

THE WORLD BANK/IFC/M.I.G.A.

OFFICE MEMORANDUM

DATE: January 20, 2015

TO: Mr. Osvaldo L. Gratacós, Compliance Advisor, Ombudsman, CCAVP

FROM:  Bernie Sheahan, Director, CNGDR,  Morgan Landy, Director, CRKDR

SUBJECT: IFC Response to CGPL CAO Monitoring Report

Dear Mr. Gratacós,

Thank you for the recent CAO Monitoring Report on the Coastal Gujarat Power Limited (CGPL or the Project). IFC agrees with CAO's decision to continue its monitoring of the Project through November 2015, as at this stage the key studies that form part of the action plan have not yet been completed.

The action plan includes a framework of studies and measures that together are expected to clarify whether and how CAO audit findings are being addressed, including any additional measures that may need to be implemented. The first draft reports of some of these studies have been received, with other key studies to be completed before the next CAO monitoring report in 2015.

In particular, as acknowledged by the CAO monitoring report, CGPL has been actively engaged with the fishing community. The Company has an effective community engagement process in place to help ensure effective response to community concerns.

The action plan includes marine studies through which the Company will clarify the nature, scale, and potential impacts on seasonally migrant fishing communities. In addition, the socio-economic study will assess the socio-economic impacts (both positive and unfavorable) on the communities through comparison between recent and pre-project (2006 onwards) baseline data. It will also provide more information on the livelihood practices of the seasonally migrant fishing communities. This, together with the findings from the marine studies, will enable an assessment of the nature and scale of the impact on fishing livelihoods from the thermal discharge, as well as other impacts contemplated under Performance Standard 5.

The socio-economic study will include extensive consultation with seasonally migrant fishing communities, including individual household level interviews, key informant interviews, focus group discussions, and other methods of consultation to be determined by the third-party experts.

CGPL is committed to develop and implement, in consultation with affected communities and domain experts, mitigation measures based on the findings of the studies. IFC remains actively engaged with CGPL to ensure implementation of the action plan.

The most recent update to the action plan status, dated December 2014, is publicly available at (<http://www.tatapower.com/cgpl-mundra/pdf/mm-plan.pdf>). In addition, the Company has disclosed the reports of the studies at the following website: <http://www.tatapower.com/cgpl-mundra/environmental.aspx>.

IFC looks forward to continuing close collaboration with CAO.