

## **A Summary and Critique of the Third Monitoring Report of CAO on IFC's Investment in Coastal Gujarat Power Limited (Tata Mundra)**

### **Background and Overview**

In December 2008, the International Finance Corporation (IFC) invested a loan of USD 450 million in the Mundra Ultra Mega Power Project, a 4,150 MW sub-bituminous coal-fired plant in Mundra, Gujarat. Owned by the Tata Group and implemented through the special purpose vehicle Coastal Gujarat Power Ltd. (CGPL), “this long-term financing not only directly supported the project but also helped secure additional funding from other international and Indian institutions.”<sup>1</sup>

Two complaints were filed against this project with the Compliance Advisor Ombudsman (CAO) - in 2011 by Machimar Adhikar Sangharsh Sangathan (MASS) on behalf of fisherfolk citing environment and livelihood destruction and in 2016 by residents of Tragadi village, raising concerns about marine impacts of the cooling water outfall, security restrictions, restricted access to the seashore, and specific harm to pagadiya (foot) fishers.

After the first complaint was filed by MASS, the CAO conducted a compliance appraisal and then a full audit in 2012–2013, which found IFC non-compliance in several areas. IFC had failed to ‘adequately consider’ fishing communities at the time the project’s Environment & Social (E&S) risks and impacts were assessed, neither had it adequately assessed marine, air quality, and cumulative impacts, and had fallen short on consultation and supervision. In response, IFC adopted an Action Plan in November 2013 along with the client Tata/CGPL, committing to studies on air quality, health, marine ecology, fish catch, and socio-economic conditions, as well as taking remedial measures where adverse impacts were identified.

However, both CAO monitoring reports in 2015 and 2017 found IFC’s actions to be insufficient, leading CAO to keep the case open. In both reports, the CAO concluded these efforts failed to remedy the non-compliances or resolve complainants’ concerns.<sup>2</sup> The final CAO monitoring report, which was drafted in 2019, could not be published until 2022 due to ongoing litigation in the U.S. Supreme Court, where affected communities’ case against IFC was ultimately dismissed.<sup>3</sup> Publication of this report was further delayed until 2025, until after a field visit was carried out by the CAO in March this year.

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<sup>1</sup> <https://www.cao-ombudsman.org/sites/default/files/downloads/CAO-MonitoringReport-IndiaTataUltraMegaMundra-Sept2025-ENG.pdf> - Page 7

<sup>2</sup> The ADB’s Compliance Review Panel (2013–2015) also found multiple safeguard violations in the Tata Mundra project, including inadequate consultation, poor identification of affected persons, and weak impact mitigation. In response, the ADB Board approved remedial actions. As per the latest 2018 monitoring report, only partial progress was made with major gaps persisting especially regarding fisherfolk’s access to fishing grounds.

<sup>3</sup> Read more about the US Supreme Court case here: <https://www.cenfa.org/case-against-ifc-at-us-supreme-court-disappointed-with-the-outcome-quest-for-justice-continues/>

In the [report released in September 2025](#), despite finding evidence of IFC's inaction to address the violations and the negative impacts have grown and aggravated since the time of filing the complaint, the CAO formally closed the case, explaining that closure was procedurally justified since CGPL had fully repaid IFC's loan in 2018 thereby ending IFC's commercial relationship with its client. With no remaining financial link, CAO noted it was unlikely that IFC would resume efforts to complete its 2013 Action Plan or address the Audit's findings particularly given the long lapse of time since IFC's last engagement. The report did, however, document in detail the failure of the IFC over the past 11 years at failing to remedy the impacts caused, noting that the adverse and continuing 'impacts are likely attributable to the IFC-financed project'.<sup>4</sup>

By closing the case, CAO in effect rewarded IFC for its inaction and for undermining the mandate and ignoring the findings of CAO in its 2013 report. This goes as a precedent in other similar cases where IFC's investments have caused serious impacts on people and their livelihood, that IFC can walk away without having to pay any 'costs' for violations of its own policies.

In its conclusion, the report recommended a regional programme involving government agencies, multilateral development banks such as the World Bank and ADB, local industries, and affected communities to tackle the cumulative impacts of industrialisation and growth through measures like ecosystem restoration, safe water infrastructure, and sustainable livelihood opportunities.

### **IFC Undermining CAO's Mandate**

CAO's monitoring report reiterates that IFC has done nothing to course-correct for the past 14 years, while the impacts have only worsened, with newer phenomena such as accelerated coastal and mangrove erosion, aggravated health issues and increasing livelihood insecurity emerging. While IFC frames closure as procedurally justified given the repayment of its loan, the decision to close the case raises serious questions about its accountability as a public institution and its responsibility towards its own accountability mechanisms. The CAO's monitoring of IFC's investment in CGPL illustrates how IFC has systematically obfuscated accountability over more than a decade and undermined its own institutional accountability. Across three monitoring cycles (2015, 2017, 2018) CAO repeatedly concluded that the IFC and the client's actions were inadequate and that meaningful corrective action never materialised, and that nearly all of the remedial measures promised in the 2013 Action Plan remain incomplete (*see Annexure on Page 6 for details*).

At a procedural level, the monitoring reports show that studies that were commissioned as part of the Action Plan (which were never shared with the communities on whose complaint the studies were commissioned) not translated into meaning mitigation, and IFC closed action items without addressing the issues such as the absence of baseline data for seasonal fishing communities, or the cumulative impact assessments. The CAO report also notes that IFC failed to provide CAO with full documentation

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<sup>4</sup> See page 17 for the timeline of the case

or studies, effectively hampering the CAO's capacity to monitor compliance. In doing this, the IFC has also reduced the role of the CAO to a formality, undermining the credibility of the CAO's mandate.

More importantly, IFC failed to carry out its core responsibility of oversight and supervision. Instead of exercising strict monitoring as required under its Performance Standards, IFC adopted a complacent approach. By not reprimanding the client for failing to comply with the Action Plan or insisting on taking corrective action, the IFC weakens its own safeguards systems but also sets a precedent of impunity, where private clients learn that there are no consequences for non-compliance.

### **Unjustified Closure and Continued Impacts<sup>5</sup>**

The 2013 CAO Compliance Audit had already concluded that IFC was non-compliant with several of its own Performance Standards, including consultation (PS1), resettlement (PS5), pollution prevention (PS3), biodiversity and marine resources (PS6), and security and community safety (PS4). To address these findings, IFC and its client committed to an Action Plan and subsequent studies, but little tangible relief ever materialised. The 2025 CAO field visit reiterated many of the gaps identified in the 2018 monitoring report which found that little remedial action had been taken by IFC and the client since the 2013 Audit, with nearly all of the original complaints remaining unresolved. Through testimonies and supporting documentation, the 2025 mission reconfirmed the persistence of adverse environmental degradation and socio-economic hardships in and around the Mundra project area.

Environmental impacts remained severe, and in many cases, had worsened. The discharge of warm water into the Gulf of Kutch and the destruction of mangroves continued to degrade marine ecosystems, leading to drastic reductions in fish populations and biodiversity. Data collected by fishing cooperatives document a 80% decline in Bombay Duck, 70% in Anchovy, and sharp drops in prawns and other high-value species such as lobster and Asian sea bass between 2013 and 2024. This has forced fishers to travel nearly 10 km further offshore at greater cost, risk and has led to a shift towards lower-value species, undermining their incomes.

The field visit also found no resolution of site-specific grievances that had been raised for more than a decade. Displacement and restricted access at Tragadi and Kotadi bunders, caused by the widening of intake and outfall channels, remain unresolved, with fishers still excluded from customary fishing and fish-drying sites. Similarly, residents reiterated that air pollution and fly ash deposition continued to damage crops, contaminate fish-drying areas and cause various respiratory issues, while mitigation measures such as dust suppression proved ineffective. Residents also report grievances that salinity intrusion into groundwater had reduced access to safe drinking and irrigation water, making agriculture less productive.

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<sup>5</sup> See annexure 1 for details on complaints and violations

The report also notes that the harms faced by communities are compounded by the wider industrialisation of the Mundra region, including two mega power plants (Tata and Adani) and 40 other facilities, however, many serious harms remain directly attributable to the IFC-financed project. IFC's inaction on Tata despite its various violations set a wrong example for other industries that came up in the region since then, when the state mechanisms are either weak or hesitant to take actions against erring industries.

The 2025 CAO visit reaffirmed that the harms first identified in 2013 persist, and even with procedural closure, the project's environmental footprint continues to deepen socio-economic vulnerability and deteriorate living conditions for affected communities.

### **The Need for Long Term Accountability**

By the time CGPL prepaid its loan in 2018, IFC had effectively walked away, using the termination of its financial relationship as a reason to end engagement. When CAO formally closed the case in 2025, it noted the “unsatisfactory process for the complainants”. This closure underscores a structural accountability gap: once financiers exit a project, affected communities are left with ongoing grievances and no recourse even when violations of Performance Standards remain unaddressed.

With the 2025 field visit confirming that people's lives had not improved since the original complaints, what reflects an even more troubling abdication of moral responsibility is that, despite these unresolved grievances and ongoing harms, IFC has continued to extend financing to the Tata Group even after 2018. In 2023, IFC announced its participation in a “first-of-its-kind” sustainability-linked bond issued by Tata Cleantech Capital, in 2024, IFC disclosed financing for Tata Housing projects, further deepening its engagement with the conglomerate. Most recently, in 2025, it was reported that IFC stands to make significant financial gains from its equity position in Tata Capital.<sup>678</sup> The juxtaposition of these fresh investments with the unresolved legacies of harm in Mundra underscores not only the structural weakness of IFC's accountability system, which limits responsibility to the tenure of financial leverage, but also a willingness to continue partnering with repeat corporate actors while communities remain without remedy.

### **Why Another World Bank-Funded Programme Is Not the Answer**

The CAO's final monitoring report concludes with recommendations for a new regional programme involving the World Bank, ADB, government agencies, and industry to address cumulative environmental and social challenges in Mundra. However, such an approach risks reproducing the very problems that have previously been noted with such projects. A World Bank or IFI-funded

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<sup>6</sup><https://www.ifc.org/en/pressroom/2023/ifc-invests-in-first-of-its-kind-sustainability-linked-bond-issued-by-tata-cleantech-capital-to-foster-renewable-energy-drive-climate-targets>

<sup>7</sup> <https://disclosures.ifc.org/project-detail/SII/36345/tata-housing>

<sup>8</sup>[https://www.business-standard.com/markets/ipo/ifc-set-to-earn-multibagger-gains-from-tata-capital-s-2-billion-ipo-125091400291\\_1.html](https://www.business-standard.com/markets/ipo/ifc-set-to-earn-multibagger-gains-from-tata-capital-s-2-billion-ipo-125091400291_1.html)

initiative would likely follow the same technocratic model that prioritises institutional partnerships and overarching solutions over direct redress for affected people. Experience has shown that these programmes are slow to deliver, often lack meaningful community participation, and channel benefits in ways that might not even reach the affected individuals. For the complainants who have already endured fourteen years of unaddressed harm, another round of ‘development’ interventions managed by the same institutions that failed them offers little assurance of justice or remedy.

From the beginning, the demands of the community have been clear: (i) compensation for past losses suffered by fishing and farming households through the creation of a community development fund (ii) the installation of a closed cooling system to protect aquatic life that comply with Ministry of Environment, Forest and Climate Change rulings (iii) and the establishment of a fund to support livelihood restoration. These measures directly target the harms caused by the Mundra plant and provide tangible relief to those who continue to bear its costs. Unlike other IFI-led programmes, which risk reinforcing cycles of exclusion, meeting these concrete demands would demonstrate genuine accountability and deliver benefits where they are most needed.

### **World Bank Group and Approach to Remedy**

The World Bank Group’s recent emphasis on remedy, articulated through initiatives like the Remedial Action Framework and One World Bank Group which foresee the merger of accountability mechanisms of the various arms of the World Bank pose a threat to the “bold new vision of a world free of poverty on a livable planet,” and tangible redress. It is an irony that the Remedial Action Framework which IFC is promoting as a “first among development finance institutions to articulate such a framework”<sup>9</sup> and which is “centered around four main components: prevention, preparedness, access to remedy and contribution to remedial action” was a result of the various grassroots movements against IFC’s harmful investments, in particular, the struggle at Tata Mundra, as mentioned in the External Review of IFC/MIGA E&S

Accountability, including CAO’s Role and Effectiveness Report and Recommendations.<sup>10</sup> Despite the struggle contributing significantly to what IFC considered to be something to be proud of, IFC refuses to walk the talk in the case of Tata Mundra and fails to demonstrate what it means by taking remedial action. The inaction in Tata Mundra casts a serious doubt over IFC’s intent over the Remedial Action Framework.

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**Centre for Financial Accountability**

September 2025

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<sup>9</sup> <https://www.ifc.org/en/about/accountability/consultation-on-the-proposed-ifc-miga-approach-to-remedial-action>

<sup>10</sup> <https://thedocs.worldbank.org/en/doc/578881597160949764-0330022020/original/ExternalReviewofIFCMIGAESAaccountabilitydisclosure.pdf>

## Annexure

Issue (Section)	Key Concerns Raised	2013 Audit Findings	2018 Findings+ Observations from the 2025 Mission
1.1 Identification & Management of Impacts on Fishing Communities	(i) Environmental concerns regarding the discharge of warm water, air pollution, and disturbance of the marine environment have adversely affected the health and livelihoods of these fishers and their families. (ii) Livelihood concerns regarding increased time and distance to markets and reduced space for drying fish. Mangrove destruction and thermal discharge allegedly drove fish populations offshore.	IFC's E&S pre-investment due diligence did not ensure that the project's risks and impacts were assessed in the context of its area of influence or that safeguard planning involved adequate consultation with affected fisher families. Therefore, failed to identify complainant communities as affected people. IFC failed to meet the standard prescribed in PS 1	CAO concludes that IFC's supervision in 2017-2018 failed to ensure meaningful corrective action. The studies commissioned by IFC/ CGPL did not remedy the shortcomings identified in 2013, nor did they adequately document the impacts on seasonally resident fishing communities. The livelihood improvement plan, which targeted only 24 pagadiya fishers, was exclusionary and inconsistent with the requirements of PS 1 and 5. There is no evidence that broader economic displacement or livelihood losses suffered by the wider fishing population were ever addressed.
1.2 Consultation with Fishing Communities	(i) Fisher people who customarily used Tragadi and Kotadi bunders were not included as project-affected people in the E&S assessment. (ii) Village Development Advisory Committees (VDACs) set up the client did not represent the interests of the community.	IFC's supervision failed to ensure that its client carried out effective and inclusive consultation with affected fishing communities. CAO's 2013 Audit found that IFC did not verify whether the client conducted meaningful consultation with directly affected fishing communities. as required under PS1. As a result, directly affected fisher	2025 mission confirmed complainants were never meaningfully engaged. Communities said they had not seen project studies or been consulted on impact, risks, mitigation etc. IFC provided no documentation to CAO to substantiate claims of meaningful consultation, or that information was disclosed to all stakeholders.

		families were excluded from decision-making processes, missing opportunities to assess, avoid, and mitigate adverse impacts.	
1.3 Land Acquisition & Displacement	(i) Livelihood impact due to increased travel distances to access the bunder and local fish markets (ii) threats of intimidation and closing roads by security forces (iii) Failure of CGPL to deliver on CSR commitments	The 2013 CAO Audit found that the project impact assessment wrongly classified Tragadi and Kotadi bunders as vacant land, ignoring the customary use of commons by fishing communities for settlements and livelihoods. As a result, IFC failed to apply PS5 properly, excluding these communities from resettlement and livelihood impact planning.	The third monitoring report found that complainants' broader concerns for economic displacement and adverse impacts to livelihoods had failed to be addressed. The Mission noted that complainant's socioeconomic conditions have likely deteriorated concomitantly with decreases in fish catch quantity and quality, increased salinity levels in ground water, loss of habitable land due to erosion near the outfall, and poor air quality.
1.4. Air Quality	Health and livelihood concerns raised regarding the impact of coal ash and other airborne pollution.	The 2013 CAO Audit found that IFC failed to apply PS 3 on Pollution Prevention and Abatement in its assessment of air quality risks. IFC did not ensure compliance with the World Bank's "no net increase"	(i) Ambient Air Quality: During the third monitoring period, IFC and CGPL reported mitigation steps such as conveyor upgrades, fly ash suppression, and public disclosure of air quality data. However, in the E&S report by the client for 2016-17 found repeated exceedances

		<p>requirements for particulate matter and SO<sub>2</sub>, nor did it require offsets in a degraded airshed and leaving communities exposed to potentially polluted air.</p>	<p>of PM10 standards. CAO's 2025 mission found that rapid industrialisation in Mundra, including two mega power plants (Tata and Adani) and 40 other facilities, has severely affected the region. The dense mix of industries made it difficult to attribute impacts to individual projects.<sup>1</sup></p> <p>(ii) Stack Emissions: In 2018, CGPL reported compliance with IFC and Government of India limits for SO<sub>2</sub>, NO<sub>x</sub>, and PM, using ESPs, low-NOx burners, and coal quality controls. However, offsets required for degraded airsheds were not applied and data remained limited. In 2025, CAO observed coal dust and fly ash affecting nearby villages and fish drying, though CGPL's enclosed conveyor and barriers reduced some emissions. Real-time air quality and stack emission data are now displayed publicly at the plant gates.</p> <p>(iii) Radioactivity of Coal Ash: IFC tested ash residue and found radioactivity within safe limits, but CAO noted that this did not resolve broader air quality concerns. Despite IFC's commitments to monitoring and controls, complainants continued reporting health and</p>
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<sup>1</sup> " In 2018, an ADB air quality study showed an increase in PM10 concentrations in areas surrounding the Mundra UMPP of about +25% at the Tunda and Tragadi villages and +46% at Mota Kandagara over the previous 10 years (2006-2015). However, the study stated that the primary source for PM10 emissions was not attributable to Mundra UMPP. The ADB's Compliance Review Panel noted that during its third and final round of monitoring, it had only received air quality monitoring data from the client's public reports to ADB, which were in graphical format and could not be evaluated for compliance. The panel expressed concerns about data quality, sampling duration, calibration of equipment, and instrument downtime, and also noted the absence of field level observations and data sampling". (page 30)



			livelihood impacts, and IFC failed to show that its actions met PS3 requirements.
1.5 Marine Impacts	Outfall discharge harms fish stocks, ecosystems, and marine biodiversity. (i) Loss of fish and shrimp, impacts on turtles (ii) Destruction of mangroves (iii) Dredging Kotadi and Modhva creeks (iv) Chemical contamination through outflow channels	IFC's loan to CGPL obligated compliance with World Bank water quality standards, including limiting thermal discharge. CAO's 2013 Audit found IFC's due diligence inadequate: marine EIAs ignored fishing communities' livelihoods, biodiversity values, and risks from the thermal plume. IFC failed to ensure proper baseline data, impact analysis, or monitoring frameworks. In response, IFC's 2013 Action Plan promised studies on marine impacts, biodiversity, turtles, and fish catch monitoring.	From 2013-2017, IFC and CGPL commissioned studies on the thermal plume, biodiversity, turtles, and fish catch. By 2017-2018, IFC provided no new substantive information. CAO concluded that IFC failed to ensure adequate assessment or mitigation of the project's marine impacts in line with PS6, studies under the Action Plan lacked sufficient scope and data. During its 2025 mission, CAO heard from villagers that fish populations and species diversity had sharply declined, data shared by the fishing cooperatives finds a major decline in fish quantity. Tragadi Bundar shows dramatic reductions from 2013-2024: Bombay Duck (Bumla) down 80%, Anchovy (Madel) 70%, Khatar 40%, small prawns 65%, large prawns 33%, and Bhushi (fingerlings) 14%. High-value species such as lobster, Ghol fish, Asian sea bass (Dhangri), Chaval, and Surmai have become negligible or rare. Mangrove degradation, cooling water intake screening, erosion, maritime traffic, and restricted coastal access have further deteriorated fish habitats, forcing fisherfolk to venture up to 10 km offshore to sustain their livelihoods.

1.6 Cumulative Impacts	Combined burden of multiple industrial projects (two coal plants, port, SEZ industries) was not assessed	PS 1 and 3 require clients to assess and mitigate cumulative impacts. CAO's 2013 Audit found IFC's due diligence failed to consider cumulative risks to air, marine ecology, and nearby projects like Adani Power and Mundra Port Special Economic Zone. IFC's 2013 Action Plan promised to strengthen assessments but argued CGPL lacked influence over broader coastal development.	During 2017-18, IFC provided no evidence of cumulative impact analysis or action on third-party risks despite audit findings. CAO concluded IFC failed to meet its Action Plan commitments. In the field visit, CAO observed that cumulative industrial impacts in Mundra - air pollution, ecosystem degradation, salinity intrusion, and climate risks, had worsened living conditions. Communities reported declining fisheries, crop failures, unsafe drinking water, health problems from pollution, and restricted access to coastal resources, resulting in deepening poverty, food insecurity, and the erosion of traditional livelihoods.
1.7 Project Supervision	Weak monitoring and supervision of E&S impacts	IFC's Sustainability Policy and PS1 require robust monitoring, supervision, and remedies for non-compliance. In the 2013 Action Plan, IFC and the client agreed to prepare a comprehensive document.	CAO found that the 2016 status review matrix provided by IFC and CGPL was incomplete and inadequate, failing to serve as a proper monitoring and evaluation framework for project-level E&S compliance. Between May 2014 and July 2017, IFC reported progress on the 2013 Action Plan, and by January 2018 the client claimed all remedial measures were "completed," but the CAO has not received any further updates.

<p>1.8 Additional Issues Raised in the CGPL-02</p>	<p>(i) Security intimidation restricting fisherfolk access (ii) Concerns about infrastructure safety of intake/outfall channels</p>		<p>(i) PS4 requires IFC clients to manage risks from security forces, yet CAO found IFC failed to ensure adequate oversight at CGPL. In 2015, according to media reports 250 Central Industrial Security Force by the Indian Government, however IFC did not take any steps at the time to ensure itself that the client undertook a risk analysis or that it revised its security management plan. IFC reported an altercation between CISF guards and fishermen was mediated locally, but no lasting safeguards followed.</p> <p>(ii) Complainants raised safety concerns about the risk of people and animals falling into the outfall channel. While IFC reported fencing, community awareness efforts, and maintenance, CAO received no documentation to substantiate these measures or to confirm compliance with PS4 requirements on community health and safety.</p>
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