Open letter to the IFC regarding its proposed financing of a crony-owned cement factory and coal mine in Myanmar

7 June 2017

Dear International Finance Corporation Board of Directors,

Attention: World Bank President Jim Yong Kim

We, the under-signed, are deeply alarmed to learn that the International Finance Corporation (IFC) is considering funding a crony-owned cement factory in Myanmar’s Mandalay Division that relies on the extraction and burning of large amounts of coal. The Shwe Taung Cement Factory is controversial in the extreme and we urge the IFC Board to reject funding for this project on June 8, 2017.

First, financing this project would contradict the IFC’s commitment to support the Paris Agreement by investing in “climate-smart solutions” in emerging economies, as well as its energy sector strategy that restricts the financing of coal-fired power plants. According to a Supplementary Environmental and Social Impact Assessment (ESIA) published in April 2017, the Shwe Taung Cement Factory will require the extraction of 150,000 tons of poor-quality sub-bituminous coal per year. As the World Bank has pledged not to finance coal power plants in Myanmar due to their devastating environmental, health and climate impacts, it is not clear why the IFC is considering funding this project. The IFC has also failed to subject this investment to coal screening criteria or provide affordable alternatives before bringing this project to Board’s consideration.

The IFC would be better off investing $35 million in loans and equity in a more sustainable sector than the cement industry, which is responsible for 5% of the world’s carbon emissions. The Supplementary ESIA fails to assess the climate impacts of the project. The project would require the expansion of a 3,378 acre coal mine spanning 15 kilometers in Kalewa in Sagaing Division, north-western Myanmar. At the very least, the IFC should only consider investing in cement production that uses alternative fuels instead of coal. The Supplementary ESIA failed even to consider project alternatives, not just in terms of fuel, but for all aspects of the project.

The project also entails the expansion of a large limestone quarry adjacent to the cement plant in Thazi, Mandalay Region. Project affected peoples have reported that the limestone quarry (which uses a drill and blast extraction method) has already devastated the biodiversity rich forest area, and has critically affected their local water sources. Both the limestone quarry and
coal mine are located in areas which have been classified as a Critical Habitat in the IFC’s Environmental and Social Review Summary.

The project is likely to have serious additional health and environmental impacts, including the pollution of lands and waters, deforestation, destruction of habitats and livelihoods near the coal mine and factory areas. Both of the project’s sites are within 30 kilometers of protected areas populated with endangered species. The Supplementary ESIA commissioned by IFC falls short in a number of areas, including failing to adequately assess existing pollution levels in project site areas and completely omitting a health impact assessment or any qualitative analysis of social impacts. It fails to consider IFC Performance Standard 7 on Indigenous Peoples as relevant, despite an earlier project EIA from 2014 identifying the presence of multiple indigenous communities in Kyubin village, 3km north of the cement plant site. The Supplementary EIA also fails to consider IFC Performance Standard 8 on Cultural Heritage. It does not provide any reasoning for why these matters were considered irrelevant. This is unsatisfactory and shows a very serious lack of respect for local people, their customs and livelihoods, as well as the IFC’s own standards.

Another serious concern is that the project will profit a notorious crony who made his fortune by cozying up to the former military regime in Myanmar. Aik Htun, who along with his family is the majority shareholder of the Shwe Taung Group, is cited as having “connections with the narcotics trade” and co-owned and was Vice Chairman of bank designated as a "Financial Institution of Primary Money Laundering Concern” by the U.S. Treasury.¹ Financing this project would send the message that the IFC disregards the reputational risks associated with the borrower, and is more interested in lining its pockets and that of Myanmar’s crony elite than promoting sustainable development in accordance with its mandate.

Communities near the cement factory are very concerned about the project. The existing cement plant only employs a total 6 local workers for low-skilled, low paying jobs, despite the existence of over 600 households in two nearby villages. The project has caused a number of land disputes, including bulldozing farmland with no notice and only paying compensation after the fact. Villagers also report that the company has used judicial harassment against farmers who complain about the destruction of their land and resources. The EIA Consultations which were undertaken in an attempt to comply with the IFC Performance Standards, were by villagers’ accounts, farcical. Some villagers reported a 5-minute question and answer session. This undercuts the Shwe Taung Group’s and the IFC’s social license to operate.

At this point in time, we emphasize the sheer irresponsibility of this investment and the multiple ways it undermines the IFC's commitment to sustainable investment and 'shared prosperity' through private sector development. The IFC Board should refuse funding for an environmentally destructive coal-reliant project in a critical biodiversity area, which has caused immense social problems at the local level, and only serves to enrich a businessman with known ties to the former military regime and suspected connections to the narcotics trade. The IFC's reputation, and the people of Myanmar, deserve better.

Yours sincerely,

1. Myanmar Alliance for Transparency and Accountability (national office)
2. EarthRights International (ERI)
3. Bank Information Center
4. Paung Ku Myanmar
5. ဘာသာေပါင္းစံုညီၫႊတ္ေရးအဖြဲ႕.
6. Ayeayarwaddy West Development Organization, AWDO. (Magway region)
7. Satodetayar Development Organization, SDO.
8. Yoema Chin (Satodetayar)
9. Ayeayarwaddy West Development Organization - AWDO, farmer group. (Ngaphe)
11. Pwintphyu Development Organization
12. Myanmar Alliance for Transparency and Accountability - MATA (Magway)
13. Myanmar China Pipeline Watch Committee - MCPWC (Minbu)
14. Ayeayarwaddy West Development Organization - AWDO, farmer group (Minbu)
15. Thuriya Sandra Environmental Watch Group
16. ဗုဒ္ဓဟူး ဗုဒ္ဓဟူး
17. Community Response Group - COMREG
18. Tarkapaw Youth Group
19. Kachin Peace Network
20. Peace & Open Society Kyaukse
21. Myanmar-China Pipeline Watch Committee - MCPWC
22. Myanmar Alliance for Transparency & Accountability (Mandalay)
23. Farmer Union Kyaukse
24. Myanmar Alliance for Transparency and Accountability - MATA (Mandalay)
25. ၍ုဗာ- ရိုးရာ၀န္းက်င္ ျမွင့္တင္ေရးအဖြဲ႕ (POINT-Promotion of Indigenous and Nature Together)
27. Upper Chindwin Youth Network – UCYN
28. Ayeyarwaddy Transparency and Accountability Association (ATAA)
29. Dawei Development Association - DDA
30. IFI Watch Myanmar
31. IFI Watch Kyunsu
32. Green Network Mergui Archipelago
33. The Mergui 88 Generation Open Peace and Open Society
34. ဗိုလ်တော်လောက်ဦးလော်တော်အောင်အချက်အဦးဗိုလ်တော်လော်တော်မှားကောင် (စီစွာကြုံ)
35. IFI Watch Pakokku
36. Sein Yanung So
37. Natural Green Alliance
38. Transparency and Accountability Network Kachin State (TANKS)
39. Humanity Institute
40. Our future initiative (OFI)
41. Southern Youth
42. ဗိုလ်တော်လော်တော်မှားကောင်
43. ဗိုလ်တော်လော်တော်အောင်အချက်အဦးဗိုလ်တော်လော်တော်မှားကောင် (သင်္ချာ)
44. ဗိုလ်တော်လော်တော်မှားကောင်
45. Tanintharyi Fisheries Partnership
46. Tanintharyi Green Network
47. Motherland
48. ဗိုလ်တော်လော်တော်မှားကောင် (သင်္ချာ)
49. ဗိုလ်တော်လော်တော်မှားကောင် (သင်္ချာ)
50. ဗိုလ်တော်လော်တော်မှားကောင် (သင်္ချာ)
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53. ဗိုလ်တော်လော်တော်မှားကောင် (သင်္ချာ)
54. NNER - Myeik
55. ABSDF ဗိုလ်တော်လော်တော်မှားကောင်
56. ဗိုလ်တော်လော်တော်မှားကောင် (သင်္ချာ)
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61. ဗိုလ်တော်လော်တော်မှားကောင် (သင်္ချာ)
62. Our Future Imitative (ဗိုလ်တော်လော်တော်မှားကောင်)
63. Tanintharyi Fisheries Partnership (တန့်ကန်ဖူး)
64. တိုင်းဒေသကြီးမြို့နယ်ပိုင်အုပ်ချုပ်ရေးအဖွဲ့ (တိုင်းဒေသကြီး)
65. Dawei Watch Fundation
66. ကလယ်ထောင် အတွေ့အကြုံနေရာပိုင်အုပ်
67. Community Sustainable Livelihood Development Committee
68. မန္တလေးမြို့တွင်းခွဲပေါင်းစည်းများ, Min Monitors Group
69. Dawei Youth Fellowship
70. သတ္တိုင်းစိုက်ဆောင်ရွက်, Thanintheri Friends
71. Green Generation
72. မန်နှင့်သောင်းပွဲပေါင်းစည်းများ (တိုင်းဒေသကြီး)
73. ကလယ်ထောင် အတွေ့အကြုံ အတွက် (တိုင်းဒေသကြီး)
74. Dawei Pro-bono Lawyers Network
75. Karen Affair Committee
76. မူဝါဒသို့ကြည်စောင်မှု
77. မူဝါဒသို့ကြည်စောင်မှုကျွန်ုပ်များ, ပြင်သစ်တစ်ဦးမှု
78. မူဝါဒသို့ကြည်စောင်မှုကျွန်ုပ်များ, ပြင်သစ်တစ်ဦးမှု
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81. မူဝါဒသို့ကြည်စောင်မှု- ကိုယ်စားလှယ်
82. ကိုယ်စားလှယ်
83. Twee Community Development Network
84. ကြန်ခွဲပေါင်းစည်းများ
85. ကြန်ခွဲပေါင်းစည်းများ
86. Karen Human Right Group
87. Free And Justice
88. ကြန်ခွဲပေါင်းစည်းများ
89. Khu Mee Lit: Cult:Association
90. Khu Mee Women Organization
91. Mon Land Development and Natural Resources Conservation Organization
92. Chin Civil Society Network
93. Kanpatlet Environment Conversation Organization
94. Kanpatlet Land Development Organization
95. Matupi Community Development Organization
96. Chin Youth Organization
97. Chinland Natural Resource Watch Group
98. Beauty of Mt. Chin
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171. အႏႈိုင္းမဲ့လူမႈကူညီေရးအသင္း
172. ဓႏုစာေပယဥ္ေက်းမႈေဒသဖြံ႔ၿဖိဳးေရးအသင္း
173. မ်ိဳးဆက္သစ္ သထံုေလး
174. ေတာင္သူလယ္သမားမ်ားႏွင့္ ေျမယာလုပ္သားမ်ား သမဂၢ