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April 4, 2025

International Finance Corporation

Attn: Ajay Banga, World Bank Group President; Makhtar Diop, Managing Director; Jamie Fergusson, Director, Climate Business; Tania Kaddeche, IFC ESG Sustainability Advice & Solutions Director; Paolo Lombardo, Acting Director, ESG Sustainability Advice & Solution; Nessim Ahmad, Senior Director, Environment and Social Policy and Risk; IFC Member State Executive Directors; World Bank Group Climate Advisors

2121 Pennsylvania Avenue, NW, Washington, DC 20433 USA

Via Email: abanga@worldbank.org, president@worldbank.org, jfergusson@ifc.org,
tkaddeche@ifc.org, mdiop@ifc.org, plombardo1@ifc.org, njahmad@worldbank.org

Re: CSOs' Reply to IFC's February 13, 2025 Response to 28 CSOs' Ask for IFC to Implement Its CAO's Determinations of IFC's Climate Change Policy Requirements

Dear President Banga, International Finance Corporation (IFC) Executive Directors, and IFC Directors Diop, Fergusson, Kaddeche, Lombardo, and Ahmad:

Bank Climate Advocates (BCA) and the undersigned coalition of Civil Society Organizations (CSOs) thank you for [IFC's February 13, 2025 response](#) (IFC's Response or IFC's February 2025 Response) to [28 CSOs' January 17, 2025 letter](#) (CSOs' January 2025 Request). Our Request details CSOs' concerns regarding IFC's non-adherence to the requirements of its board adopted policies applicable to climate change prior to IFC financing decisions, the severe misalignment of IFC's policies with IFC's and its

member states climate change obligations under international law, and the urgent need for IFC to take immediate corrective action on both these fronts in the face of the climate crisis.

We find IFC's Response problematic on multiple grounds, and in need of many clarifications.

First, IFC indicating it will not implement its climate change obligations under its board adopted policies for 2-3 years until it has a new Sustainability Framework is deeply problematic. Such inaction will not only deepen IFC's non-compliance with its climate change obligations under international law and misalignment with the Paris Agreement's global warming limitation objective. A further 2-3 year lapse in IFC implementing its current policies will:

- result in decades of additional significant avoidable and devastatingly harmful¹ GHG emissions spewing from hundreds if not over 1,000 IFC financed projects,² including if IFC finances World Bank Group Mission 300 energy projects in Africa;
- evidences IFC's lack of commitment to accountability; and
- violates IFC's and its members states' general obligations under international law requiring IFC to comply with the policies its board adopts.³

We thus ask IFC to reconsider its position, and immediately fully comply with its current board adopted policy requirements applicable to GHG emissions as recommended by the CAO⁴ and requested by CSOs⁵ while it is undertaking its Sustainability Framework update.

Second and relatedly, IFC's Response fails to address whether IFC agrees with its CAO's interpretations of IFC's board adopted policy requirements applicable to climate change as detailed in the [October 30, 2024, the IFC/MIGA Compliance Advisor Ombudsman \(CAO\) Advisory Function's GHG Emissions Climate Change Advisory Report](#) (CAO Opinion).⁶ And despite asserting in its [July 7, 2023 letter to CSOs](#) that it disagrees with CSOs' interpretation of IFC policy requirements applicable to "GHG emissions quantification, impact analysis, and mitigation requirements,"⁷ IFC's February 2025 Response now indicates that "[IFC does] not consider there to be a dispute between IFC Management and CSOs."

¹ For details on how the world and its most marginalized people IFC is supposed to be benefiting cannot handle further GHG emissions, and especially ones that IFC has the duty and ability to avoid causing, see CSOs' January 2025 Request at pages 2-4 and Appendix A.

² See 28 CSOs' January 2025 Request at page 3 documenting that: As BCA's analysis details, just 233 directly financed IFC projects and 2 financial intermediary investments continue to result in approximately 168,000,000 tCO₂-eq emitted per year that IFC is responsible for. This is roughly equivalent to the GHGs the Netherlands emits – and does not include all the missing emissions IFC failed to quantify from these investments and others. Had the IFC adhered to the clear requirements of its board adopted policies, all or most of these GHG emissions could have been avoided.

³ See Appendix C of CSOs' January 2025 Request at pages 25-26.

⁴ See CSOs' January 2025 Request at pages 4-8 for the CAO's interpretation of IFC's board adopted policy requirements applicable to GHG emissions.

⁵ See CSOs' January 2025 Request at Appendix D for CSOs' interpretation of IFC's board adopted policy requirements applicable to climate change and GHG emissions that the CAO Opinion did not cover.

⁶ Strengthening Greenhouse Gas Mitigation in IFC Financed Project, IFC/MIGA Compliance Advisor Ombudsman (CAO) Advisory Function, October 30, 2024, available at: https://www.cao-ombudsman.org/sites/default/files/2024-10/12_Rpt-WBG-3675-CAO%20Climate%20Report%20R4%20V1%201029-1.pdf ("CAO Opinion").

⁷ IFC's July 7, 2023 letter expressly provides, "With respect to the Performance Standards (PSs), specifically PS1 (Assessment and Management of E&S Risks and Impacts), we do not share your interpretation regarding expectations for our clients' GHG emissions quantification, impact analysis, and mitigation requirements...". See Exhibit 1 at page 2.

Further, IFC's Response only provides that it is taking (a) the CAO Opinions' and CSOs' views on IFC's policy requirements, (b) the information in our January 2025 Request, and (c) the concrete examples of flawed IFC GHG alternatives analysis into consideration. We thus respectfully request that IFC clarify:

- (1) Does IFC agree with the CAO's interpretation of its board adopted policy requirements detailed on pages 4-8 of CSOs' January 2025 Request?
- (2) Does IFC agree with the interpretations of its board adopted policy requirements applicable to climate change not covered in the CAO Opinion as detailed in Appendix D of CSOs' January 2025 Request?
- (3) Has IFC changed its positions as to its board adopted policy requirements applicable to climate change indicated in its July 7, 2023 Letter to CSOs, including after considering the October 2024 CAO Opinion, CSOs' January 2025 Request, and or CSOs' August 31, 2023 reply to IFC's July 7, 2023 letter?
- (4) What changes has IFC implemented or what changes will IFC commit to immediately implement to adhere to its board adopted policy requirements detailed in CSOs' January 2025 Request and the CAO Opinion, in comparison to what it was doing as of July 7, 2023 under its contrary interpretations of its Board adopted policy requirements? IFC's July 7, 2023 letter provides that IFC only considers that PS 3's requirements (not PS 1's requirements) apply to GHG emissions and climate change, while also acknowledging that it did not disagree with BCA's data evidencing IFC non-adherence to PS 3's requirements.
- (5) We appreciate that IFC's Response details that it is taking the concrete examples of flawed IFC GHG alternatives analysis into consideration. Can IFC concretely share how it has improved how it and its clients conduct and secure GHG emissions alternatives analysis prior to IFC financing decisions?

Third, because IFC's Paris Agreement Methodologies fall well short of its climate change obligations under international law,⁸ IFC's progress and commitment "starting July 2025, to align 100% of new investments with the goals of the Paris Agreement, as defined under the Joint Multilateral Development Bank (MDB) Methodological Principles for assessing Paris Alignment," is severely insufficient.⁹ It is NOT a substitute for fully complying with its board adopted policies, full and adequate implementation of which is needed to fill gaping holes in IFC's Paris Methodologies and to allow IFC to come closer to aligning with its climate change obligations and to prevent avoidable

⁸ See CSOs' January 2025 Request at pages 2-3 for a summary of why IFC's Paris Agreement Methodology falls well short of its climate change obligations under international law, and why full and proper implementation of IFC's current board adopted policies as interpreted in the CAO Opinion and by CSOs as detailed in CSOs' January 2025 Request is needed in addition to IFC's current inadequate Paris Methodology for IFC to come closer to meeting its climate change and due diligence harm prevention obligations under international law.

⁹ IFC's assertion that it considers IFC's investments aligned with the Paris Agreement's goals if consistent with the Joint MDB Methodological Principles for assessing Paris Alignment is in stark contrast to its definition of Paris Agreement alignment on IFC's website and prior correspondence to CSOs where IFC claims Paris alignment if its investments align with the goals of the Paris Agreement. For instance, IFC's July 7, 2023 letter to CSOs provides that "Starting July 1, 2023, IFC pledged under the CCAP that 85 percent of all new investments in all sectors will be aligned with the Paris Agreement's goals, and 100 percent will be aligned starting July 1, 2025." See Exhibit 1. Similarly, IFC's website still provides "Under the World Bank Group Climate Action Plan (CCAP) 2021-2025, IFC undertook to align 85% of its new investment projects with the objectives of the Paris Agreement starting July 1, 2023, increasing to 100% starting July 1, 2025. See Exhibit 2, also available at <https://www.ifc.org/en/what-we-do/sector-expertise/climate-business> (last visited March 21, 2025).

climate change harms.¹⁰ Therefore, IFC must immediately fully adhere to and implement its current board adopted policies' climate change requirements until it adopts new policies that align with IFC's and its Member States' climate change obligations under international law and the Paris Agreements' global warming temperature limitation objective.¹¹

Fourth, IFC's Response fails to address the ask in CSOs' January 2025 Request for IFC to publicly disclose its Paris Agreement Methodology analysis and results for each investment for public review prior to its financing decisions. We reiterate this ask, request a response, and see no rational basis for IFC to withhold this information. Such disclosure and opportunity for public review is needed for IFC to comply with its board adopted policies,¹² critical to its accountability, and essential to informed IFC decision making that best ensures IFC avoids GHG emissions from its investments as far as feasible.

And fifth, we appreciate IFC's proposal to engage with us during the Sustainability Framework update. We will do so. However, in meantime we ask IFC to directly respond to us as to how it is planning to address its current non-compliance with its board adopted policies applicable to climate change, which is a different discussion than the Sustainability Framework update IFC forecasts will take 2-3 years.

Thank you for your consideration. We respectfully request IFC respond in writing to all our requests and asks for clarifications in this letter, and if possible, before the World Bank Group's April 2025 Spring Board Meetings. Please let us know if we can provide any additional information, and please share this letter with all applicable IFC staff. We look forward to your timely response.

Sincerely,



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¹⁰ See fn. 8, *ante*.

¹¹ We appreciate IFC now acknowledges that it, as an international organization, and its member states when acting at the IFC, have climate obligations under international law. If this is IFC's position, we consider this progress and a good foundation for aligning IFC's policies with its climate change obligations and the 1.5°C warming limitation objective going forward. For IFC's and its Member States' climate change obligations under international law, see Appendices B and C of CSOs' January 2025 Request at pages 15-25.

¹² See CSOs' January 2025 Request at Appendix D, pages 27-32.

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EXHIBIT 1

July 7, 2023

Bank Climate Advocates
303 Sacramento Street, Floor 2
San Francisco, CA 9411
Attn: Executive Director, Jason Weiner

Dear Mr. Weiner:

Thank you for meeting with us on April 13, 2023, and for your May 1, 2023, letter outlining your assessment of the ways in which the International Finance Corporation (IFC) and its clients adhere to the Sustainability Framework in relation to greenhouse gas (GHG) emissions in the projects that IFC finances. Please find below our responses to the key points raised in your letter.

Climate Investments

IFC shares the strong commitment of Bank Climate Advocates (BCA) and the co-signatory civil society organizations to mitigating and responding to climate change. IFC is committed to help emerging markets mobilize the necessary private capital to decarbonize economies and adapt to a warming planet. Our investments reflect this: IFC's climate investments have increased steadily over the past 10 years as a percentage of our total financing and our latest pledge, as part of the World Bank Group's Climate Change Action Plan (CCAP), is to achieve an average of 35 percent climate financing from 2021 until 2025. We are pleased to share that we have surpassed the goal this fiscal year by a substantial margin.

Paris Alignment

Starting July 1, 2023, IFC pledged under the CCAP that 85 percent of all new investments in all sectors will be aligned with the Paris Agreement's goals, and 100 percent will be aligned starting July 1, 2025.¹ This new effort involves assessing each investment to confirm our financing to the project or company is consistent with pathways toward low-carbon and climate-resilient development. The assessment takes into account the local and sector context, country commitments under the Paris Agreement, and client capacity by considering options which are commercially available and technically and financially viable. This approach respects the 'common but differentiated responsibilities' enshrined in the Paris Agreement.

IFC also assesses the climate-related risks faced by the project or company, as well as options to address those risks if they are material. Our ambition and approach to Paris Alignment goes beyond, and is separate from, our client engagement regarding climate aspects under the Sustainability Framework, which seems to be the focus of your research. It is based on the Joint MDB Framework on Paris Alignment that has been developed jointly with eight other multilateral development banks (MDBs) and is at the heart of our efforts to accelerate an inclusive transition. The approach is well ahead of the practice of commercial investors operating in the same markets as IFC.

We have benefitted from productive discussions with the CSO community on the Paris Alignment approach as we begin to implement. What has become evident in the early stages of the roll-out is that our client countries and private sectors players often do not have the capacity to either design or implement

¹ https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/climate+business/paris-alignment-at-ifc

Paris Alignment approaches to projects. Given this context, IFC will initially focus on building the capacity of clients and helping them to develop approaches to Paris Alignment.

Disclosing GHG Emissions

IFC is also focused on supporting the private sector in assessing, setting targets, and disclosing GHG emissions through capacity building, and knowledge sharing. For example, in May 2023, IFC published the *Climate Governance Progression Matrix*, a tool to assist Boards of Directors in identifying and overseeing climate-related risks and opportunities.² In March 2023, IFC published a [Technical Guidance Note for Financial Institutions](#) outlining publicly available sources concerning GHG methodologies and tools.

We acknowledge and appreciate BCA's extensive review of our disclosure of project information that is relevant to GHG emissions over the last 10 years. The review accelerated and complemented an internal review of investment project GHG disclosure practices and related quality assurance. As a result, we have put in place and disseminated to our project teams improved protocols and processes for disclosure quality assurance.

Sustainability Framework

With respect to your claims regarding IFC's adherence to our Sustainability Framework and the **important work of the Compliance Advisory Ombudsman (CAO), we engage fully in CAO processes, carefully consider any findings of non-compliance, and take action in response to lessons learned.** Your letter states that CAO accepting complaints for at least 13 of the projects you assessed is "indicative of the IFC's overall failure to adhere to its environmental and social impact procedural safeguards beyond those applicable to GHG emissions."³ However, IFC receives complaints for only a small percentage of the projects it finances, and CAO finds non-compliance only after a full compliance investigation and in an even smaller subset of cases. For example, some of the projects you highlighted were resolved successfully through the CAO's dispute resolution function and others were dropped by CAO due to no findings of non-compliance.

GHG accounting in general is an evolving space with significant evolution still occurring on measurement, tracking and attribution. The potential environmental impacts associated with the emission of GHGs are considered to be among the most complex to predict and mitigate due to their global nature. While our clients are bound to the implementation of Performance Standards (PSs) which provide a framework for *good* international industry practice, we are aware of, and are following with interest, emerging *best* international practices on this issue, including, as you note, the recent interim guidance issued by the National Environmental Policy Act (NEPA) in the United States.

With respect to the Performance Standards (PSs), specifically PS1 (Assessment and Management of E&S Risks and Impacts), we do not share your interpretation regarding expectations for our clients' GHG emissions quantification, impact analysis, and mitigation requirements and, specifically, do not share your expansive interpretation of requirements to apply the mitigation hierarchy to GHG emissions under PS1. The PSs establish a foundation for the assessment of project-related GHG emissions under PS3 (For projects that are expected to or currently produce more than 25,000 tonnes of CO₂-equivalent annually, clients are required to quantify direct GHG emissions from the facilities owned or controlled within the physical project boundary, as well as indirect GHG emissions associated with the off-site production of energy used by the project).

²https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+cg/resources/toolkits+and+manuals/publications_climate-governance-matrix-tip-sheet

³ Letter from BCA dated May 1, 2023, page 4.

Continued Engagement

Please know that this work is the focus of significant effort and resources at IFC as we have prepared to operationalize Paris Alignment across all our investments, with methodologies developed and published, staff trained, and systems developed. There is of course much more to be done as we roll this out to our clients. We appreciate BCA's mission to improve financial institutions' GHG assessment and mitigation requirements for projects they finance and your interest in our climate change financing policies and practices. We welcome your continued engagement and suggestions as we move forward in our ambitions for Paris Alignment and strive to accelerate an inclusive transition, recognizing the common but differentiated responsibilities across our shareholders and balancing our role as a development bank seeking to catalyze low-carbon, inclusive and resilient private sector development. We hope we can continue the constructive discussions we had in April on these issues and welcome a further meeting.

Sincerely,

Jamie Fergusson,

Director, Climate Business, IFC

Paolo Lombardo,

Acting Director, ESG Sustainability Advice & Solutions, IFC

Nessim Ahmad,

Senior Director, Environment and Social Policy and Risk, IFC

cc:

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EXHIBIT 2

☰ JUMP TO ▼

Areas of Focus

IFC is working to create markets for climate business in emerging markets by investing and mobilizing private capital at scale to achieve long-lasting impact.



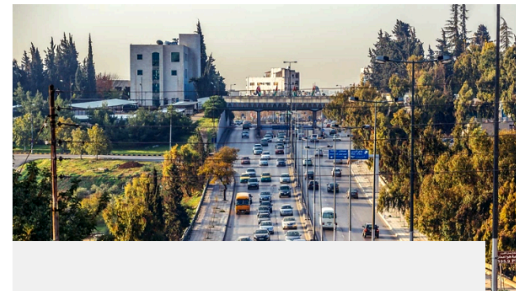
Accelerating the Transition

As part of the World Bank Group, IFC is working to accelerate the transition to low-carbon, resilient and inclusive growth. We focus our efforts on the key systems that together generate more than 90% of global



Mobilizing Climate Finance for Emerging Markets

Emerging economies need nearly \$3 trillion annually by 2030 to adapt to the changing climate. The lion's share of this essential funding must come from private sources. IFC is working to create opportunities for investing in



Paris Alignment

Under the [World Bank Group Climate Action Plan \(CCAP\)](#), [2021-2025](#), IFC undertook to align 85% of its new investment projects with the objectives of the Paris Agreement starting July 1, 2023, increasing to 100% starting July 1, 2025.