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## **International Finance Corporation (IFC) Should Postpone Burma Investment**

*IFC's recent investments in Burma call into question IFC's commitment to poverty alleviation*

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(Washington, D.C.) – US Campaign for Burma (USCB) calls on the World Bank Group's International Finance Corporation (IFC) to ensure that IFC investments in Burma are oriented toward poverty alleviation, and to prioritize safeguards and transparency. Three out of the IFC's five projects in Burma involve the construction of upscale hotels, and the most recently proposed IFC project will excuse the Burmese client, Yoma Bank, from implementing basic due diligence and safeguards.

USCB calls on the IFC Board to postpone approval of the Yoma Equity project until the IFC addresses concerns about Yoma Bank and re-categorizes investment risks. The IFC is currently categorizing its proposed \$30 million investment in Yoma Bank's Small and Medium Enterprise (SME) financing program as "Financial Intermediary (FI)" lending. This FI categorization excuses Yoma Bank from abiding by the IFC's Performance Standards, conducting environmental or social impact assessments, performing consultations, and disclosing its sub-clients/sub-projects. This raises serious accountability concerns, particularly because US officials recommended Yoma Bank's owner, Serge Pun, for sanctions in 2008.<sup>1</sup>

"The IFC has the responsibility to use its financial influence to promote transparency and reform in Burma's corrupt business environment," said USCB Policy Director Rachel Wagley. "Regrettably, the IFC's recent investment proposals seem to mark a deviation from the IFC's earlier objective to bolster the growth of microfinance in Burma and may instead exacerbate socioeconomic inequality in the country."<sup>2</sup>

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<sup>1</sup> See *Cable 08RANGOON896: Sanctioning Private Burmese Companies Under the Jade Act*, US Embassy Rangoon, Nov. 18, 2008, available at <http://wikileaks.org/cable/2008/11/08RANGOON896.html>

<sup>2</sup> See ACLEDA Myanmar, Summary of Investment Information, IFC, <https://ifcndd.ifc.org/ifcext/spiwebsite1.nsf/78e3b305216fcd8a85257a8b0075079d/6fe83b1b8e03b94285257a87005cb534?opendocument>

The IFC is currently under fire for approving billions of dollars of FI lending that have led to land confiscation, assassinations, forced evictions, and other human rights abuses around the world, resulting in a groundbreaking internal audit in 2013.<sup>3</sup> Notorious FI projects include a thermal power project in Odisha, India<sup>4</sup> and an agribusiness project in Honduras with Dinant Corporation,<sup>5</sup> both of which resulted in land confiscation, the exacerbation of poverty in rural areas, and harassment of local peoples, among many other grave concerns. FI lending is the least regulated lending instrument of the IFC and makes up over 50% of the IFC's portfolio. As the IFC engages with Burma's private sector, and with individuals like Serge Pun who have deep government connections, it must be doubly careful to ensure that all potentially harmful projects trigger the due diligence and safeguards requirements of the IFC.

Other IFC projects in Burma are also raising flags. The IFC project Landmark Myanmar aims to provide a \$75 million financing package to Yoma Strategic Holdings Ltd. and First Myanmar Investment Co., Ltd for an upscale construction project in Rangoon.<sup>6</sup> Serge Pun controls both of these companies, meaning that two of the IFC's five projects in Burma directly contract with Serge Pun.

Yoma Strategic Holdings Ltd. is a powerful actor in Burma's high-risk plantation agriculture and real estate sectors, which are rife with human rights abuses, including environmental destruction, forced displacement, land confiscation, political detentions, and labor abuses. US officials specifically called for sanctions against Yoma Strategic Holdings Ltd. in 2008 for its substantial economic and political support for the military regime through the construction/infrastructure sector.<sup>7</sup>

"The IFC's lending proposals are raising serious questions regarding the IFC's mission to alleviate poverty in Burma," said Policy Director Rachel Wagley. "Upscale hotel construction and signing multiple investments with one individual, Serge Pun, are peculiar ways to empower impoverished people in a country where over one-fourth of the population lives under the national poverty line."

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<sup>3</sup> See *The World Bank's private sector financing arm doesn't know the environmental and social impacts of nearly half its portfolio*, Oxfam, <http://www.oxfam.org/en/grow/pressroom/pressrelease/2013-02-08/world-banks-private-sector-doesnt-know-environmental-impact#sthash.1Fa1sMTM.dpuf>; Carey Biron, IFC Under Fire on Environment, Social Safeguards, Inter Press Service, Feb. 8, 2013, <http://www.ipsnews.net/2013/02/ifc-under-fire-on-environment-social-safeguards/>

<sup>4</sup> See GMR Kamalanga Energy Limited- Thermal Power Project, Bank Information Center, <http://www.bicusa.org/feature/gmr-kamalanga-energy-limited-thermal-power-project/>

<sup>5</sup> See Nina Lakhani, *World Bank's ethics under scrutiny after Honduras loan investigation*, Guardian, Jan. 13, 2014, <http://www.theguardian.com/global-development/poverty-matters/2014/jan/13/world-bank-ethics-scrutiny-honduras-loan-investigation>

<sup>6</sup> See Landmark Myanmar, Summary of Investment Information, IFC, <https://ifcndd.ifc.org/ifcext/spiwebsite1.nsf/78e3b305216fedba85257a8b0075079d/8f7ed88229f7764185257c93007204e7?opendocument>

<sup>7</sup> See *Cable 08RANGOON896: Sanctioning Private Burmese Companies Under the Jade Act*, US Embassy Rangoon, Nov. 18, 2008, available at <http://wikileaks.org/cable/2008/11/08RANGOON896.html>