

Dear Civil Society Organisations:

I'd like to respond to the concerns expressed recently in your open letter, dated June 7, around IFC's proposed investment in the Shwe Taung cement factory.

The need to propel economic diversification—and create more and better jobs—is a central development challenge for Myanmar's economy. IFC's proposed investment in the Shwe Taung Cement Company (STC) can help triple its productivity, and better meet growing demand for fundamental raw material for key sectors like infrastructure, housing and ultimately manufacturing.

The cement industry also creates significant employment. Case studies on the cement industry in emerging markets have shown that on average, for every direct job, approximately 20 or more indirect jobs are also created in downstream industries. Based on this experience we predict this project will create about 200 direct jobs and potentially 4,000 indirect jobs.

The project is consistent with World Bank Group policy. The cement plant is connected to the national electricity grid and there is no coal fired power plant associated with the project. Coal mined by the company is used solely in the cement kiln, a widely used practice internationally. The project will reduce energy consumption and CO₂ emissions required to produce a ton of cement, include a waste heat recovery unit and the new kiln is being designed to use alternative fuels.

As a development institution, IFC is committed to helping local business groups like STG contribute to the sustainable development of Myanmar's economy. In addition to employing energy-efficient and climate-friendly technology, the company has also committed to implementing a first-of-its-kind strategy for offsetting impact on biodiversity at the cement plant/quarry and coal mine. This strategy follows global best practice, will provide an important demonstration effect in Myanmar and build capacity within the Ministry of Natural Resources and Environmental Conservation to manage projects requiring biodiversity offsets.

STG commissioned an independent Environmental and Social Impact Assessment (ESIA) of the project by a recognized international consultancy. This assessment includes a comprehensive review of baseline conditions in the project area, and concluded that the income and livelihoods of community members have not been adversely impacted by the cement plant, quarrying areas, and coal mining operations. Consultations with affected parties as part of the EISA and by IFC indicate strong support for the project and appreciation for community outreach activities by the company. No land disputes have been identified and building on existing community engagement the company will be implementing a stakeholder engagement plan and grievance mechanisms.

IFC conducted extensive due diligence on STG and its shareholders and found no evidence to support Mr. Aik Htun's involvement in alleged money laundering or drug trafficking, while he was vice chairman and minority shareholder of Asia Wealth Bank. Further, Mr. Htun and his family were never subject to any UN sanctions, and were not put on the 'Specially Designated Nationals and Blocked Persons List' of the United States of America.

We believe that the risks of this project can be managed to enable Myanmar to reap the economic and social benefits of investment in STC. I hope that we can continue an open dialogue with civil society on the path of development in Myanmar.

Sincerely,

Vikram Kumar
Myanmar Country Manager
International Finance Corporation