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COMMUNIQUÉ

CAO Releases Investigation Report on IFC Investment in Coal Plant through Private Equity Fund, India

January 11, 2016 - The Office of the Compliance Advisor Ombudsman (CAO), the independent accountability mechanism for the International Finance Corporation, a member of the World Bank Group, today released a compliance investigation related to an IFC investment in the India Infrastructure Fund. CAO's investigation identified shortcomings in IFC's review and supervision of the Fund and its investment in a 1050 megawatt coal-based power plant in Orissa, India.

CAO's involvement was triggered by a complaint from communities living near the power plant in 2011. The complaint raised concerns about the plant's environmental and social impacts.

In financing projects with significant environmental and social risks through banks and private equity funds, IFC's approach is to support clients to develop their own social and environmental management systems which, in the case of high risk investments, should reflect IFC's environmental and social Performance Standards. This approach has the potential to increase the reach and impact of IFC's standards, and its development impact. As CAO's investigation found, however, this approach did not deliver the intended outcomes in this case.

CAO's investigation identified shortcomings in IFC's environmental and social due diligence prior to investing in the Fund. CAO found IFC's due diligence limited in scope and depth and, as a result, IFC lacked a basis to conclude that its investments through the Fund could meet the requirements of the IFC Performance Standards. The investigation also identified shortcomings in IFC's subsequent supervision of the investment. More than five years after IFC approved the Fund's first disbursement for the power plant and four years since becoming aware of the complaint, CAO found that IFC only recently reached a view as to the plant's environmental and social performance.

While noting some progress in addressing the environmental, health and safety issues associated with the power plant, IFC's most recent supervision documentation concluded that key concerns regarding the impacts of the power plant, as raised by the complainants, had not been addressed in accordance with the Performance Standards. In this context, CAO observed that the power plant had transitioned from construction to operation, increasing the risk of irreversible, adverse impacts on the complainants.

CAO, which reports to the President of the World Bank Group, will monitor IFC actions in response to its findings and issue a monitoring report within a year.

More details on this case, including CAO's investigation report, and IFC's formal response, are available at www.cao-ombudsman.org

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About CAO:

CAO is the independent accountability mechanism for the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), members of the World Bank Group. CAO's mandate is to address complaints from people affected by IFC and MIGA projects in a manner that is fair, objective, and constructive with the goal of enhancing environmental and social outcomes on the ground. CAO reports to the President of the World Bank Group. CAO's investigations, conducted with the participation of external experts, focus on IFC's performance and do not make compliance findings in relation IFC clients or their business activities.
