

Machimar Adhikar Sangharsh Sangathan

Mundra, Kutch, Gujarat, India

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CAO found IFC made serious lapses in funding Tata coal plant; President Kim rejects expert findings, thwarts further action

The [International Finance Corporation](#) (IFC) broke its own social and environmental rules, says the [Compliance Advisor Ombudsman](#) (CAO) which released an investigation report yesterday. A recourse mechanism for communities affected by private sector projects that the World Bank Group supports, CAO found that IFC committed serious violations of its mandatory safeguards in financing its client, the Coastal Gujarat Power Ltd. (CGPL), which manages the 4,000 megawatt Tata Mundra Ultra Mega Power Project in Kutch, Gujarat.

Stopping short of calling for IFC's withdrawal from financing the project, the CAO finds that the 'IFC weaknesses in reviewing the client's risk assessment and mitigation did not support the formation of a robust view that the project met the IFC's policy requirements, that IFC did not consider alternative project design to avoid or minimize impacts, and that IFC has not treated complainants' concerns as compliance issues.'

Machimar Adhikar Sangharsh Sangathan (MASS - Association for the Struggle for Fishworkers' Rights), the organization of fishing families that filed the complaint at the CAO in June 2011, welcomes the report. "The findings reconfirm the concerns we raised since project construction started," Dr. Bharat Patel, General Secretary of MASS said. "CAO's expert findings help bolster our fight to regain the damaged livelihoods of thousands of fishing families in Kutch coast."

MASS asserted that IFC failed to account fisher people as project-affected people, to adequately assess and mitigate environmental and livelihood impacts, and to comply with mandatory performance standards and national regulations, among others. Dispute resolution attempts did not work, leading CAO in 2012 to do a compliance appraisal, which concluded that MASS complaint merited a full investigation.

In more than one year, CAO embarked on an extensive compliance audit process by hiring external experts, conducting field visits, reviewing relevant reports, and crosschecking with the IFC.

Disturbing findings

CAO validated major MASS complaints. It found the IFC committed serious supervision failures and significant policy breaches.

Primarily, it confirmed that IFC did not adequately consider in its risk assessments seasonally resident fishing community and religious minority population to be affected by the project, which excluded them from the application of land acquisition standard, biodiversity conservation and other relevant policies to protect them.

Aside from the consequences on the communities, CAO confirmed that that IFC committed major shortcomings in fulfilling requirements to manage impacts on airshed and the marine environment. Specifically, the investigation found that IFC did not ensure that its client correctly applied the 1998

WB guidelines for thermal power that restrict a net increase on emissions of particulates or sulfur dioxide within the airshed. On marine environment, CAO found the IFC to have no robust baseline data on project impacts to marine resources, which constrained it from monitoring marine impacts.

CAO also found that IFC has not assured itself that the plant's seawater cooling system complied with applicable IFC Environmental, Health and Safety (EHS) Guidelines. This compliance failure risks that thermal plume from the project's outfall channel will extend into shallow waters and estuaries that pose significant ecological risks on marine resources.

The group also confirmed the failure of the IFC to conduct an adequate cumulative impact assessment. CAO stressed that IFC should have advised its client that environmental and social risks emerging from the project's proximity and relationship with Mundra Port and Special Economic Zone should have been assessed by a third party, with mitigation measures developed.

Finally, CAO concluded that IFC's review and adoption of its client's reports are not robust to ensure the Performance Standards and supervision requirements are met.

IFC rejects findings, backs up the client

An [eleven-page response](#) written by Anita George and William Balmer, IFC's Asia-Pacific Director for Infrastructure and Natural Resources and Director for Environment and Social Governance, respectively dismissed CAO findings. Essentially, they rejected expert findings, defended their project decision and their client and issued no remedial action. After a month of silence, World Bank President Kim cleared management response.

Dr. Kim, a physician by trade, was known for championing public health before joining the Bank. Yet, his approval on the IFC response presents a severe diversion from his typical advocacy. With the decision, thousands of fishing and fishworker families will continue to suffer from air pollution, contaminated water and destroyed marine resources that CAO found to be directly linked with the construction and operation of Tata coal plant. CAO found that this wide range of problems is attributed to IFC. Kim, instead of addressing the findings, stood by his IFC staff and their client, Coastal Gujarat Power Limited (CGPL), ignoring the plight of fishing communities adversely impacted by the deadly investment.

"By clearing the IFC response, President Kim sends a clear message that he supports his staff's denial of science, of expert findings and endorses management's avoidance of accountability," says Dr. Patel.

President Kim contradicts Bank's energy strategy and undermines CAO mandate

"By flatly rejecting the findings of independent audit body, Kim simply revealed a highest form of hypocrisy in his climate stance," says Soumya Dutta, a member of India Climate Justice and coordinator of the Independent Fact Finding Mission that produced the 2012 [Real Cost of Power](#) report that documented the violations of the company.

Dutta adds: "Kim's endorsement of the management line indicates his real position that coal does not kill and he will continue supporting the deadly coal plants like Tata that are not only disastrous but also facing serious financial issues. It then contradicts the President's energy directions paper and pronouncements on moving the institution away from coal financing. His tall talk on climate change is proving to be a charade."

“That Kim approved management’s dismissive reaction reconfirms the lack of public accountability within the IFC,” observes Madhuresh Kumar of National Alliance of People’s Movements that supports MASS. “Kim sends a damaging signal that the World Bank Group’s internal watchdogs like the CAO and the Inspection Panel are more for namesake; and that despite their findings, it is business as usual for the Bank,” adds Madhuresh. “Kim simply undermined all the findings of the CAO in favor of their client. The President’s clearance smacks of arrogance, refusal to learn lessons and disregard to people and their rights.”

“We wonder why an institution like CAO exists if their findings are not given any value and no action is taken upon it,” said Soumya Dutta. “If President Kim is serious about the accountability that he talks about, and about learning from the Bank’s mistakes to prevent them from occurring again, he should take bold decisions based on the findings.’

Communities demand the World Bank President to stop his charade that he can take people for a ride and take bold actions based on the CAO findings. “Now that World Bank’s own investigations found such serious lapses, it is time for the Bank to sit up and take appropriate and immediate actions. We will not agree on anything short of IFC withdrawing financing from the project,” Dr. Patel said.

CAO Audit Report: http://www.cao-ombudsman.org/cases/document-links/documents/TermsOfReference_CGPLAudit_October242012.pdf

IFC Response to CAO Audit report: <http://www.cao-ombudsman.org/cases/document-links/documents/IFCresponsetoCAOAudit-CoastalGujaratPowerLimited.pdf>

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