



ASSESSMENT REPORT

**Regarding IFC's investment in the Ramky Group,
India**

July 2008

*Office of the Compliance Advisor/Ombudsman
International Finance Corporation/
Multilateral Investment Guarantee Agency
www.cao-ombudsman.org*

TABLE OF CONTENTS

List of Acronyms	ii
1. Introduction	1
2. Assessment.....	2
3. Conclusion.....	3
4. Annex: The Complaint	4

LIST OF ACRONYMS

Office of the Compliance Advisor/Ombudsman	CAO
International Finance Corporation	IFC
Multilateral Investment Guarantee Agency	MIGA
Non-Governmental Organization	NGO
Environmental Assessment	EA
Environmental Impact Assessment	EIA
Environmental and Social Impact Assessment	ESIA

1. Introduction

The Office of Compliance Advisor/Ombudsman (CAO) is the independent recourse mechanism for the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group. The CAO reports directly to the President of the World Bank Group, and its mandate is to assist in addressing complaints from people affected by projects in a manner that is fair, objective, and constructive and to enhance the social and environmental outcomes of projects in which IFC and MIGA play a role. In the first instance, complaints are responded to by the CAO's Ombudsman function.

This assessment report is a public document that summarises the complaint and activities undertaken under the Ombudsman process of the CAO to seek resolution to issues raised by it.

1.1 The complaint

The CAO received two complaints on the Ramky project in August and September 2005, respectively. At that time, and under our original guidelines, we requested the complainants to seek further redress directly with IFC. The issues raised were being considered by the Indian courts, pending a judgment. On this basis the CAO closed the complaints.

A third complaint was filed on October 14, 2007 submitted by the Corporate Accountability Desk in Mumbai and later supported by signatures from community leaders in Gummidipoondi, including the panchayat head.

The complaint relates to the operations of an integrated hazardous waste treatment facility operated by the Ramky Group in the SIPCOT Industrial Area near Gummidipoondi village. Specific concerns raised in the complaint were:

- The local community has not given statutory permissions to the company to proceed – the local Panchayat has issued resolutions against the project;
- The environmental permitting process was flawed – an incomplete EIA was presented at public hearings;
- As a result, the complainants believe that the project violates municipal laws and IFC regulations.

The CAO notified the President, Board and public that this complaint meets its eligibility criteria for assessment on 14 November 2007. Confirmation was received from community leaders of their support of the complaint.

1.2 The Project

IFC disclosed its Summary of Project Information (SPI) in relation to IFC project No.23966 on 10 May 2005. According to this information, IFC proposed to provide up to US\$20m in financing to the Ramky Group for (i) handling the company's waste management facilities and to part-finance the establishment of a number of waste management facilities throughout India (known as REEL); and (ii) an investment in Ramky Infrastructure Limited (RIL), a Ramky Group subsidiary managing the group's engineering, procurement and construction contracts business in the infrastructure sectors. Investments were made on 11 January 2008 under a revised project purpose. The committed investment in REEL was dropped and IFC proceeded with only a part of the committed investment in RIL, though the structure of this investment in RIL has also since changed.

The project has been defined as Category B with respect to environmental and social impacts.

2. Assessment

Through correspondence, meetings and teleconferences with the principal parties (including the sponsor) the CAO Ombudsman team has learned that:

- IFC believes that the original complaints, lodged in 2005 have been dealt with fairly;
- IFC has stated that it is no longer financing the Gummidipoondi facility, but is financing separate businesses within the Ramky group;
- That the Gummidipoondi facility has been completed and is close to starting operations – although the ERS, as of January 2008, still referred to the site as a potential development;
- Neither the Sponsor nor the complainants believed that further discussion or negotiation would be helpful at this juncture. Both parties felt that reasonable efforts to pursue dialogue had been exhausted, and that the current situation was not amenable to joint fact finding, mediation or alternative dispute resolution approaches.

3. Conclusion

Based on correspondence between the principal parties and the Ombudsman, it is our judgment that this complaint is not amenable to resolution through an agreed settlement at this time.

On March 31, 2008, in accordance with the CAO's Operational Guidelines, this complaint was transferred to the Compliance office for an appraisal of whether an audit of IFC may be necessary to assure the President and public of IFC's compliance with relevant policies.