose far greater detail on how it monitors development impact and assures itself that FI clients use its investments for the intended purpose and not for other projects that may have harmful social and environmental impacts. This should begin with a description of contract terms that demonstrate how loans and credit lines are structured to support a specific sector or end use, and stipulate that they cannot be used for other purposes.

Argument 4: The IFC has no responsibility for pre-existing portfolios of FI clients

According to the IFC, any investments made by an FI before it became a client fall outside the IFC's remit. It argues that although the FI may hold equity in or have outstanding loans with a company causing harms, if those relationships predated the IFC's involvement, they are excluded from any environmental and social requirements in the agreement between the IFC and its FI client.

While the IFC's 2006 Sustainability Policy was ambiguous on this issue, the 2012 Policy clearly states that:

'IFC requirements regarding environmental and social risk management … will apply to the… portfolio of the FI *that is originated from the time IFC became a shareholder or investor*.' [Our emphasis] [58]

Our response

We appreciate that the ability of an FI legally to require its clients to meet environmental and social standards, or to remedy harms after the fact, is restricted by its financing or equity agreements. For FI portfolios that predated the IFC's involvement, legal agreements may not contain any such terms.

However, the fact remains that the FI and in turn, the IFC, is earning profits from these investments, including those that have caused, and continue to cause, harms. When the IFC buys an equity stake in the FI, it effectively owns, in proportion to its investment, everything in the client's existing portfolio. And like any shareholder, it expects to profit from those investments. When that portfolio contains harmful projects, the IFC will be generating profits off the backs of people who continue to suffer from negative impacts. These may be in the form of poor working conditions or, for example, loss of housing, income and food sources due to forced displacement, or destruction of productive resources.

When the IFC buys an equity stake in the FI, it effectively owns, in proportion to its investment, everything in the client's existing portfolio. And like any shareholder, it expects to profit from those investments. When that portfolio contains harmful projects, the IFC will be generating profits off the backs of people who continue to suffer from negative impacts.

When the IFC is considering an investment, it is required to conduct environmental and social due diligence of the FI's existing portfolio to 'identify activities where the FIs and IFC could be exposed to risks …'[59] Thus, when the IFC conducted its due diligence prior to investing in VietinBank in 2011, for example, the bank's deep financial links with EVN should have been apparent. Indeed, EVN is one of VietinBank's most significant clients, and there is long-standing strategic cooperation between the institutions.[60] Because EVN operates in a very high-risk sector – power generation through mega-dams and coalmines and plants – basic due diligence on the part of the IFC would have raised flags.

For example, in 2007, VietinBank provided a 4.5 trillion Vietnamese dong ($214.2m) 15-year loan to EVN to finance the construction of the massive Son La dam in northern Vietnam.[61] The construction of Son La saw the displacement of over 91,000 ethnic minority people from 2005 to 2009, making it the largest resettlement project in the country's history.[62] A 2008 independent study found that the resettlement was inadequate, with a lack of arable land and availability of fresh water at relocation sites.[63] Before buying a 13 percent stake in VietinBank, the IFC could and should have required both VietinBank and EVN to address these impacts. Numerous recent reports show that these problems have not been resolved to date and that tens of thousands continue to suffer as a result.[64] As the IFC earns profit from its equity in the bank, it must take responsibility for working to address these ongoing harms.

In a more recent example, in 2014, the IFC gave a $100m loan to Axis Bank, India's third-largest private-sector bank.[65] Axis Bank's pre-existing portfolio contained many high-risk investments and many companies in serious violation of national laws and environmental, social and labour standards. Our research uncovered loans in 2010 to Adani Power Ltd for the Mundra coal plant in Gujarat, which is the largest single-location private sector coal-fired power plant in the world.[66] An official investigation by the Indian Ministry of Environment, Forest and Climate Change revealed massive ecological impacts, including air pollution, groundwater pollution, seawater pollution, destruction of mangroves, and attendant adverse impacts on livelihoods of local fishers.[67]

In the year before the IFC's investment in Axis, the bank supported a bond offering of Reliance Power Ltd, which owns Sasan Ultra Mega Power Project, another major coal plant. A coalition of non-government organizations, including Sierra Club and Friends of the Earth, conducted a fact-finding mission on the project and found that Sasan falls short of the IFC's Performance Standards on labour, indigenous peoples, resettlement, and environmental contamination.[68] Land acquisition for Sasan reportedly resulted in the displacement of an estimated 6,000 people, including indigenous Adivasi.[69] Those who opposed the forced relocations were reportedly abducted and never found. House demolitions took place in the middle of the night without prior notice, and community property was destroyed before the clearance and acquisition process was completed.[70]

At the time of the IFC's investment, Axis was also exposed to at least three other major companies with dubious records. These were: (1) India's National Hydroelectric Power Corporation (NHPC),[71] which owns 24 large hydropower projects, including controversial dams on the Narmada River;[72] (2) Vendanta Resources,[73] which owns Niyamgiri bauxite mine and Lanjigarh refinery in Orissa, built on sacred indigenous land and the source of pollution of scarce water resources in the area;[74] and (3) Nuziveedu Seeds,[75] a major company found to be contributing to the persistent and widespread issue of child labour in Indian cotton fields.[76]

The IFC, having performed its due diligence on Axis Bank, would have been aware of at least some of these exposures. It then had a choice: it could have proceeded with the investment, or decided that the serious human rights violations associated with the portfolio make it unsuitable for the World Bank Group to support. If – notwithstanding the serious problems in the portfolio – the IFC decided to proceed with negotiations, it could have used its leverage to insist that, as part of its contract, Axis work with its clients to redress these harms. If the FI was unwilling or unable to do so, surely there should be some threshold of human rights abuses and environmental and social harms in the portfolio that make it ineligible for IFC support. Presumably a commensurate level of financial malfeasance and risk would deter the IFC.

In the case of Axis Bank, the nature of the portfolio did not stop the IFC from proceeding with its investment. Instead, it was categorized by the IFC as high risk (FI-1), which, according to the Summary of Investment Information, required Axis to upgrade its environmental and social management system to ensure that its operations were consistent with the Performance Standards.[77] However, since the IFC repudiates responsibility for previous investments made by the FI, none of this would have applied to the projects described above.

Unlike direct investments, in the case of FIs, the IFC is one step removed from the project causing harms. Yet it could still require the prospective FI client to use its leverage and its business relationship with the company to correct serious environmental and social harms, consistent with business and human rights principles.[78] For example, the FI could threaten to call its loan, depending on the terms of the loan agreement, indicate that it will not provide additional financing unless the issues are addressed or, when applicable, use its shareholding in the company to influence decisions.

Where the IFC's due diligence identifies human rights, social or environmental issues in an FI's existing portfolio, before proceeding with its investment the IFC should discuss with the prospective client whether it is willing and able to use its leverage to persuade its clients to remedy the harms. If the FI is willing and able to do this, the IFC should include the specific actions to be taken in its loan or investment agreement with

the FI, and monitor and supervise progress thereafter. If the FI is unwilling or unable to address the issues, and the harms are severe, the IFC should not proceed with the investment.

Argument 5: The IFC's approach to FIs prior to the 2012 Sustainability Framework was not ideal, but what matters is that today's system works.

Our research uncovered dozens of problematic cases in the portfolios of FIs that became IFC clients before 2012. In response to these cases, the IFC stated:

'We have recognized various shortcomings of the past approach and believe that the current approach significantly improved our E&S risk management practice, including ability to support FI clients' capacity to manage E&S risks. In cases of older projects, we are obliged to honour original agreements and are unable to apply new requirements retroactively.'[79]

Our response

The IFC has had a full suite of environmental and social safeguard policies and procedures since 1998. These policies did not take a sophisticated approach to FI lending, but they did require the IFC to conduct due diligence and place some conditions on FIs before they could approve proposed sub-projects. In fact, the safeguards placed a responsibility on the IFC to conduct prior review and approval of all sub-projects with significant risks if it was not satisfied with the FI's capacity to carry out its own environmental assessments – a far more stringent requirement than that which exists under the current framework.[80]

In 2006, the IFC adopted the Sustainability Framework, encompassing the Policy and a Procedures Manual, which establishes its duties and a set of Performance Standards defining client roles and responsibilities. While this was further developed in 2012, the 2006 iteration did contain binding requirements on the IFC with respect to due diligence, and monitoring and supervision of its FI clients. The 2006 Framework required the IFC to include environmental and social terms in its legal agreements with FIs that correlated with responsibilities under the Performance Standards or other requirements as stipulated in the Policy.

This means that if the IFC did not include environmental and social terms in its pre-2012 agreements with FI clients, it failed to comply with its own policies. If this non-compliance contributed to harms, the affected communities should be informed about the availability of IFC accountability processes, including the CAO. Moreover, the IFC should put its full weight behind remedying any harms caused and bringing the projects into compliance with applicable standards. It should not simply dismiss these older projects as previous bad practice that has now been corrected. These projects have caused – and continue to cause – many people to suffer material losses and, in some cases, severe and irreversible harms.

The IFC should put its full weight behind remedying any harms caused and bring the projects into compliance with applicable standards.

The 2012 Sustainability Policy did lead to improvements in the management of IFC's FI portfolio. It contains more granular categories of risk associated with FI investments, allowing the IFC to respond with more targeted approaches commensurate to the risk classification.[81] The IFC's due diligence and supervision responsibilities are also more clearly articulated in the 2012 policy. Updates to the Procedures stipulate that as part of due diligence, the IFC must now assess an FI's 'capacity and commitment' to environmental and social management.[82] It must also crosscheck the FI's top exposures against its 'High-Risk List',[83] including the list of companies under investigation by the CAO.[84] The IFC's supervisory duties now include closer review of the FI's due diligence of sub-clients.[85]

However, in some respects, the 2012 Policy and changes to the Procedures have actually reduced the responsibilities of the IFC and its FI clients. As discussed in Argument 4 above, the Policy now makes clear that an FI's pre-existing portfolio is exempt from the application of the Performance Standards. In addition, the Procedures, as revised in July 2014, now exclude loans of a certain size from the application of the Performance Standards.[86] Moreover, the Procedures state that 'where the FI's leverage is limited', it need not insist that its client apply the standards, but must 'screen such transactions against key objectives of the PSs [Performance Standards] and make a go or no-go decision based on the results of this screening'.[87] While in some circumstances this approach may make sense, the 'limited leverage' clause could be used as a loophole to excuse non-compliance with the Performance Standards whenever the FI is a minority shareholder – as it almost always is – or when it is participating in syndicated (group) loans to a company.[88]

The IFC has completed most of the steps set out in its action plan to improve environmental and social performance of its FI clients, which was developed in response to the CAO's highly critical 2013 audit.[89] We do not doubt that this has led to improved environmental and social management systems and capacity among some of its FI clients.

Yet over the same period that the action plan has been implemented, the IFC's FI portfolio has increased rapidly and, as it has acknowledged, now includes more high-risk investments. Notwithstanding improvements in its approach, it simply may not have the capacity to manage such a large FI portfolio: it now provides investments and expertise to almost 1,000 FI clients and private equity funds in more than 120 countries.[90]

Indeed, our research, though limited in scope, continues to uncover problematic projects that were approved after 2012. For example, the Axis Bank investment described earlier was approved in 2014.[91] In addition to the serious human rights issues in the bank's pre-existing portfolio, it has made a number of problematic investments *after* the IFC provided a loan. Since that time, Axis provided new finance to Adani (owner of the Mundra coal plant)[92] and Reliance Power (owner of the Sasan coal plant),[93] both of which have fallen short of the IFC's Performance Standards, as described earlier. Axis Bank also provided several loans in 2015 and 2016 to Hindalco,[94] which owns a bauxite mine in Koraput district of Orissa, India. Members of the local indigenous Kondh community oppose the project, fearing that their water and other natural resources will be affected. There have been reports of violent conflicts over the mine.[95]

Axis Bank is also newly exposed to India's National Thermal Power Corporation (NTPC),[96] which secured the contract to plan, build and operate the controversial Rampal coal power plant in Bangladesh.[97] Under a joint venture agreement signed with the Bangladesh Power Development Board in 2012, NTPC owns 50 percent of both the project and the electricity it produces, and will contribute 15 percent of the equity of the estimated $1.5bn project.[98] The Rampal plant is being built next to a UNESCO World Heritage site, the Sundarbans, which is the world's largest single tract of mangrove forest, with unique rich floral and faunal diversity.[99] The Sundarbans is home to endangered Bengal tigers, the Irrawaddy and Ganges dolphins, and some 260 bird and 120 aquatic species.[100] The coal plant risks permanently destroying parts of the Sundarbans' ecosystem and contaminating rivers for decades.[101] Households in the project area have been forcibly displaced without compensation, and many of the estimated one million people who depend on the Sundarbans for seasonal livelihoods could be affected.[102] There were massive protests in Bangladesh against the Rampal project in 2013 and 2016.[103]

At least three financial institutions – Crédit Agricole, BNP Paribas, and Société Générale – refused to finance Rampal because of its predicted severe environmental and social impacts.[104] A fourth institution, the investment arm of the Norwegian Government's Pension Fund, placed NTPC on its exclusion list as part of its effort to divest from coal. Yet through its recent FI client, Axis Bank, the IFC is newly exposed to the project.

In another series of investments beginning in 2012, the IFC bought $100m worth of shares in the Filipino Rizal Commercial Banking Corporation,[105] and provided $105m through a loan and bonds purchase. [106] Since the IFC's investment, Rizal has financed at least 20 new coal power plants or expansions of existing plants, producing a combined total of 12,206 megawatts of new coal power.[107] These investments have occurred despite heavy opposition to coal plants in the Philippines.[108] In addition to their climate impact, many of these projects have reportedly caused serious social and environmental impacts to local communities.[109]

These recent FI investments show that beyond the steps already taken, the IFC needs to do much more to improve accountability and ensure that World Bank Groups funds are not flowing to harmful projects. That means scaling down the FI portfolio to a level commensurate with the IFC's capacity to conduct rigorous due diligence, supervision and capacity building of FI clients on the effective management of environmental and social risks. At minimum, IFC should ensure that the FIs it invests in have a human rights policy that is aligned with the United Nations Guiding Principles on Business and Human Rights, and the capacity and will to implement it.

3 TIME TO STOP PASSING THE BUCK AND MAKE IFC INVESTMENTS TRULY ACCOUNTABLE

Beyond the value of the amount of capital the IFC contributes to an FI, in the eyes of the financial world, an IFC investment brings an environmental and social stamp of approval. This in turn brings the IFC's client a host of other financial benefits and opportunities. As such, the IFC must ensure that its stamp is issued only to financial institutions that are genuinely committed to responsible investment.

Our research suggests that despite progress over the past few years, the IFC is not taking a firm enough approach to its financial sector investments. It is not enough to justify a major equity investment or a corporate loan to a commercial bank with high-risk clients based on the expectation that the funds will somehow only flow to SMEs. It is not enough to publicly disclose only private equity sub-projects when the end use of 90 percent of IFC's FI portfolio remains shrouded in secrecy. It is not good enough to say that there isn't much the IFC can do about investments approved prior to 2012 because they are subject to different requirements. Nor is it acceptable to say that harmful projects in an FI's pre-existing portfolio are a done deal and cannot be addressed. These excuses put people's homes, lands and livelihoods at risk, and perpetuate a financial system that fuels environmental damage, inequality, and a litany of serious harms to some of the most vulnerable people on the planet.

There can be no more excuses. The IFC must stop passing the buck, and instead ensure that its investments fight poverty and promote sustainable development while doing no harm to people and the environment. It must take a leadership role in bringing about stronger environmental, social, and human rights accountability in global finance. By implementing the following recommendations, the IFC would move much closer to achieving these goals.

RECOMMENDATIONS

To ensure that its FI investments do no harm and improve environmental, social and human rights accountability in the financial sector, the IFC should:

1. Conduct ongoing due diligence, monitoring and supervision – especially of sub-projects in high-risk sectors, including for commercial bank clients.
2. Individually appraise, categorize, disclose, and monitor (including through the use of third-party verification) all higher-risk sub-projects of FI clients, including commercial banks that have low environmental and social management capacity. This should include a prior review and approval of impact assessments and mitigation plans to ensure consistency with the Performance Standards. If the IFC does not have the capacity to supervise

and assist all of its FI investments at this level, it should significantly scale back its FI portfolio, especially FIs that are exposed to high-risk investments.

3. Require all of its FI clients, as a condition of the IFC's investment, to adopt a human rights policy that is aligned with the United Nations Guiding Principles on Business and Human Rights.
4. Require its FI clients to obtain the consent of their higher risk corporate clients (sub-clients) to disclose their financial relationship. Sub-clients should, at a minimum, make public the name of the company and its subsidiaries, the sectors in which it operates, and the names and locations of sub-projects. The IFC should collect this information and make it available through a dedicated searchable online database.
5. Publicly disclose more information on how it monitors development impact and assures that FI clients use its investments for the intended purposes and not for other projects. This should begin with a description of contract terms that demonstrate how loans and credit lines are structured to support a specific sector or end use, and cannot be used for other purposes.
6. Where during its due diligence the IFC identifies serious adverse human rights, social, or environmental impacts in an FI's existing portfolio, before proceeding with the investment, the IFC should:
   - Discuss with the prospective FI client whether it is willing and able to use its leverage to persuade its clients to remedy the harms.
   - If it is willing and able to do so, include the agreed steps in its loan or investment agreement with the FI, and supervise progress thereafter.
   - If the FI client is unwilling or unable to address the problems, and the harms are severe, not proceed with the investment.
7. Inform communities affected by any environmental and social harms that resulted from IFC FI clients' projects of its accountability processes, including the CAO. The IFC should put its full weight behind remedying harms and bringing its projects into compliance with applicable standards, regardless of when the IFC investment was made.
8. Scale down its FI portfolio to a level commensurate with its own capacity to monitor how investments are used, and put greater effort into enforcing its social and environmental standards. The bottom line is that the IFC should be able to ensure that it is contributing to sustainable development, and not underwriting environmental degradation and human rights abuses.

NOTES

1 These figures are derived from IFC annual reports for fiscal years 2010, 2011, 2012, 2013, 2014, 2015.

2 Short-term trade finance has a tenor of less than one year.

3 Ibid.

4 Presentation by the IFC to the World Bank's Committee on Development Effectiveness, 4 September 2013, E&S risk management of financial institutions at the IFC: 'It enables IFC to deliver financial resources to millions of SMEs, microenterprises and individuals that it would never be able to reach directly. This engagement has strengthened the capabilities of FIs to fund activities in vital economic sectors such as agriculture, housing, manufacturing, infrastructure and social services.'

5 IFC website, from http://www.ifc.org/wps/wcm/connect/0d415600471da004ba57fe57143498e5/IFC+tor+Pres+for+web+as+at++29+April+2015.pdf?MOD=AJPERES

6 Inclusive Development International, Outsourcing Development: Lifting the Veil on Financial Intermediaries, forthcoming series in 2016-2017 with more found at http://www.inclusivedevelopment.net/

7 The IFC defines FIs as high-risk (or FI-1) when they are exposed to business activities that have 'potential significant adverse environmental and social risks or impacts that are diverse, irreversible, or unprecedented', IFC's Policy on Environmental and Social Sustainability (2012), paragraph 40; and IFC ESRP 7 Financial Intermediary Investments: Early Review and Appraisal, paragraph 2.4.

8 These figures are derived from IFC annual reports for fiscal years 2013, 2014, 2015.

9 IFC. (2015). Update on IFC's Management of E&S Risks in its FI Business, October, paragraph 7.

10 Ibid.

11 CAO. (2012). Audit of a Sample of IFC Investments in Third Party Financial Intermediaries (FI Audit), October. Retrieved 24 July 2016, from http://goo.gl/e368ha

12 IFC. (2015). Update on IFC's Management of E&S Risks in its FI Business, October, paragraph 7.

13 Ibid.

14 This figure is taken from the IFC's 2015 Annual Report and describes FY2015 figures. If one is to take the entire FI portfolio, including short term trade finance, Private Equity funds would make up 6 percent of the portfolio. If we are to look only at long-term investments, the figure would reach 10 percent.

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16 K. Geary. (2015). The Suffering of Others: The Human Cost of the International Finance Corporation's Lending through Financial Intermediaries. Oxfam. Retrieved 24 July 2016, from https://www.oxfam.org/en/research/suffering-others

17 Email communication from IFC to IDI, dated May 24, 2016.

18 These figures are extracted from IFC's FY2015 Annual report.

19 IFC. (2012). IFC's Role in China's Financial Sector Transformation, page 7. Retrieved 24 July 2016, from http://www.ifc.org/wps/wcm/connect/aba1b70040667532a557b782455ae521/China+FM+Evaluation.pdf?MOD=AJPERES

20 Ibid, page 39.

21 Ibid, page 49.

22 IFC has a 13 percent stake in VietinBank as of April 2016. In 2011, the IFC invested $182m in equity and $125m in subordinated debt in the bank. IFC (2011).'IFC and IFC Capitalization Fund Help VietinBank Improve Access to Finance for Small and Midsize Enterprises'. IFC World Bank Group. January 25. Retrieved 24 July 2016, from http://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/industries/tourism,+retail+and+property/news/ifc+and+ifc+capitalization+fund+help+vietinbank+improve+access+to+finance+for+small+and+midsize+enterprises

23 Ibid.

24 VietinBank Signs Cooperation Agreement with EVN. Banking - Viet Nam Business News - Bizhub. April 22, 2014. http://bizhub.vn/banking/5392/vietinbank-signs-cooperation-agreement-with-evn.html; Incombank (now VietinBank) Summary of Business Operation in 2006, from https://www.vietinbank.vn/web/export/sites/default/en/annual/06/files/tomluochoatdongkinhdoanh06a.pdf; Bloomberg database.

25 'Full to Bursting'. The Economist. January 10, 2015. http://www.economist.com/news/asia/21638178-hydro-electric-projects-can-spell-trouble-rural-poor-full-bursting; G.Clark, T. Nace, A. Wilson and B. Burton. (2015). 'Proposed Coal Plants in Vietnam'. SourceWatch. January 26. Retrieved 24 July 2016, from http://www.sourcewatch.org/index.php/Category:Proposed_coal_plants_in_Vietnam

26 EVN has a 15 percent and 10 percent stake in the Duyen Hai complex and Lower Sesan 2 project respectively. The majority stakes for both are held by Chinese investors.

27 http://in.reuters.com/article/vietnam-banks-thermal-idINL4N0XI17M20150421

28 For example, International Rivers. *Son La Dam*. Retrieved 24 July 2016, from https://www.internationalrivers.org/campaigns/son-la-dam; Mekong Commons (2014). Coal-power Complex Brings Misery and Ecological Risk to Local People in Vietnam's Mekong Delta. November 2. Retrieved 24 July 2016, from http://www.mekongcommons.org/three-massive-coal-power-plants-bring-misery-ecological-risks-local-people-vietnams-mekong-delta/

29 See, for example, United Nations Guiding Principles on Business and Human Rights, principle 19 and commentary; and the OECD Guidelines for Multinational Enterprises, Chapter II, Commentary on General Policies, paragraphs 19 and 20, and commentary by Investment Division of the OECD Directorate for Financial and Enterprise Affairs, 'Due diligence in the financial sector: adverse impacts directly linked to financial sector operations, products and services by a business relationship', prepared for Global Forum on Responsible Business Conduct, Conference, 26-27 June 2014, Paris.

30 IFC (2012). Policy on Environmental and Social Sustainability, paragraph 33.

31 ibid, paragraph 45.

32 IFC ESRP 9 Financial Intermediary Investments: Supervision, paragraph 2.9.

33 CAO (2015). Monitoring of IFC's Response to: CAO Audit of a Sample of IFC Investments in Third-Party Financial Intermediaries. Second Monitoring Report, October 13, page 9.

34 IFC statement of response to civil society, April 10 2015.

35 Asian Development Bank (2009). Safeguard Policy Statement, Appendix 4, paragraph 15.

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38 For example, in England and Australia.

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41 IFC. Performance Standard 1, paragraph 35.

42 CAO. (2015). Monitoring of IFC's Response to: CAO Audit of a Sample of IFC Investments in Third-Party Financial Intermediaries. Second Monitoring Report, October 13, page 7 and page 10.

43 See BankTrack. (2016). Human Rights Impact Briefing #2. *Drummond and Paramilitary Violence in Colombia*. Box 3: Transparency and 'The Farce of Client Confidentiality' Revisited, page 11-12.

44 Email communication from IFC to Inclusive Development International, May 24, 2016.

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