**IFC re report by Inclusive Development International that examines the contribution of IFC intermediaries to climate change and their impact on the human rights of local people**

07 Nov 2016

*Business & Human Rights Resource Centre invited IFC to respond to the following items:*

* "Outsourcing Development: Lifting the Veil on the World Bank Group's Lending Through Financial Intermediaries,” Inclusive Development International, Oct 2016, <http://www.inclusivedevelopment.net/wp-content/uploads/2016/09/Outsourcing-Developmnet-Introduction.pdf>
* “International Finance Corporation - Financial Intermediary Portfolio Sub-Investments with Serious Adverse Social, Environmental and Human Rights Risks and Impacts,” Inclusive Development International, Sept 2016, <http://www.inclusivedevelopment.net/wp-content/uploads/2016/09/IFC-FI-Harmful-Sub-Projects-Database-27-Sept-2016.pdf>
* “Disaster for Us and the Planet”: How the IFC is Funding a Coal Boom,” Inclusive Development International,” Inclusive Development International, Oct 2016, <http://www.inclusivedevelopment.net/wp-content/uploads/2016/09/Outsourcing-Development-Climate.pdf>

*IFC sent us the following response:*

“IFC officials met with Inclusive Development International (IDI) and other civil society representatives during the recent Annual Meetings to discuss IDI’s 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 take these concerns seriously and appreciate that they were brought to our attention. We are looking into the issues raised and discussing them with our clients.

IFC works through financial intermediaries to provide much-needed access to finance for millions of individuals and small businesses that it could not reach directly, as well as providing mortgages, insurance and digital financial services, promoting women-owned businesses and introducing environmental and social standards.

IFC does not give loans to financial intermediaries for the purpose of financing coal-related projects. IFC targeted loans to financial intermediaries are ring-fenced to prevent such use, and IFC has excluded coal projects from private equity funds and other investments. However, the 2012 Sustainability Policy does not prohibit our equity clients, nor the proceeds of bonds or general purpose loans, from potentially being able to fund coal plants, so there may be some indirect exposure to coal-related projects via our FI engagement.

For many of the projects mentioned in the IDI report, we note that, based on the nature or timing of IFC’s investment, we do not either have exposure to the project or the leverage to compel resolution of the concern by the relevant FI. However, we are committed to informing our clients of the concerns raised in all cases, and working to address them where we can.

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.

IFC and the World Bank Group work closely with countries to develop clean energy, improve energy efficiency, reform energy sectors, upgrade ageing utilities, and reform fossil fuel subsidies. With support from multi-donor facilities and donor countries, we are helping make large-scale solar and wind projects possible and supporting the sustainable development of geothermal energy and hydropower in developing countries.

Specifically, IFC is one of the world’s largest financiers of renewable energy for developing countries. Since starting to track the climate-smart components of its investments and advisory services in 2005, IFC has invested more than $15 billion, and mobilized more than $10 billion, in renewable power, energy efficiency, sustainable agriculture, green buildings and private sector adaptation to climate change.

We understand that we must do even 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.

IFC is fully committed to improving its approach to E&S risk management with FIs, and is happy to continue working with civil society and stakeholders on this. We look forward to continuing our engagement on this issue.”