

**Proposed International Finance Corporation (IFC) Investment
in Niko Resources Ltd.
(South Asia Region)
December 19, 2013**

Although the United States acknowledges the importance of supporting India and Bangladesh in diversifying their energy sources and overcoming electricity deficiencies through private sector-driven solutions, the United States did not think there was sufficient additionality to justify the high level of risk in this project.

Given the fact that Niko's difficult financial situation is mainly driven by internal deficiencies and an unsustainable and aggressive growth model over the past years, the United States is not convinced that IFC should engage in these kinds of high risk rescue operations. Whereas the United States generally promotes IFC's anti-cyclical role in developing countries e.g. in economic crisis situations, the presence of several specialized investors in this investment shows however that there is already robust interest from the private sector to engage without IFC's support.

Niko has had significant problems with environmental and social management in the past, including two major well blowouts, which partially contributed to the prepayment of the original IFC loan in 2006. While the United States would agree that applying the IFC Performance Standards could help to improve socio-ecological performance of Niko, radical changes are needed to upgrade their systems. The United States is concerned that in the current financial distress situation the evolving senior management team will have difficulty bringing the company into compliance with IFC's requirements in the short run. In this regard the United States also notes that Niko does not have full control over social and environmental related issues given that part of their assets is operated through third parties.

The United States would also like to emphasize the reputational and economic risks of this investment arising from the legal and regulatory uncertainties around the major assets of Niko as presented in the Board document as well as the bribery case in 2005.

Stemming from the concerns expressed above, the United States is not convinced that IFC's engagement in this investment is a smart risk. The United States wishes to be recorded as abstaining.