IFC Investment in International Company for Water and Power Projects (ACWA)
(MENA Region)
United States Position
December 3, 2013

While the United States appreciates this investment's focus on renewable energy, the United States believes that this project lacks sufficient additionality to justify IFC's investment, and is inconsistent with the Bank Group's core corporate goals to end extreme poverty and promote shared prosperity. In addition, the United States found the environmental and social impact analysis to be insufficient.

The United States appreciates that this project will help the company accelerate its diversification into renewable energy and increase its investments in the non-GCC MENA region. This rapid expansion into solar and wind investments will help the region meet its quickly-growing demand for energy in a sustainable manner. The United States supports Acwa's efforts to increase the share of renewable energy to 5-10 percent of its power generation portfolio, and hopes that it will continue to expand its operations in solar and wind projects. Additionally, the large investments in the non-GCC MENA region send a positive signal to investors at an important moment in the region's political transition. The United States supports the IFC's work to increase its investments in this region, including through jointly-financed projects with Gulf investors in non-GCC MENA countries, as these contribute to strengthening investor confidence and mitigate perceived political risk.

At the same time, **the United States notes that the majority of the Company's assets and future renewables investments are in Saudi Arabia and other GCC countries, which calls into question the alignment of this investment with the Bank Group's twin corporate goals to end extreme poverty and promote shared prosperity.** The United States believes that the company would be able to access commercial financing without the need for IFC support. The United States also questions how this investment fits with the Bank's commitment to greater selectivity and development impact.

The United States is also concerned about the environmental impact analysis and disclosure of future assessments for Category A projects. The United States recognizes that IFC's board seat on Acwa will allow the IFC to monitor implementation and compliance with the performance standards across Acwa's portfolio. This oversight and knowledge-sharing role would presumably strengthen the environmental impact assessment and management for all future projects. However, the United States continues to believe that a 120-day disclosure period is best practice, particularly in the cases of financial intermediary investments that will likely support a number of Category A projects.

Separately, the United States is troubled by the greenfield coal projects that make up part of the company's portfolio and proposed pipeline. Despite IFC's efforts to ring-fence its financing, the United States is not convinced that an equity investment can preclude support for specific projects within the company's portfolio because money is fungible. IFC's seat on the Acwa board will not give the IFC direct influence over future projects, and thus will not allow IFC to prevent or discourage Acwa from pursuing additional coal projects in the future. To prevent IFC funds from supporting coal projects, the United States would have preferred that the IFC take a different investment approach to support Acwa's renewables projects while avoiding the association with the coal projects altogether, perhaps by investing directly in specific projects or by using a special purpose vehicle.

In conclusion, the United States wishes to be recorded as **voting no** on this investment due to our fundamental concerns about the lack of strong additionality and the inconsistency with the World Bank Group's goals, and the inadequate analysis of environmental and social impacts. The United States also wishes to be on record as discouraging equity investments when a company's investment pipeline includes high risk projects such as coal.