Bankrolling India's Dirty Dozen

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Outsourcing Development: Lifting the Veil on the World Bank Group's Lending Through Financial Intermediaries

Part 2

December 2016

inclusive development international

In collaboration with

urgewald

11.11.11 VECHT MEE TEGEN ONRECHT

BIC

accountability counsel

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The Outsourcing Development series and a related database of harmful financial intermediary sub-projects is available for download at www.inclusivedevelopment.net/outsourcing-development.

For further information on the issues raised in the Outsourcing Development series, please contact Inclusive Development International:

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Inclusive Development International

Inclusive Development International is a human rights organization working to make the international economic system more just and inclusive. IDI supports grassroots organizations and communities to defend their land, natural resources and human rights against threats from harmful investment, trade and development practices. Through research, casework and policy advocacy, IDI works to strengthen the human rights regulation and accountability of corporations, financial institutions and development agencies. For more information, please visit www.inclusivedevelopment.net.

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This is part two of **Outsourcing Development,** *a series of reports that lifts the veil on the harmful impacts of the World Bank Group's investments in financial intermediaries.*

In late 2016, several hundred farmers gathered for a protest in Barkagaon, a town in the eastern Indian state of Jharkhand. For 10 years, indigenous people in the area had been resisting efforts by NTPC Limited, a state-controlled electricity company, to forcibly evict them from their ancestral land and establish a coal mine.

On Saturday, October 1, things came to a head. In the pre-dawn hours, the police moved in and tried to disperse the protesters, who were unarmed. According to Indian media reports, a scuffle broke out, and the police charged with batons. Then they opened fire.

> Through financial intermediaries, the IFC is bankrolling at least a dozen of India's largest and most harmful companies, despite its sustainable development mandate.

"There was so much chaos, and then the firing started," said a 23-year-old farmer, who asked not to be identified out of fear for his security. He tried to run but was repeatedly knocked down as the terrified demonstrators ran for cover.

"I saw the woman next to me jerk suddenly and fall to the ground. She was shot in the leg and blood was gushing out. I reached to help her, but then the crowd became so chaotic, and I felt like I was being lifted off my feet. I don't know what happened to her," he said.

Five protesters were killed and at least 15 were seriously wounded. "All I could think was, 'Why did I come? If I don't survive, what will happen to my child?'" said the farmer, the widowed father of a seven-year-old son.

The police said they were acting in self-defense. It was the third time in three years that they had fired on people protesting the mine. Despite the threat of violence, the farmers say they have few viable options for defending their land beyond public demonstrations, given the indifference shown by NTPC and the local authorities.

NTPC, formerly known as the National Thermal Power Corporation, is a majority state-owned enterprise with a sprawling network of coal-fired power plants spread across South Asia. As the Indian economy has grown over the past decade, so too has NTPC, which has posted rapidly rising revenues and profits. Yet the company's growth, like that of the Indian economy as a whole, has come with a dark underbelly of human rights abuses, corporate malfeasance and environmental destruction.

NTPC's projects have dislocated indigenous people, polluted the air and water, destroyed ancient forests, and vastly expanded India's carbon footprint. Rampal, a proposed coal plant in Bangladesh that threatens to decimate the world's largest remaining mangrove forest, is the most infamous of the company's projects, but it's just one of many. In states like Jharkand, NTPC is working in collusion with the police and local authorities to acquire the forestland of tribal communities without their consent, and brutally quelling dissent, according to Amnesty International and local human rights groups.

Despite this grim track record, NTPC has benefitted from substantial financial support from the International Finance Corporation (IFC), the World Bank Group's private sector arm, according to the results of a months-long investigation conducted by Inclusive Development International. The IFC is indirectly funding NTPC through multilayered financial transactions that are mostly concealed from public examination.

Between 2005 and 2014, the IFC invested over half a billion dollars in one infrastructure bank, IDFC, and five commercial banks: ICICI, HDFC, Kotak Mahindra, Yes and Axis. After receiving these funds, the six banks went on to provide or arrange $7.5 billion in NTPC loans, bonds and share issues. These transactions raised money for general corporate purposes, allowing the company to use the capital as it saw fit, with few apparent limitations. Two of the banks, IDFC and HDFC, also own approximately $35 million in NTPC stocks.

India's Dirty Dozen

The IFC is funding 12 of India's riskiest companies through financial intermediaries.

1. NHPC Limited

Description: State-controlled hydropower company that owns and operates, either fully or through joint ventures, 20 large hydropower dams, with four more under construction

Annual Revenue: $1.3 billion (2015)

Links with IFC Clients: HDFC, Kotak Mahindra, ICICI, Axis, IDFC and Yes banks

Total Financial Support Provided or Arranged by IFC Intermediaries Following IFC Investment: $3.19 billion through bonds, share offerings and stock ownership

Track Record: NHPC's dams have reportedly displaced hundreds of thousands of Indian farmers, fishers, and indigenous people. The

Five people were killed and at least 15 were seriously wounded when police opened fire on protestors opposed to a coal-mining project owned by NTPC Limited in Jharkhand state. Photo © National Alliance of People's Movements corporation's projects have also allegedly caused a range of other social and environmental harms, including reduced food security and irreversible damage to waterways and biodiversity. NHPC has a reputation for treating project-affected people callously. A 2008 report entitled "NHPC: People Don't Matter" states that the corporation has "managed to set a new standard for corporate irresponsibility." NHPC has repeatedly violated Indian environmental regulations and international standards for dam building, according to International Rivers.

2. NTPC Limited

Description: State-controlled power company that owns or co-owns 26 coal plants, with a total capacity of more than 40 gigawatts

Annual Revenue: $13.28 billion (2015)
Links with IFC Clients: ICICI, IDFC, HDFC, Kotak Mahindra, Yes and Axis banks

NTPC is just the tip of the iceberg of the IFC's support for high-risk corporate behemoths in India. In fact, the World Bank Group member is exposed to vast swathes of the country's economy. Through financial intermediaries, the IFC is bankrolling at least a dozen of India's largest and most harmful companies, despite having a sustainable development mandate.

Just three of those companies, NTPC, the Indian Oil Corporation and Vedanta Resources, generated combined revenues of $87 billion in 2015, roughly equivalent to Ukraine's GDP. This raises serious questions about the IFC's claim that financial-sector lending serves primarily to reduce poverty by helping small businesses access credit.

Even more troubling, the IFC's financial-sector clients have financed companies with well-documented track records of complicity in grave human rights abuses and environmental degradation.

Members of the indigenous Dongria Kondh tribe demonstrate against a planned bauxite mine in the sacred Niyamgiri hills. The project by Vedanta Resources was ultimately stopped, in a landmark victory for tribal rights in India. Photo © Surival International

For instance, Vedanta Resources infamously attempted to displace and carve up the sacred land of the Dongria Kondh tribe. The company planned to develop a bauxite mine in the Niyamgiri hills, which are revered by the Dongria Kondh, in breach of national regulations. In 2013, in a landmark victory for tribal rights, the Supreme Court of India ordered that Gram Sabhas, or village councils, would decide whether bauxite would be mined at the Niyamgiri hills. After each of the twelve village councils voted against the mining, the project was stopped, but the Odisha state government is reportedly now attempting to restart it.

Other beneficiaries of indirect IFC financing include Adani Power, Reliance Power and Essar Power, which, like NTPC, operate gigantic coal plants and mines that accelerate global warming, destroy forests, and inflict significant damage on the health and livelihoods of local communities. Adani's Mundra integrated coal plant, port and special economic zone, located in the western state of Gujarat, caused air, groundwater, and seawater pollution, the destruction of mangroves, and the economic displacement of local fishers, according to an Indian Ministry of Environment investigation.

Two large agribusinesses, Zuari Agri Sciences and Nuziveedu Seeds, run plantations that have reportedly illegally employed children to do harsh, backbreaking work in their fields. In 2013, the Norwegian sovereign wealth fund withdrew its investment in Zuari after an investigation found that 3,000-4,000 children under 14 were involved in the company's seed production. But the IFC continues to fund them through its financial intermediary clients.

It seems that no company is off-limits for the IFC's financial intermediaries. ICICI and HDFC provided funding to Eveready Industries, formerly known as Union Carbide India, the company responsible for the Bophal gas disaster, the worst industrial accident in history. In 1984, gas leaking from a pesticide plant in Bhopal killed as many as 10,000 people within the first few days, with another 15,000 to 20,000 deaths occurring in the coming years. The now-abandoned plant reportedly continues to leach poisonous chemicals and heavy metals into the local water supply, further compounding the toxic legacy of this IFC sub-client.

These findings aren't just a moral outrage. They're also evidence that the IFC's system for managing environmental and social risks in its $50 billion portfolio of financial institutions is failing.

Total Financial Support Provided or Arranged by IFC Intermediaries Following IFC Investment: $7.5 billion through loans, bonds, share issues and stock ownership

Track Record: NTPC is India's largest generator of coal-fired electricity. Coal power plants exacerbate global climate change, pollute the air and water, and make people ill. The coal mines that feed them are one of the largest contributors to deforestation. The corporation's most controversial project, the proposed Rampal plant in Bangladesh, threatens to devastate the Sundarbans, a UNESCO World Heritage site that is the world's largest remaining mangrove forest. In addition, activists have warned that the plant will harm some 2 million people who live in or depend on the forest. NTPC has also reportedly been involved in the forced displacement of indigenous communities in Jharkhand state, where the police have violently suppressed protests.

3. Adani Power

Description: Largest private thermal power producer in India.

Annual Revenue: $2.05 billion (2015)

Links with IFC Clients: IDFC, ICICI, HDFC, Axis and Yes banks

Total Financial Support Provided or Arranged by IFC Intermediaries Following IFC Investment: $1.18 billion through loans, bonds and share issues

Track Record: Adani's 4,620-megawatt Mundra coal plant in Gujarat state became fully operational in 2012. The coal plant is part of the larger Mundra port and special economic zone, which an Indian Ministry of Environment investigation revealed did not comply with public consultation requirements and resulted in massive ecological and social impacts. These include air, groundwater, and seawater pollution, destruction of mangroves, and harms to the livelihoods of local fishers. In Queensland, Australia, Adani is pressing forward with the Carmichael coal mine, which will be one of the world's largest, despite opposition from the Australian public. Coal from the mine will create annual carbon dioxide emissions that are equivalent to those produced in a year by Malaysia or Austria, according to the Australia Institute. In addition, the mine is expected to harm the Great Barrier Reef.

4. Indian Oil Corporation

Description: Majority government-owned energy producer and the country's largest commercial enterprise

Annual Revenue: $61 billion (2015)

Links with IFC Clients: IDFC, ICICI, Kotak Mahindra, Yes and HDFC banks

Total Financial Support Provided or Arranged by IFC Intermediaries Following IFC Investment: $4.2 billion through loans, bonds, share issues and stock ownership

Track Record: Indian Oil's Paradip refinery, located in Odisha state, has created a 15-year conflict with affected communities. Paradip became operational in 2017. Approximately 143 families from 17 villages were reportedly displaced from their land to make way for the refinery. Displaced people say they have not received adequate compensation or employment, both of which were promised to them by the company. The project has sparked concerns about pollution and other environmental damage. The refinery has also been the source of a number of oil spills, according to the Odisha State Pollution Control Board.

5. Reliance Power

Description: Power-generation division of the Reliance Group, one of India's largest companies

Annual Revenue: $1.6 billion (2015)

Links with IFC Clients: Axis, IDFC, ICICI and Kotak Mahindra banks

Total Financial Support Provided or Arranged by IFC Intermediaries Following IFC Investment: $4.7 billion through loans, bonds, share issues and stock ownership

Track Record: Reliance operates and is building three "ultra-mega" coal-fired power plants that will have a combined capacity of approximately 12,000 megawatts. The plant that has been completed, Sasan, was the subject of a 2014 investigation that found it fell short of the IFC's Performance Standards on labor, indigenous peoples, resettlement and environmental contamination. Land acquisition for the plant, located in Madhya Pradesh state, resulted in the displacement of an estimated 6,000 people, including members of the indigenous Adivasi community. According to the

As recipients of IFC funding, the six Indian banks are contractually required to apply the Performance Standards, the rules that aim to ensure that IFC investments do not cause unmitigated harm to people and the environment. The banks are essentially supposed to act as mini-IFCs, spurring socially responsible and environmentally sustainable investment. This is one of the IFC's main justifications for financial intermediary lending: that it helps raise the bar on environmental and social governance and risk management throughout the financial sector.

For example, when the IFC invested $150 million in Axis Bank in 2014, it justified the deal by saying the bank would become "an industry leader in adopting [environmental and social] global standards with a strong demonstration impact on the banking sector in India."

Yet in the decade that Axis and other IFC clients have been funding NTPC, there's little evidence that they've improved their environmental and social risk management systems, or nudged NTPC on the path to respecting people and the environment. Rather, the very opposite appears to be happening.

A 21-year-old woman who participated in the recent protest against the NTPC mine in Jharkhand, who also asked not to be identified, said she and her husband had lost their land to the project. She was forced to move to a slum, and her husband migrated to a city for work. They don't know when they will see each other again.

At one point, out of desperation, the woman traveled to the local NTPC office to try to negotiate. She was turned away at the gate by the guards. She now feels powerless. "I don't feel like we have any say in these things. How can we talk to these big, big men? They don't listen," she said.

Before partnering with the IFC, the six banks had provided relatively small amounts of financial support to NTPC. After becoming IFC clients -- and emboldened with the World Bank Group's stamp of approval and enriched with its largesse -- the six banks opened the floodgates of capital to the corporation. That capital continued to flow even as NTPC's already dismal behavior worsened.

The net result is that a company so irresponsible that it would have virtually no chance of receiving direct

The Mundra complex, located in Gujarat state, includes a coal plant, port and special economic zone. It has polluted the ocean and displaced local fishing families. The IFC's commercial bank clients financed both the complex and the company that owns it, Adani. Photo © Joe Athialy

financing from the IFC has instead received those funds through back channels.

"How can the World Bank say it wants to eliminate poverty when they are doing these things only for the rich?" asked the 23-year-old farmer. "The company will take this coal from here, and the people in Mumbai will have uninterrupted electricity. They will take our land and not give us jobs. Then, when we try to do something, they kill us."

The story of the IFC's exposure to NTPC and other high-risk Indian corporations begins in the mid-2000s, when the World Bank Group member began investing in the country's commercial banking sector. The Indian economy was in transition, as the government relaxed regulations in order to attract foreign investment. At the time, public-sector institutions such as the Bank of India were the primary players in

Sierra Club, those who opposed the forced relocations were abducted and never found. House demolitions took place in the middle of the night without prior notice, and community property was destroyed before the clearance and acquisition process was completed.

6. Vedanta Resources

Description: International mining company headquartered in London

Annual Revenue: $12.9 billion (2015)

Links with IFC Clients: ICICI, Axis, Yes and Kotak Mahindra banks

Total Financial Support Provided or Arranged by IFC Intermediaries Following IFC Investment: $3.2 billion through loans and bonds

Track Record: In 2008, Vedanta Resources and two other companies received clearance to develop a bauxite mine in the Niyamgiri hills, which are revered by the indigenous large infrastructure and industrial finance. Commercial banking was still in its infancy, and private banks were involved in few large, syndicated deals.

That began to change when the IFC entered the market. In 2006, it made its first investment in an Indian commercial bank, loaning $150 million to ICICI, now the country's largest commercial lender. The purpose of the loan was to "address the needs of a top performing bank," and public disclosures related to the deal reveal few restrictions on how ICICI could use the money. That same year, the IFC loaned $100 million to HDFC, another large Indian commercial bank, with similarly broad objectives related to increasing its market share.

Over the next decade, the IFC made a series of similar investments. All told, by 2014, it had invested $520 million in ICICI, IDFC, HDFC, Kotak Mahindra, Yes and Axis, among the most profitable banks in India. These investments were general in nature, meaning the banks could use the capital at their discretion, with little apparent oversight from the IFC.

The investments fit a global pattern. Over the past decade, the IFC has increasingly outsourced its development work to third parties such as banks, private equity funds and insurance firms. After years of providing loans mostly to companies and projects, this represents a sea change in how the IFC does business. Financial-sector lending now accounts for approximately 52% of the IFC's long-term commitments.

As the World Bank Group's private-sector arm, the IFC argues that by increasing access to capital for small and medium-sized businesses, it can drive sustainable development and reduce poverty. Indeed, the IFC is eager to claim credit when this capital flows to small businesses that need it.

An IFC-commissioned report assessing its investments in China's banking sector in the early 2000s is instructive. The report, released in 2012, praises the IFC for the "transformation" of the country's commercial banking sector. A case study in the report describes how a small business in Nanjing increased the size of its factory by 23,000 square meters, and grew its sales force by 120 people, as a result of financing from an IFC commercial-bank client. Financial-sector lending gets results, was the implicit message.

Dongria Kondh people. Amnesty International found that the project, located in Odisha state, breached national regulations by ignoring community concerns throughout the land acquisition process. The UK National Contact Point for the OECD Guidelines for Multinational Enterprises found that Vedanta did not consider "the human rights of the people affected by the company's economic activities consistent with the host government's international obligations and commitments." In 2013, the mining plan was scrapped after the Supreme Court of India ordered a referendum on whether mining in Niyamgiri would affect the religious, community and individual rights of local forest dwellers, and tribal village councils voted unanimously against the project. However, the Odisha state government is now attempting to restart the project.

7. Jindal Steel & Power

Description: Private Indian conglomerate that operates in steel, power, mining and infrastructure

Annual Revenue: $3.6 billion (2015)

Links with IFC Clients: HDFC, Kotak Mahindra and ICICI banks

Total Financial Support Provided or Arranged by IFC Intermediaries Following IFC Investment: $6.8 billion through loans, bonds, share offerings and stock ownership

Track Record: Jindal Steel & Power, which operates multiple steel plants, has a poor track record on human rights and the environment. Many indigenous communities affected by the company's projects say they did not consent to being relocated. Protesters have reportedly been met with repression and violence. The company has acquired land for its projects without consent from affected indigenous communities, reportedly resulting in forced displacement with little or no compensation paid. Surveys of affected people conducted in 2012 and 2013 note widespread displacement caused by the company's projects. Additionally, Jindal Power, a subsidiary, operates coal-fired power plants, which contribute to global climate change.

8. Hindalco

Description: Private Indian entity that is the world's largest aluminum-rolling company

Annual Revenue: $19.3 billion (2015)

This meticulous tallying -- down to the last square meter -- of the positive effects of financial-sector lending stands in stark contrast to the IFC's hands-off attitude toward the negative consequences. "We believe it is important to stress that IFC does not finance specific companies through its investments in [financial intermediaries], except in the case of Private Equity Funds. Therefore, most of the investments made by our clients are outside the scope of IFC's direct supervision," the IFC said in an email to Inclusive Development International in May of this year.

In effect, the IFC is disavowing responsibility for the sub-projects of its commercial bank investments, which account for approximately 90% of the institution's $50 billion financial-sector portfolio. Given this laissez faire approach, it is little wonder that financial intermediary lending has helped to perpetuate such harm in India and other countries.

Roughly 500 kilometers west of the NTPC coal fields of Jharkand sits the source of the Narmada River, one of India's most sacred waterways. The Narmada flows through the flatlands of central India before emptying into the Gulf of Khambat in Gujarat. The river's valley is home to rich cultural heritage, productive farmland and biodiversity.

The Narmada is also a potent symbol for the World Bank, a cautionary tale about the dangers of ill-conceived infrastructure projects. In 1985, the bank provided a $450 million loan to build a massive, government-planned dam on the river called the Sardar Sarovar.

The $1 billion project was the centerpiece of a network of more than 3,000 dams on the Narmada and its tributaries that the developers claimed would provide drinking water, electricity and irrigation to millions of small farmers.

Yet activists had been warning for years that such a project would cause great harm to the Narmada Valley and its 25 million residents. An independent review estimated that building Sardar Sarovar would result in the acquisition of more than 117,000 hectares of land, the submergence of 245 villages and the displacement of more than 240,000 mainly tribal people.

Links with IFC Clients: Axis, ICICI, HDFC and Yes banks

Total Financial Support Provided or Arranged by IFC Intermediaries Following IFC Investment: $2.7 billion through loans, bonds and stock ownership

Track Record: In 2003, Hindalco received clearance to develop a bauxite mine in Koraput District, Odisha. The mine overlapped with the Mali Parbat mountain, home to the indigenous Kondh community. In violation of the Indian Constitution, villagers were not consulted on the transfer of their lands. Seventy villages with approximately 3,000 families depend on the mountain for water, wood and food. Security personnel were deployed at the site in 2011, and villagers who protested were placed in custody.

9. Eveready Industries

Description: Formerly Union Carbide India, operator of the Bhopal pesticide plant

Annual Revenue: $24.5 billion (year ending March 2016)

Links with IFC Clients: ICICI and HDFC banks

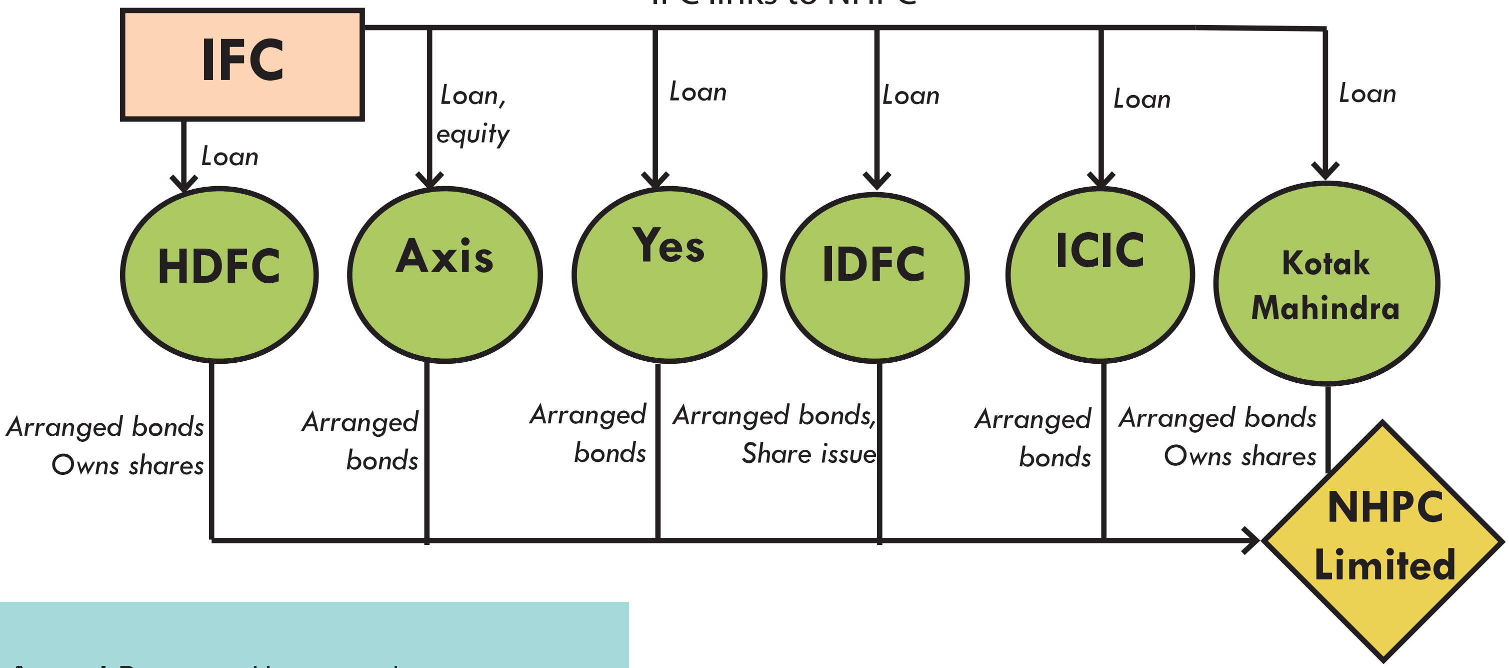
Total Financial Support Provided or Arranged by IFC Intermediaries Following IFC Investment: $19 million through loans and share ownership

Track Record: In December 1984, 30 tons of toxic gas leaked from a pesticide plant operated by Union Carbide India, which has been renamed Eveready Industries. The incident is widely considered to be the world's worst industrial disaster. Estimates of the number of people killed in the first few days run as high as 10,000, with 15,000 to 20,000 premature deaths reportedly occurring in the subsequent two decades. Many of those who were exposed to the gas have given birth to physically and mentally disabled children. Union Carbide discontinued operation of its Bhopal plant following the disaster but failed to clean up the site completely. The plant reportedly continues to leak several toxic chemicals and heavy metals that have found their way into local water sources.

10. Essar Power

Description: Subsidiary of Essar Group and one of India's largest private power producers.

IFC links to NHPC



Annual Revenue: Unreported

Links with IFC Clients: ICICI and IDFC

Total Financial Support Provided or Arranged by IFC Intermediaries Following IFC Investment: $2.3 billion through loans and stock ownership

Track Record: Essar Power operates coal-fired power plants with a total of 3,105 megawatts. The company's 1,200-megawatt Mahan Coal-Fired Power Plant opened in 2013. Essar and another Indian company, Hindalco, jointly developed a nearby coal mine designed to supply the Mahan plant, along with Hindalco's aluminum smelter. The mine would have caused the destruction of one of the largest and oldest indigenous forests in India, and it would have displaced 54 indigenous villages. However, activists successfully protested the mine, leading to its cancellation. In 2015, needing a new source of coal for its Mahan plant, Essar bought the rights to the Tokisud coal block in Jharkhand state. Constructing a mine will displace approximately 1,200 people and cause deforestation.

11. Essar Steel

Description: Subsidiary of Essar Group that produces steel in India and internationally

Annual Revenue: $3 billion (2013, latest year reported)

Links with IFC Intermediaries Following IFC Investment: Axis, HDFC and ICICI banks

Undeterred by the scale of the impacts, the developers pushed forward, and construction began in 1988. A grassroots non-violent resistance movement sprang into action, declaring, "We will drown but we will not move." The movement generated international outrage and solidarity, including in the United States, the bank's largest shareholder, where Congress held multiple oversight hearings about the dam.

Facing negative publicity, and the scathing findings of an independent review of the project, the World Bank was forced to pull out. It cancelled the remainder of the loan in 1993.

The Narmada dam became a black mark on the World Bank's reputation. It was emblematic of how large development projects could trample the very people they were supposed to help. The fiasco led to the creation of the Inspection Panel, the bank's independent accountability mechanism, which was meant to help it avoid backing future development disasters like Sardar Sarovar.

Yet two decades after pulling out of the Narmada, the World Bank Group is once again back in the business of financing big, destructive dams in India, through its investments in the six Indian banks.

The IFC-supported banks have arranged $3.19 billion in financing for NHPC Limited (formerly the National Hydroelectric Power Corporation), a state-controlled operator of dams. As is often the case with such large, syndicated deals, the financing was general in nature, meaning the hydropower corporation could use the proceeds with few strings attached, including to provide capital for existing and future projects. Three of the banks and their subsidiaries also own approximately $38 million worth of NHPC shares.

NHPC is one of India's most notorious companies. It has "managed to set a new standard for corporate irresponsibility and sheer callousness," according to a joint NGO report from 2008 called "NHPC: People Don't Matter." NHPC has repeatedly violated Indian environmental regulations and international standards for dam building, according to International Rivers. This has resulted in "cost and time overruns, social and environmental negligence, security concerns, widespread public opposition, human rights violations, court cases and the suspension of projects in the pipeline or even during construction."

NHPC owns, either outright or through joint ventures, nearly two dozen large dams in India, with a number of others planned or being constructed. These dams have displaced hundreds of thousands of people, damaged crucial waterways and biodiversity, and provided few benefits to the people living near them. In many cases, communities affected by these projects have resisted their development. Regardless, NHPC has pressed forward, indifferent to the outcry.

NHPC's planned Lower Subansiri project, which is being built in the Himalayan foothills, threatens the area's delicate biodiversity and the livelihoods of indigenous communities. Photo © Keith Schneider/Circle of Blue

Total Financial Support Provided or Arranged by IFC Intermediaries Following IFC Investment: $7.1 billion through loans

Track Record: Essar Steel operates iron ore and steel plants in Orissa, Gujarat and Andhra Pradesh states. A 2009 report by the Ministry of Rural Development Committee on State-Agrarian Relations referred to the activities of Essar and its rival Tata Steel as "the biggest grab of tribal land after Columbus." The report names Essar as one of the key financiers of the anti-Maoist Salwa Judum (purification hunt), a 7,000-strong militia found to have employed child soldiers in the region. Between 2005 and 2009, Salwa Judum engaged in a campaign of terror in Orissa, forcibly evicting some 350,000 members of the Adivasi tribe and incarcerating them in refugee camps, where they were reportedly subjected to torture and sexual assault.

12. Zuari Agri Sciences and Nuziveedu Seeds

Description: Private agribusiness companies with large plantations in India

Annual Revenue: Approximately $36 million combined

Links with IFC Clients: Kotak Mahindra, ICICI, HDFC, Axis and IDFC banks

Total Financial Support Provided or Arranged by IFC Intermediaries Following IFC Investment: $150 million combined through loans, share offerings and stock ownership

Track Record: Zuari Agri Sciences and Nuziveedu Seeds are two of India's leading seed producers. In 2013, the Norwegian sovereign wealth fund withdrew its investment in Zuari after an investigation by its Council on Ethics that the company contributes to the worst forms of child labor. The investigation found that about 3,000 to 4,000 children under the age of 14 were involved in the company's seed production, 20% of whom were younger than 10. Meanwhile, a 2015 report by the India Committee of the Netherlands found that more than 200,000 children under 14 years of age were working on cottonseed fields in India, accounting for nearly 25% of the total workforce. Forty-nine Nuziveedu farms were surveyed for the report, which concluded that "unless the major seed companies like Nuziveedu [...] start taking effective measures against child labor, it remains difficult to address the problem at an industry level."

Activist Vimal Bhai has experienced NHPC's contempt firsthand. As convener of Matu Jan Sangathan, an organization that supports people affected by dams in the Himalayan region, he has worked for years to assist people opposed to NHPC's planned Kotli Bhel projects, which threaten the sacred Ganges River.

"The company is arrogant," he said. "It doesn't listen to the concerns of affected people, and it doesn't give them accurate information about what is going to happen to their lives."

He added: "It's not just a river that is being taken away. It's their whole way of life, their entire economy, that's being snatched away. This can't be expressed in words."

The planned Lower Subansiri mega-dam encapsulates NHPC's unflinching indifference to the impacts of its projects. The 2,000-megawatt facility is being built on a tributary of the Brahmaputra River in the Himalayan foothills, in an area that is prone to earthquakes and flooding. The dam threatens the area's delicate biodiversity and the livelihoods of indigenous communities, in addition to having downstream consequences that reach as far as Bangladesh. Communities were able to stop construction in 2010, but in August of this year, NHPC announced that work would resume.

NHPC's recent history contains ample evidence that it will trample on the rights of marginalized Indians in order to get what it wants. In 2007, the corporation completed construction of a dam called Omkareshwar, which it co-owns with the Madhya Pradesh state government. Upon its completion, this project was estimated to submerge approximately 30 villages, displacing some 50,000 people and flooding thousands of hectares of one of central India's last intact natural forests. Yet even when work on the dam was completed, the misery did not end. In 2015, NHPC raised the water level of Omkareshwar by two meters, submerging additional land and houses.

Forty-eight kilometers upstream from Omkareshwar, NHPC built another large dam, called Indira Sagar, in 2005. Before construction, NHPC instituted a reign of terror, using special armed units to remove people from their homes. The company flooded villages without notice, forcing residents to flee for their lives. The inhabitants of a village called Panthiaji reportedly were given just 24 hours to evacuate, and were told that they would not receive any compensation unless they destroyed their own homes. As with Omkareshwar, NHPC raised the water level on the dam in 2012, to similarly disastrous consequences. It did so despite an Indian Supreme Court ruling prohibiting the increase. All told, approximately 200,000 farmers, tribal people and fisher folk were displaced, according to International Rivers.

NHPC has not provided the displaced with equivalent new land, which Indian law requires. Nor has it abided by Indian Supreme Court judgments, resettlement plans, project agreements, or Ministry of Environment and state policies that require land-for-land compensation for evicted people. Farmers displaced by both dams continue to demand resettlement and rehabilitation.

The symbolism of the two projects is inescapable. Omkareshwar and Indira Sagar are located on the Narmada River, the site of the World Bank's historic mea culpa two decades ago. Despite claiming to have learned its lesson, the bank is once again back on the river, surreptitiously funding a company that is forcibly displacing poor communities.

Evidence of the risks of financial-sector lending is overwhelming. Regardless, the IFC appears to be doubling down on the practice, rather than curtailing it. In late 2015, India's financial press began reporting that the government will sell a portion of its stake in IDBI, a formerly state-owned development lender that now has commercial banking operations.

Banking insiders have told reputable news outlets such as the *Times of India* that the IFC is in line to acquire an equity stake of up to 15%, along with a board seat. In March, reports emerged that the IFC had finished conducting due diligence on the bank, with an investment imminent. There has been no official comment from the IFC, nor has the potential deal been disclosed on its website.

If the IFC did indeed conduct due diligence on IDBI, it would have seen in the bank's portfolio a number of familiar companies to which it is already exposed. IDBI owns shares in NHPC and has financed Adani Power, Essar Steel and Reliance Power, among others.

It will now be up to the World Bank Group's board to decide whether to proceed. Given the evidence in front of them, the board's members should at minimum reject the investment in IDBI. The bank's poor track record – and the likelihood that it will continue to finance companies that harm vulnerable people without regard for their legal and human rights – demands this. But the board must go further than that.

The IFC should apply the lessons of the Narmada Valley to its investments in India. When the World Bank pulled out of Sardar Sarovar in 1993, the developers found alternative sources of funding. The dam was completed, and it was as harmful as activists had feared.

The IFC must not simply wipe its hands of the harmful projects it has helped get off the ground. Rather, it should hold its existing financial-sector clients to account and ensure that they make things right.

The IFC must insist that its clients implement the Performance Standards and adhere to national laws and regulations, as they are contractually obligated to do. This means not only preventing future harm, but rectifying the damage that they have already helped cause. Anything less would be an abdication of responsibility to the countless people whose lives have been wrecked by these investments.

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