

The Inspection Panel
Report and Recommendation
on
Request for Inspection

INDIA: Coal Sector Environmental and Social Mitigation Project (Credit No. 2862-IN) and Coal Sector Rehabilitation Project (Loan No. 4226; Credit-No. 2986)

1. On June 21, 2001, the Inspection Panel (the “Panel”) received a Request for Inspection (the “Request”) dated June 14, 2001 related to activities in the Parej East mining area under the above-referenced Projects. (Annex 1) On June 22, 2001 the Panel notified the Executive Directors and Bank President of receipt of the Request (meaning “Registration” under the Panel’s *Operating Procedures*).¹

A. FINANCING

2. The Board of Executive Directors on May 16, 1996 approved an International Development Association (IDA) Credit for an amount equivalent to about US\$63 million to finance the Coal Sector Environmental and Social Mitigation Project (CSESMP) with the proceeds to be on lent to Coal India Ltd (CIL). The Credit was due to close on June 30, 2001. With about US\$24 million un-disbursed, on June 29, 2001 the closing date of the Credit was extended for one year.
3. On September 9, 1997 the Executive Directors approved an International Bank for Reconstruction and Development (IBRD) Loan for the equivalent of US\$530 million and an IDA Credit to India for about US\$2 million equivalent to help finance the Coal Sector Rehabilitation Project (CSRP). Nine months later, on June 17, 1998, the Loan became effective. At the Request of the Borrower on July 24, 2000 the original amount of the Loan was reduced to US\$261,300,000 equivalent as a result of the cancellation of US\$268,700,000 from the undisbursed amounts of the Loan. The original amount of the Credit was reduced to about US\$1.41 million equivalent as a result of the cancellation of all amounts undisbursed as of that date. The Loan closing date is June 30, 2003.

B. THE PROJECTS

4. Parej East mine, an opencast coalfield under development since 1993, is one of the 25 mines included in the CSESMP and CSRP. Operated by Central Coalfields Ltd. (CCL), a

¹ See The Inspection Panel, *Operating Procedures* (August 1994) at ¶ 36.

subsidiary of CIL, it is located in the Hazaribagh District of the State of Jharkand,² According to the Staff Appraisal Report (SAR) for the CSESMP there were eleven settlements within the “*area of project influence*” with a combined population of 2,913, including 2,078 tribals for whom community development actions were planned. There were a total of 818 Project Affected People (PAPs) to be resettled under the Project, of whom 382 were tribals. Of these, 418 family members were entitled to rehabilitation.³

5. The two Projects were initially conceived as one to include both investment in coal mine reform and expansion, and the mitigation of the environmental and social impacts this would generate. Due to the scale and complexity of the mitigation measures, the Borrower and Bank Management decided instead to have them addressed in advance in a free standing project, the CSESMP, that became effective in July 1996, over two years earlier than the CSRSP became effective.
6. The objectives of the CSESMP are to assist CIL in making coal production more environmentally and socially sustainable through technical assistance to enhance the company’s capacity to deal with environmental and social issues. The objectives are also to assist the CIL in the implementation of the Environmental Action Plans (EAP), Rehabilitation Action Plans (RAP), and Indigenous Peoples Development Plans (IPDP) in the 25 coal mines that were slated to receive financial assistance under the then proposed CSRSP.⁴ The Parej East mine has an EAP, RAP and IPDP.
7. The objectives of the CSRSP were to support India’s market-oriented reforms in the coal sector and to provide financial and technical support for Coal India’s efforts to make itself commercially viable and self-sustaining. This included expansion of the coal mines.⁵
8. Approval of the CSRSP Loan was subject to satisfactory implementation of the CSESMP. At the time the Loan was approved, the staff reported that implementation was more positive in Orissa than in Bihar but that “*proper implementation of [CSESMP] will be closely supervised and safeguarded through cross-conditionality between the [CS]ESMP credit and the proposed CSRSP loan.*”⁶
9. Before the proposed CSRSP could become effective, the Borrower had to be in compliance with all obligations under the CSESMP legal agreements and further obligations relating to environmental and social mitigation set out in Schedule 9 of the CSRSP Loan Agreement. The Loan and Credit, approved in September 1997, became effective in June 1998. After this, under the CSRSP Loan Agreement (Article VI, Section 6.01(f)), the Bank was entitled to exercise its remedies if the Borrower failed to perform any of the

² A recently formed state that until August 2000 was part of the State of Bihar.

³ “*Staff Appraisal Report*”(SAR) April 24, 1996 (Report No. 15405) at Annex 3.1 at pp.3-4.

⁴ Id. at ¶¶ 3.1-3.2.

⁵ See Schedule 2 of the “*Loan Agreement between IBRD and Coal India Ltd.*”

⁶ “*Memorandum and Recommendation of the President of the International Bank for Reconstruction and Development and the International Development Association to the Executive Directors on a Proposed Loan in the Amount Equivalent to US\$530 million and a Proposed Credit or SDR 1.5 million to Coal India Ltd. for a Coal Sector Rehabilitation Project.*” July 31, 1997 (Report No. 7104-IN) at ¶ 13.

obligations set forth in Schedule 9 to the Agreement. The Agreement also contained a cross default clause dealing with failure to perform any of the obligations under the CSESMP Legal Agreements.

C. THE REQUEST

10. The Request was submitted by Ms. Bina Stanis of Chotanagpur Adivasi Sewa Samiti (CASS), a local non-governmental organization representing residents of the Parej East coal mining Project area. The Panel received copies of authorization of representation signed by the Requesters, who have requested that their names be made available to the Panel members, but otherwise remain confidential.
11. Citing the objectives of the CSESMP, the Request explains that for Project Affected People (PAPs) *“this means that the quality of their lives would improve, that they would share in the benefits of the mining project, that their displacement and relocation would be undertaken as a development programme, that their former living standards, income earning capacity and production levels would be restored, if not improved.”*⁷ They assert however that: *“Now, as the end of this CSESMP project is imminent, it has failed in its professional aims and failed in the guarantees that were given to the PAPs, guarantees that were used as levers to win consent to give their land and livelihood for the [CSRP] project.”*⁸
12. Instead, the Requesters claim that they have suffered harm as a result of failures and omissions of IDA in the implementation of the CSESMP in Parej East coal mine Project area. In particular, failure to provide income restoration has resulted in significant harm. Now without compensatory land, employment or self-employment they subsist as casual labourers at mere survival levels with the loss of human dignity and the demoralization at being dependent on the coal company that does not employ them. Formerly landowners, they now live in a colony without legal possession of any land, where their former farming skills are no longer applicable, their former productive sources dismantled and their supporting networks and kin groups dispersed. They now suffer increased illness as a result of pollution of water sources and wells in the resettlement colonies that are not fit for drinking. Although a dispensary has been built, it has never been staffed. In addition, although a school has been built it has never been staffed. Furthermore they are unable to participate in the growing service economy that goes with the expansion of the mines and suffer increased poverty.
13. In the Requesters’ view, the Bank has failed to supervise the CSESMP adequately as it had guaranteed to the PAPs when they had agreed to be resettled to allow for the proposed expansion of the Parej East mine subsequently financed by the Bank under the CSRP.
14. The Request asserts that there has been a lack of required consultation and participation, especially on changes made during the life of the Project to CIL’s Resettlement and

⁷ “Request for Inspection” at ¶ 1.

⁸ Id. at ¶ 8.

Rehabilitation (R&R) policy, and it implies that PAPs were not consulted about environmental issues.

15. More specifically, the Request lists many requirements of the Bank’s policy on Involuntary Resettlement (OD 4.30) that they believe the Bank has violated. Generally, the Requesters assert that they have “*a right to fair and adequate compensation for loss of their lands and villages.*”⁹ They focus their complaint on the “*key issue*” of failure of income restoration. The Request explains that the basis of the PAP’s former “*non-formal*” economy was income from (i) common property resources, and (ii) income from their own privately owned lands. But the Request asserts that income restoration has not taken place because:

16.1 As a result of mine expansion, common property resources such as water sources, fruit trees, forest sources for fodder, fuel, building material etc, have been greatly depleted, “*and for PAPs (in contrast to the company employees) these are NOT being replaced. The income from [common property resources], basic to the PAPs non-formal economy, has radically diminished.*”¹⁰

16.2 They maintain that “*monetary compensation for private income producing assets (land) has not been adequate to secure replacement by other income producing assets (replacement land, other capital assets). Ultimately [the cash] is mostly spent on consumer items.*”¹¹

16.3 They claim that CIL’s policy has kept employment by the company to a minimum.

16. Finally, the Requesters assert that the “*much flaunted self-employment projects which the Bank guaranteed would fill in for the above shortages, are grossly failing to replace livelihood, if they have at all materialized.*” While conceding that “*training has been done*” they say if is “*often short and ineffective, and not linked to explicit employment opportunities.*”¹²

17. The Requesters claim they have been harmed as a result of Bank violations of various provisions of the following Bank Policies and Procedures:

OD 4.01 on Environmental Assessment

OD 4.20 on Indigenous Peoples

OD 4.30 on Involuntary Resettlement

BP 17.50 on Disclosure of Operational Information

OPN 11.03 on Management of Cultural Property in Bank-Financed Project

OD 13.05 on Project Supervision

⁹ Id. at ¶ 3.

¹⁰ Id. at ¶ 4 (b) (i).

¹¹ Id. at ¶ 4 (b) (ii).

¹² Ibid.

18. The Requesters call on Bank Management and the Board of Executive Directors to extend the CSESMP. At the time the Request was filed the Credit was due to close on June 30, 2001 with about US\$24 million still unspent. The Requesters believe that the remaining Credit funds should be “targeted towards the restoration of PAP’s livelihoods and environmental remediation.”¹³

D. THE MANAGEMENT RESPONSE

19. On July 20, 2000 the Panel received the Management’s Response to the Request (the “Response”). (Annex 2). The Response maintains it is “providing the Panel with written evidence that it has complied, and intends to continue to comply, with all the relevant policies and procedures related to the design and implementation of the [CSESMP].”¹⁴
20. Where the Bank agrees there are failures or omissions they are attributed to delays, unsuitability of planned mitigation measures, and at times, the PAP’s lack of co-operation.
21. Management states that the Borrower began the CSESMP Project implementation late, i.e. towards the end of 1997, about 18 months after effectiveness of the Credit. After this, during 1998 and 1999, Management admits that progress was both slow and uneven across the 25 mine sites. Significant implementation progress throughout all 25 Project mines only began in the first half of 2000.¹⁵ But economic rehabilitation was still unsatisfactory. The Response indicates that because of this, as well as for other reasons related solely to the “un-disbursed balance” of the CSR, the CSR Loan “was cancelled” in July 2000.¹⁶ However, the Bank chose not to cancel the CSESMP Credit but rather to “continue to actively work with CIL to help develop practical solutions to improve environmental and social mitigation at the mine and corporate level, and to achieve compliance with Bank policies.”¹⁷ Since then Management considers that there has been noticeable progress on implementation.
22. The Response maintains the Bank has conducted an intense supervision effort. It also asserts that consultations have been adequate but admits that CIL did not consult PAPs before it introduced changes on eligibility and entitlements in its Resettlement and Rehabilitation policy in the year 2000.
23. The Response refers to the Requesters’ right to adequate and fair compensation for loss of villages and land. Explaining that resettlement sites constitute the compensation for loss of villages, Management admits there have been a number of problems “deriving from

¹³ Id. at ¶ 9(c).

¹⁴ “Management Response” at ¶ 1.

¹⁵ Id. at ¶ 92.

¹⁶ According to the “Management’s Response”, however, at the time that the Request was filed an amount equivalent to about US\$24 million remained in the Loan account “which relates to irrevocable letters of credit issued for equipment ordered but not yet delivered” (Fn. 14); otherwise “the project has been ‘de-activated’ and is no longer an active project.” (¶ 20.)

¹⁷ Id. at ¶ 21.

initial lack of flexibility and understanding on the part of mine management, and from resistance to relocation by the PAPs...” and their changing demands.¹⁸ The Response agrees that there are no legal titles or long term leases for house plots in resettlement sites, stating that the supervision team has been raising the issue during every mission and will continue to seek a resolution to the issue. As far as services go in the resettlement sites, the Response maintains that a drinking water problem has been corrected but the school and clinics are not yet staffed.

24. Management is satisfied that compensation paid to entitled PAPs for agricultural land is equivalent to replacement costs. It also states that CCL cannot delay the release of compensation payments to avoid PAPs spending the cash they receive on consumer items rather than on land or houses. The Response recognizes that compensation for customary tenure has been slow with the supervision team “*repeatedly*” requesting CCL to facilitate expeditious processing of the claims. The Response maintains that common property resources are available for those choosing to shift to the resettlement sites. Management is also satisfied that the compensation provided for houses enables the PAPs to construct a replacement house at par with their original house as required under the Bank’s OD. 4.30.
25. In general Bank Management believes it is too early to judge whether efforts made will result in the intended full income restoration. The Response acknowledges that mine jobs are limited to those losing more than two acres. Otherwise compensation consists of training and assistance for self employment. Management agrees that this cannot by itself bring about full economic rehabilitation or result in an income comparable to working in the mines. Availability of replacement land through market purchase is limited and the Bank is still discussing the possibility of introducing land based income generation with CCL.
26. Management states that the Environmental Assessment did not identify issues related to the Bank’s policy on cultural property (OPN 11.03) but claims that when issues have arisen, they have been dealt with in a “*manner consistent with*” the policy.¹⁹
27. The Response asserts that the Bank policy on disclosure (BP 17.50) has been complied with in Parej East, but agrees that the Borrower did not permit release of the CSESMP mid-term review.

E. EXTENSION OF THE MITIGATION PROJECT

28. In the Response, Management announces that the CSESMP closing date has been extended for one year until June 30, 2002.²⁰ Management claims that some “*key activities*” related to the extension of the closing date “*will also address the issues raised in the Request for Inspection.*”²¹

¹⁸ Id. at ¶ 52.

¹⁹ Id. at ¶¶ 88-89.

²⁰ The need for an extension was apparently envisaged as early as February 1999. CIL requested it on March 26, 2001, and the Government formally requested an extension in April.

²¹ “*Management Response*” at ¶ 96.

F. ELIGIBILITY

29. For purposes of determining the eligibility of the Request and the Requesters, the Panel reviewed the Request and Management's Response. Panel Members Jim MacNeill (Leader) and Edward S. Ayensu²² also visited New Delhi, where they met with Government and World Bank officials. They then visited the Parej East Project area where they met with the Requesters and representatives of CASS who represent them as well as with others. They also met with officers of the CCL. Before the visit, the Panel consulted with the Executive Director representing India and his staff.²³
30. Paragraph 9 of the 1999 Clarifications mentions certain "*technical eligibility criteria*" that must be met by a Request for Inspection, and the Panel concludes as follows:
- (a) The Panel is satisfied that the affected party consists of two or more persons with common interests or concerns and who are in the borrower's territory.
 - (b) The Request does assert in substance that a serious violation by the Bank and IDA of their operational policies and procedures has or is likely to have a material adverse effect on the Requesters.²⁴
 - (c) The Request does assert that its subject matter has been brought to Management's attention and that, in the Requesters' view, Management has failed to respond adequately to it, thus demonstrating that it has followed or is taking steps to follow the Bank's policies and procedures.
 - (d) The matter is not related to procurement.
 - (e) The related Credit/Loan has not been closed or substantially disbursed.
 - (f) The Panel has not previously made a recommendation on the subject matter.
31. The Panel's visit confirmed that the Requesters' are eligible and that CASS was authorized to represent them. Therefore the Panel finds that the Requesters and Request are eligible.

G. CONCLUSION

32. The Request and Management Response contain conflicting assertions and interpretations about the issues, the underlying assumptions, the facts, compliance with Bank policies and procedures, and harm and potential harm. The Panel is neither able to address these conflicting statements in the 21 day period available to it to prepare and submit this report on eligibility, nor is it allowed to do so pursuant to the 1999 Clarifications of the

²² The Panel members were assisted by Assistant Executive Secretary, Ms. Antonia M. Macedo.

²³ The Panel wishes to thank the Executive Director and his staff for their assistance. It wishes to thank the Director (Fund-Bank), Department of Economic Affairs, Ministry of Finance, and the Additional Secretary, Ministry of Coal, in New Delhi with whom they met. It also wishes to thank CASS and local people who took time to meet with them. Finally, it would like to thank Bank staff in New Delhi and Washington for their logistical support.

²⁴ According to the "1999 Clarifications" when the Panel makes a field visit to establish eligibility it "*will not report on the Bank's failure to comply with its policies and procedures or its resulting material adverse effect...*" See ¶ 7.

Resolution. The Panel can only address these issues during the course of an investigation.

H. RECOMMENDATION

33. In the light of the foregoing, the Panel recommends an investigation into the matters alleged in the Request.

Attachments

Annex 1
Request for Inspection

REQUEST FOR INSPECTION

TO: THE INSPECTION PANEL:
1818 H St., N.W.,
Washington, D.C. 20433,
U.S.A.

I Bina Stanis-----whose letter of authorization is attached, and living in the area known as: East Parej Coal Mining Project, claim the following:

1. The World Bank is financing the implementation of a project called India Coal Sector Environmental and Social Mitigation Project (CSESMP), which covers 24 coal mines in India, of which Parej East is one. As far as our knowledge goes, the project is SAR no 15405-IN, approved on 16.05.97, for a IDA loan of \$ 63.m. The Project is complementary to the Coal India Rehabilitation Project (CIRP), an IBRD loan for expansion of production of the same 24 coalmines. The CSESMP is expected "to improve the lives of some 186,000 people, most of whom are poor" (World Bank report FY 1996), i.e. those affected by the mining expansion under the CIRP. More specifically, the Objectives of the CSESMP for the concerned mines are to support the implementation of Environmental Action Plans, Rehabilitation Action Plans and Indigenous Peoples Development Plans, and to provide technical assistance to Coal India in order to strengthen the institutional capacities for dealing with social and environmental issues. (A third component of the project is not relevant for East Parej). For the Project Affected People (PAPs), this means that the quality of their lives would improve, that they would share in the benefits of the mining project, that their displacement and relocation would be undertaken as a development programme, that their former living standards, income earning capacity and production levels would be restored, if not improved.
2. We understand that the Bank has the following policies and procedures
 - OD 4.30 Involuntary Resettlement
 - OD 4.20 Indigenous Peoples.
 - OD 4.01 Environmental Assessment
 - OD 13.05 Project Supervision
 - BP 17.50 Disclosure of Information
 - OPN 11.03 Management of Cultural Property.
3. The Claimants claim that their rights under these World Bank Policies be respected. The claimants have a right to participation and consultation (which was effectively denied because their attempts to raise concerns did not result in improvement of implementation). They have a right to fair and adequate compensation for the loss of their lands and villages. They have an interest in a full and proper assessment and mitigation of the environmental risks associated with this project. The violations of their rights, and especially the failure to

restore their livelihoods, has resulted in significant harm in that they are now without compensatory land, without employment, and without self-employment, all of which could restore their livelihoods. Now being casual labour, they live at the mere survival level with loss of human dignity. In words of the Bank's own OD 4.30, their former skills (farming) are no longer applicable, their former productive sources are dismantled and their supporting networks and kin groups are dispersed.

4. The Claimants claim the Bank has violated some of its own policies in the above mentioned Operational Directives, and it has failed to adequately supervise the CSESMP project as guaranteed when it undertook the project.

- (a) Some such policy violations are:

OD 4.20 no 6 "full respect for dignity, human rights...

OD 4.20 no 8 "informed participation of the people themselves...

OD 4.20 no 14 (d) "local patterns of social organization in the plan's design...

OD 4.20 no 14 (e) "development activities should support production systems...

OD 4.20 no 15 b) "baseline data...

OD 4.20 no 15 c) "land tenure...

OD 4.20 no 15 d) "local participation ...

OD 4.30 no 3(e) " who may have usufruct or customary rights to the land or other resources...

OD 4.30 no 3(b) "compensation at full replacement cost prior to...

OD 4.30 3 (b) "particular attention... poorest groups

OD 4.30 4 "preference to land-based resettlement strategies...

OD 4.30 8 "need to be systematically informed and consulted about their options and rights...

OD 4.30 9 "improved education water, health and production services to both communities.

OD 4.30 11 (b) "socio economic surveys information on full resource base including income from informal sector...from common property...

OD 4.30 no 13 "new sites productive potential ... at least equivalent...

OD 4.30 13 (c) "legal arrangement for titles...

OD 4.30 no 14(a) "special arrangements concerning land title....

OD 4.20 no 15 "access to equivalent resources and earning opportunities...

OD 4.30 no 17) "to treat customary and informal rights as equally as possible...

OD 4.30 17 "resettlement plan ...including common property and non-title based usufruct systems governed by locally recognized land allocation system....

OD 4.18 "alternative employment strategies...

OD 4.30 19 "improved social services...

OD 4.30 19 "take into account population growth...

OD 4.30 21 "target date...expected benefits would be achieved.

(b) To be more specific:

One key issue of the ESMP is income restoration of the PAPs. It can be argued that without it, the ESMP has failed in its purpose, that these Bank projects have only impoverished people.

The basis of the PAPs' former non-formal economy was income from (i) common property resources (CRP), and (ii) income from their own (privately owned) lands.

(i) As a result of the expanded mining, common property resources (water sources, fruit trees, forest sources for fodder, fuel, building material etc) have been greatly depleted, and for the PAPs (in contrast to the company employees) these are NOT being replaced. The income from these CRP, basic to the PAPs non- formal economy, has radically diminished.

(ii) Monetary compensation for private income producing assets (land) has not been adequate to secure replacement by other income producing assets (replacement land, other capital assets). Ultimately it is mostly spent on consumer items.

Employment by the company has by company policy been kept minimal.

The much flaunted self-employment projects which the Bank guaranteed would fill in for the above shortages, are grossly failing to replace livelihood, if they have at all materialized. Training has been done, often short and ineffective, and not linked to explicit employment opportunities.

Hence income restoration has not taken place. The outcomes are:

- the PAPs now earning as casual labourers,
- their living in a colony, without legal possession of any land, where as formerly they were land owners,
- the demoralization by feeling loss of their independent living and now being dependent on the coal company which does not even employ them.
- The increase of illness (esp. water borne diseases) as a result of the pollution of water sources, and the wells in the resettlement colonies are not fit for drinking. While dispensary building has been built, medical services have not been provided to handle the increased illness. Lack of capability of securing other services (e.g. education).
- Inability to participate in the new economy which is growing around the mines.
- Increased poverty.

(c) Further, during the term of the project, CIL's R&R policy underwent changes. There was no discussion of this with the PAPs at any level, never any

public discussion. Yet it is not the lives of the Bank and CIL officials who decided, but the lives of the PAPs which are being controlled by this policy. This example serves to illustrate the reality of claims of “participation”.

5. The claimants believe their rights/interests have been adversely affected as a direct result of the Bank's violations. The project has destroyed their livelihood, and this has not been replaced as explicitly guaranteed to them by the Bank. As a result they are less able to meet nutrition and health needs, educational needs, and are unable to adequately participate in the growing formal economy.
6. They believe the action/omission is the responsibility of the Bank.
7. There has been constant communication with these problems of the CSESMP to the Bank as follows:

25.02.96: "Comments on CSESMP": initial communication of Indian NGOs to the World Bank.

20.04.96: "Report on the East Parej OCP" by CASS.

26.04.96: "Mainstreaming Sustainability" by Berne Declaration

30.04.96: "Environmental Arguments" by Mine Watch.

13.05.96: World Bank (Pollak) reply to "Mainstreaming".

15.05.96: "NGO rejoinder" to WB response to "Mainstreaming"

09.06.96: "Memorandum" by Indian NGOs on occasion of Pollak's visit.

13.09.96: "Benchmarks" submitted by 13 NGOs.

04.10.96: NGO discussion of Benchmarks in a meeting with the Bank's India Department, Washington.

29.10.96: to Chaoji "Arrest & beatings"

12.12.96: D.Marsden "Update Concerns"

07.02.97: "Outstanding Issues"

27.02.97: J Panelic "issues to new TM

05.04.97: Meeting with CCL Ranchi

16.04.97: Meeting in Washington between northern NGOs and WB

27.04.97: CASS letter to Bauer.

30.04.97: Second meeting in Washington, northern NGOs and WB.

30.04.97: Meeting with Marsden Charhi

06.05.97: Pantelic to Bossard

09.05.97: Consultation in Paris, WB and northern NGOs.

13.05.97: Bossard re Delhi NGO Meeting

13.05.97: Bossard to Gerber

N/d : Bossard to Pantelic

14.05.97: K Singh re Delhi NGO Meeting

14.05.97: CASS to Pantelic re Delhi NGO Meeting

15.05.97: WB proposed NGO consultation in New Delhi.

20.05.97: Letter to WB President Wolfensohn (42 NGOs from 12 countries)

04.06.97: Response by Wolfensohn

12.06.97: "Output Indicators" proposed by NGOs

30.09.97: WB response (McKechnie) to Output Indicators.
 03.02.98: CASS to Patnelic
 27.02.98: CASS to M.K. Jain
 18.05.98: CASS to CMD, CCL
 19.05.98: CASS to TM (A Christensen)
 28.07.98: CASS to S.N.Verma
 01.09.98: CASS to A Christensen
 12.12.98: CASS Letter (24 NGOs) to WB
 14.02.99: WB response (C Asger) to CASS mid 99: Efforts by CASS and Minewatch to obtain mid-term Review
 04.01.00: Letter on Borwa Tola evictions.
 24.07.99: CASS to Mohan
 08.09.99: Asger to CASS
 15.12.99: CASS to Sashi Kumar
 17.12.99: To DC Hazaribag
 27.01.00: To Md. Hasan
 08.02.00: WB response to CASS on Borwo Tola evictions.
 11.02.00: From Md.Hasan
 22.02.00: CASS reply to WB of 8.2.00
 14.08.00: Wall St Journal article in which WB virtually admits failure of ESMP project.

8. The claimants received polite and pro-active responses to all their communications, but in time came to realize that these were only serving to wall-paper failures on the ground which were not being addressed. They find the responses of the Bank to be unsatisfactory. Now, as the end of this CSESMP project is imminent, it has failed in its professed aims and failed in the guarantees that were given to the PAPs, guarantees that were used as levers to win consent to give their land and livelihood for the project.
9. They therefore believe that the above actions and omissions which are contrary to the above policies or procedures have materially and adversely affected their rights/interests and request the Panel to recommend to the Bank's Executive Directors that an investigation of these matters be carried out in order to resolve the problems.

Hence we :

- a) call on the Inspection Panel to investigate the Bank's compliance with its policies identified above,
- b) call on the Board of Executive Directors to permit this investigation to go forward,
- c) we further call on Bank Management and the Board of Executive Directors to prolong the term of the Coal Sector Environmental and Social Mitigation Project until such time as the Board can review the Inspection Panel's research and investigation findings. We believe that the objectives of this project, and the necessary compliance with Bank policies, has not been accomplished, and that is

would therefore be an abrogation of the Bank's responsibilities to local people to now close the CSESMP with a large percentage of the money remaining unutilized. We believe that the money remaining under the CSESMP should be targeted towards the restoration of PAPs livelihoods and environmental remediation.

As advised in your Operating Procedures, this Request for Inspection is brief. We can provide you with more particulars. We request you to keep the identity of the claimants confidential for their own well being.

DATE: 14/6/2001

SIGNATURES: Sgd
Bina Stanis

CASS, Village Kasiadih, PO Charhi, Hazaribag, Jharkhand.

CONTACT ADDRESS:

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There are no attachments at this stage. However we will send separately copies of all correspondence with the World Bank, as well as additional background information on the present status of the PAPs.

Request for Inspection
List of Attachments Provided August 14, 2001

(Documents available upon request)

1. 05.02.06: CASS to CCL
2. 13.02.96: CASS to CCL
3. 02.96: CASS to GM, East Parej Project
4. 02.96: CASS to WB
5. 25.02.96: "Comments on CSESMP": initial communication of Indian NGOs to the World Bank.
6. 20.04.96: "Report on the East Parej OCP" by CASS.
7. 26.04.96: "Mainstreaming Sustainability" by Berne Declaration
8. 30.04.96: "Environmental Arguments" by Mine Watch.
9. 08.05.96: WB reply to "Mainstreaming".
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14. 11.96: CASS "Responses to Responses" of WB on benchmarks
15. 17.11.96: To Chaoji (CIL)
16. 12.12.96: To DC, Hazaribag
17. 12.12.96: To CCL
18. 12.12.96: To WB
19. 12.12.96: To WB "Update Concerns" Forwarding letters.
20. 07.02.97: From Bossard of Berne Declaration "Outstanding Issues"
21. 27.02.97: To WB issues to new TM
22. 04.03.97: CASS to CCL
23. 03.03.97: CASS to CCL
24. 05.04.97: Meeting with CCL Ranchi
25. 27.04.97: CASS to WB.
26. 30.04.97: Second meeting in Washington, northern NGOs and WB.
27. 30.04.97: Meeting with CCL Charhi
28. 30.04.97: Meeting with WB Charhi
29. 06.05.97: WB to Bossard
30. 09.05.97: Consultation in Paris, WB and northern NGOs.
31. 13.05.97: Bossard re Delhi NGO Meeting
32. 13.05.97: Bossard to Gerber
33. N/d : Bossard to WB
34. 14.05.97: From PIRG re Delhi NGO Meeting
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36. 20.05.97: Letter to WB President Wolfensohn (42 NGOs from 12 countries)

37. 12.06.97: "Output Indicators" proposed by NGOs
38. 03.02.98: CASS to WB
39. 27.02.98: CASS to CGM
40. 18.05.98: CASS to CMD, CCL
41. 19.05.98: CASS to WB
42. 28.07.98: CASS to CCL
43. 01.09.98: CASS to WB
44. 12.12.98: CASS Letter (24 NGOs) to WB
45. 14.02.99: WB response to CASS mid 99: Efforts by CASS and Minewatch to obtain mid-term Review
46. 24.07.99: CASS to WB
47. 08.09.99: WB to CASS
48. 15.12.99: CASS to WB
49. 17.12.99: To DC Hazaribag
50. 27.01.00: To CGM
51. 27.01.00: To WB
52. 08.02.00: WB response to CASS on Borwo Tola evictions.
53. 11.02.00: From WB
54. 22.02.00: CASS reply to WB of 8.2.00
55. 14.08.00: Wall St Journal article – cancellation of CSR.

Annex 2

Management Response

July 19, 2001

Request for Inspection (RQ01/2)

INDIA

Coal Sector Environmental and Social Mitigation Project (Credit No. 2862-IN)

Coal Sector Rehabilitation Project (Loan No. 4226-IN)

Management Response to the Inspection Panel

List of Acronyms

CASS	Chotanagpur Adivasi Sewa Samiti
CBA Act	Coal Bearing Areas Act of 1957
CCL	Central Coalfields Ltd. In Jharkand (formerly part of Bihar)
CD/R&R	Community Development/Resettlement and Rehabilitation Officer
CGM	Chief General Manager, CIL
CIL	Coal India Ltd. (A public sector enterprise of the Government of India)
CMC	Coordination and Monitoring Committee
CSESMP	Coal Sector Environmental and Social Mitigation Project
CSR	Coal Sector Rehabilitation Project
DAV	Dayanand Anglo Vikas – organization operating private schools
DEA	Department of Economic Affairs, Ministry of Finance
EMP	Environmental Management Plan
EPAP	Project-Affected Person entitled to economic rehabilitation assistance
GM	General Manager, CIL
GOI	Government of India
INTACH	Indian National Trust of Art and Cultural Heritage
IPDP	Indigenous Peoples Development Plan
JBIC	Japan Bank for International Cooperation
JEXIM	Export-Import Bank of Japan
MCL	Mahanadi Coalfields Ltd., Orissa
MoC	Ministry of Coal
MoEF	Ministry of Environment and Forests
NCL	Northern Coalfields Ltd., Uttar Pradesh & Madhya Pradesh
NDO	World Bank New Delhi Office
NGO	Non-Governmental Organization
OBC	Other Backward Castes
PAF	Project-Affected Family
PAP	Project-Affected Person
PIC	Public Information Center
R&R	Resettlement and Rehabilitation
RAP	Resettlement Action Plan
SAR	Staff Appraisal Report
SC	Scheduled Caste
SECL	South Eastern Coalfields Ltd., Chhattisgarh and Madhya Pradesh
ST	Scheduled Tribe
TISCO	Tata Iron and Steel Company
VWG	Village Working Group in an IPDP target village
WBPD	World Bank Project Division, CIL Headquarters, Kolkata
WCL	Western Coalfields Limited, Maharashtra
XISS	Xavier Institute of Social Service, facilitating NGO in Parej East

Project Fact Sheet

Coal Sector Environmental & Social Mitigation Project (Credit 2862-IN)

Project Development Objectives: (i) enhancing Coal India Ltd's capacity to deal more effectively with environmental and social issues; (ii) implementing appropriate policies for environmental mitigation and resettlement and rehabilitation of people affected by coal projects and providing support to communities, in particular tribals, living in coal mining areas; and (iii) testing the effectiveness of these policies in the 25 coal mines that have been slated to receive financial support under the Coal Sector Rehabilitation Project.

Applicable Operational Directives: OD 4.01 Environmental Assessment
OD 4.20 Indigenous Peoples
OD 4.30 Involuntary Resettlement

Board Approval: May 16, 1996

Date of Effectiveness: July 23, 1996

Midterm Review: February 1999

Original Closing Date: June 30, 2001

Revised Closing Date: June 30, 2002

Original Credit Amount: SDR43.3 million (US\$63.0 million equivalent)

Revised Credit Amount: SDR38.4 million (US\$48.0 million equivalent)

ISSUE	Total for CSESMP	In Parej East
Families to be resettled (by end 2002)	2,584	227
PAPs entitled for income restoration	10,003	628
PAPs targeted for self-employment assistance	6,532	202
Villages covered by IPDPs	186	11
Population covered by IPDPs	186,000	2,900

Subsidiary	State	Project Mines	Mines with EMPs	Mines with RAPs	Mines with IPDPs
Northern Coalfields Ltd.	Uttar Pradesh	5	5	1	5
South-Eastern Coalfields Ltd.	Chhattisgarh	6	6	5	6
Mahanadi Coalfields Ltd.	Orissa	6	6	6	5
Central Coalfields Ltd.	Jharkand	3	3	2	3
Western Coalfields Ltd.	Maharashtra	5	5	0	5

Project Fact Sheet

Coal Sector Rehabilitation Project (Loan No. 4226-IN)

Project Development Objectives: The main project objectives are to support the market-oriented reforms India is undertaking in the coal sector and, specifically, to provide financial and technical support to Coal India's efforts to make itself commercially viable and self-sustaining. Underpinning India's broad drive to achieve economic growth, the project also aims to increase domestic supplies of coal, by financing investment in the most profitable 24 opencast mines of Coal India, for the power sector and other industries until imports and production from private investments can fill the emerging supply gap.

Applicable Operational Directives: All environmental and social mitigation activities are handled under the free-standing Coal Sector Environmental and Social Mitigation Project.

Board Approval: September 9, 1997

Date of Effectiveness: June 17, 1998

Midterm Review: February 1999

Original Closing Date: June 30, 2001

Revised Closing Date: June 30, 2002

Original Loan/Credit Amount: US\$530 million IBRD Loan and SDR1.5 million (US\$2 million equivalent) IDA Credit²⁵

Date of Loan Cancellation: July 25, 2000 for IBRD Loan and January 21, 2001 for IDA Credit

Revised Loan Amount: US\$263 million

Subsidiary	STATE	Project Mines
Northern Coalfields Ltd.	Uttar Pradesh	5
South-Eastern Coalfields Ltd.	Chhattisgarh	5
Mahanadi Coalfields Ltd.	Orissa	6
Central Coalfields Ltd.	Jharkand	3
Western Coalfields Ltd.	Maharashtra	5

²⁵ Of the IBRD Loan amount of US\$530 million, US\$235.7 million had been disbursed, and of the IDA Credit amount of US\$2 million, US\$1.41 million had been disbursed. Disbursements made under the JBIC co-financing totaled US\$235.7 million. As a result of the fluctuation in the exchange rate, the amount cancelled from the Loan will be US\$273.7 million. JBIC will also cancel the same amount. While the loan account is still open to allow for disbursements under the special commitments given by the Bank, about US\$24 million which relates to irrevocable letters of credit issued for equipment ordered but not yet delivered, the project has been "de-activated" and is no longer listed as an active project.

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Request for Inspection (RQ01/2)

INDIA

Coal Sector Environmental and Social Mitigation Project (Credit No. 2862-IN)
Coal Sector Rehabilitation Project (Loan No. 4226-IN)

Management Response to the Inspection Panel

1. This is Management's response to IPN Request RQ01/2, registered June 22, 2001, providing the Panel with written evidence that Management has complied, and intends to continue to comply, with the relevant policies and procedures related to the design and implementation of the above referenced project. The response deals with the issues set out in the request letter from the Chotanagpur Adivasi Sewa Samiti (CASS) dated June 14, 2001. The concerns in the Request for Inspection deal exclusively with actions carried out under the Coal Sector Environmental and Social Mitigation Project (CSESMP). The Management Response addresses all issues raised by the Requester.
2. The Request alleges violations of Operational Directives 4.01 on Environmental Assessment, 4.20 on Indigenous Peoples, 4.30 on Involuntary Resettlement, and 13.05 on Project Supervision. The Request also alleges violations of OPN 11.03 on Management of Cultural Property in Bank-Financed Projects, and of BP 17.50 on Disclosure of Operational Information.
3. The response is presented in 4 parts as follows: 1. Summary; 2. Background; 3. Response to allegations in the Request; and 4. Current project status and action plan. Attached are 8 Annexes: (1) Schedule 9 of the CSR Loan Agreement; (2) Supervision missions and issues raised in Management letters; (3) Mission visits to Parej East and issues raised in aide memoires; (4) Visits by Supervision Consultant and Review Panel; (5) Consultations with PAPs in Parej East mine; (6) IPDP Activities; (7) Land compensation; (8) House compensation, and (9) Comparison between resources in original villages and resettlement sites.

1. SUMMARY

4. The Coal Sector Environmental and Social Mitigation Project (CSESMP) was designed as a free-standing project to mitigate impacts deriving from the investment component of the Coal Sector Rehabilitation Project (CSR). The CSESMP was classified as a category A project for purposes of OD 4.01, and accordingly Coal India Ltd. (CIL) prepared an Environmental Impact Assessment which identified adverse impacts and the measures to mitigate these through

Environmental Management Plans for the 25 mines under the project²⁶ At the time of the CSESMP Board presentation all applicable safeguard policies were complied with. The CSESMP became effective in July 1996, nearly two years earlier than the CSR, in order to provide time for CIL to establish the required capacity for environmental and social mitigation, and enable the Bank to assess the implementation progress prior to the negotiations for the CSR. However, after CSR effectiveness, overall progress on both environmental and social mitigation did not improve as expected, and CIL's commitment was for some time questionable.

5. Although the un-disbursed balance of the CSR was cancelled on July 24, 2000, at the request of the Government of India, the CSESMP has continued in order to assist CIL to develop practical solutions to improve environmental and social mitigation at the mine and corporate level. On April 20, 2001, the Government of India requested that the Bank extend the project closing date for one year, until June 30, 2002. In view of the improvements in CIL's performance and commitment over the past year, the Bank approved this request. The purpose of the extension is to enable Coal India Ltd. to enhance its social and environmental management capability and to advance towards completion of its social and environmental mitigation obligations.

6. Over the life of the CSESMP, Management has devoted full attention to the intense supervision effort required by the scale and complexity of the project's physical, mitigation, and institutional activities. The resources allocated for project supervision have considerably exceeded the average for the South Asia Region. Since CSESMP effectiveness, a total of 21 supervision missions have been undertaken. The Parej East mine under the CIL subsidiary of Central Coalfields Ltd. (CCL) located in Jharkand (formerly Bihar), was visited during 18 of these missions. The Bank supervision team has exercised due diligence in highlighting the problems and issues in project implementation that required CIL's attention and improved performance, including those pertaining to the Parej East mine (Annexes 2 and 3).

7. Consultation and participation on both social and environmental mitigation activities has been a continuous process, involving a wide variety of stakeholders from preparation through implementation. At Parej East, project officials have held a total of 54 consultations from April 1995 to the end of May 2001, in which both affected communities and individuals, as well as NGO representatives participated (Annex 5). Although it has often taken some time to resolve the issues raised by project affected persons (PAPs) or other stakeholders during these consultations, the end result has in many cases led to improvements in the areas desired. Moreover, the annual Resettlement Action Plans (RAPs) and Indigenous Peoples Development Plans (IPDPs) are developed in consultation with the target population (Annex 6).

8. Throughout the project period, resettlement in Parej East has encountered a number of problems deriving from an initial lack of flexibility and understanding on the part of mine management, and from resistance by the PAPs to resettlement. While these problems have not been entirely overcome, there has nevertheless been progress. To date, in Parej East, 52% of the

²⁶ As required by OD 4.01, public consultations were held with project affected people and NGOs (see Section 3.2.1), an independent advisory panel with Indian and international experts was retained (see Section 3.1), and the Environmental Assessment report was made available at Coal India Ltd. headquarters and at the headquarters of subsidiary coal companies (see Section 3.9).

project affected families (PAFs) scheduled for relocation by the end of 2002 have shifted from their habitations. Only 27% of these have shifted to one of the two resettlement sites, although these were selected in consultation with the PAFs, while another 4% are in temporary accommodations provided by the mine. In contrast, 69% have opted to relocate to sites of their own choosing after receiving the cash site development grant that CIL has introduced into its corporate Resettlement and Rehabilitation (R&R) Policy as an alternative to a plot in a resettlement site. This recent development provides some grounds for optimism that the resettlement process will encounter less resistance in future.

9. Although income restoration activities for PAPs were slow to begin due to a combination of the difficult circumstances existing in the coal mining areas, CIL's weak capacity, and uneven commitment, application of lessons learned has led to gradual improvements in performance. Based on an electronic database maintained by CIL of the PAPs in Parej East, analysis of a sample of 337 of those entitled to economic rehabilitation assistance shows that 79% have been able to maintain or increase their incomes (in real terms) during the project period.²⁷ The EPAPs who have not been able to restore their incomes will be offered renewed opportunities to engage in income restoration activities involving training combined with investment assistance. The ongoing improvements to existing monitoring arrangements will enable a more targeted approach to income restoration, as well as a more complete assessment of the outcomes.

10. Management is satisfied that compensation for agricultural land and houses under the Coal Bearing Areas Act has been sufficient to replace lost assets. However, compensation for land held under customary tenure is more difficult in terms of identification of entitled persons. This is partly due to the complex nature of the issue itself, complex government procedures, and the current transition from the State of Bihar to the new state apparatus of Jharkand. Claims to compensation for land held under customary tenure are being resolved on a case by case basis by the District authorities (para 68). With regard to replacement of customary access, the location of the resettlement sites have been selected so that access to common property resources such as grazing and minor forest produce will not further deteriorate as a result of the relocation.

11. The Environmental Assessment undertaken as part of appraisal did not identify any issues related to cultural property, and OPN 11.03 on Management of Cultural Property in Bank-Financed Projects was therefore found not to apply. Nevertheless, when issues have been raised during project implementation by PAPs regarding sites of religious importance, including the Muslim graveyard and the holy groves (*sarna*) in Parej East, they have been dealt with in a manner consistent with OPN 11.03.

12. In accordance with the Bank's BP 17.50 on Disclosure of Operational Information, public information centers have been established at all 25 CSESMP mines to effectively disseminate project related information. These centers have been visited by the team during supervision missions. In Parej East, the public information center is located in the office of the Community Development/R&R Officer, the mine level CIL officer responsible for social mitigation activities.

²⁷ Income levels were analyzed for 337 of the 625 EPAPs where income data were available from both the 1997 census, and either the June 2000 census or the April 2001 census.

13. In the following sections, Management is providing full details in response to the claimants' Request for Inspection.

2. BACKGROUND

2.1 Coal Sector Investment and Mitigation Projects

14. India has made a rational decision to continue its reliance on the country's abundant coal reserves, at least over the next 15-20 years.²⁸ The World Bank has therefore been supporting India's coal based energy strategy to meet the needs of its growing economy and improve its management of environmental and social mitigation. A study carried out between 1995 and 1998 on *Environmental Issues in the Power Sector (EIPS)* concluded that utilization of domestic coal as the main source of primary fuel for power generation would remain the only feasible option for India in the medium term.

15. The CSRP was intended to support market-oriented reforms in the coal sector in India and the commercialization of the operations by CIL through financial restructuring, corporatization and productivity improvement. The investment component of the CSRP, which provided support for the modernization and expansion of already existing open cast coal mines, was going to generate substantial environmental and social impacts which required mitigation measures.²⁹ Due to the scale and complexity of these mitigation measures, Management decided that the best way to address these fully was through a free-standing CSESMP.³⁰ By the time CSESMP was presented to the Board on May 16, 1996, it was determined that the project was in compliance with all applicable safeguard policies.³¹

16. The objectives of the CSESMP are (i) enhancing Coal India's capacity to deal more effectively with environmental and social issues; (ii) implementing appropriate policies for environmental mitigation and resettlement and rehabilitation of people affected by coal projects and providing support to communities, in particular tribals, living in coal mining areas; and (iii) testing the effectiveness of these policies in the 25 coal mines that have been slated to receive

²⁸ With a population almost 4 times that of the United States, India consumes only about one third as much coal as the U.S. India's reliance on coal (298 million metric tons consumed in 1995) is smaller than that of Russia (321 million metric tons), the United States (853 million metric tons), or China (1,330 million metric tons). Germany, with 269 million metric tons consumed in 1995, is only slightly behind India.

²⁹ The CSRP (Ln.4226-IN & Cr.2986-IN) was supported by an IBRD loan of US\$530 million and an IDA Credit of US\$2 million. In addition, US\$530 million in co-financing was provided by the Japan Bank for International Cooperation (JBIC), formerly the Export-Import Bank of Japan (JEXIM).

³⁰ The CSESMP is a IDA Credit of US\$63 million and covers 25 mines belonging to five subsidiaries located in originally five and now six different states (Orissa, Maharashtra, Madhya Pradesh, Chhattisgarh, Jharkand, and Uttar Pradesh). The project's objectives are the strengthening of CIL's institutional capacity to deal with social and environmental mitigation, implementation of appropriate policies for social and environmental mitigation, and the testing of the appropriateness of these policies in the 25 project mines through EAPs, RAPs and IPDPs. All the 25 mines have EMPs, 24 have IPDPs, and 14 have RAPs.

³¹ Memo of April 24, 1996 from H. Vergin, Director, SA2 to D.J. Wood, Vice President, South Asia Region. Clearance was issued by ASTEN on April 19, 1996 regarding OD 4.01, OD 4.20 and OD 4.30. The clearance with regard to the social safeguard policies was made with reference to clearance by ASTHR dated April 22, 1996. The environmental classification of the project was A. Clearance by LEGSA was issued on April 19, 1996.

financial support under the Coal Sector Rehabilitation Project. CIL has in place two corporate policies, namely an Environmental Policy, and a Resettlement & Rehabilitation Policy, plus a Community Development Plan for management of activities relating to indigenous peoples.

17. Under the CSESMP, environmental mitigation is undertaken through Environmental Management Plans (EMPs), and social mitigation activities through either Resettlement Action Plans (RAPs), or Indigenous Peoples Development Plans (IPDPs) which deal with two different target groups. While the RAPs are instruments to mitigate individual property and income losses caused by land acquisition, the purpose of the IPDPs is to enable communities not affected by land acquisition in the vicinity of the mines to share in development benefits. The RAPs and IPDPs are implemented by designated staff from CIL supported by ten locally recruited NGOs. Based on the original RAPs and IPDPs, annual action plans are developed through consultation with the target groups.³²

18. At the level of the CSESMP, there are 14 mines with land acquisition for which RAPs were developed in 1994 during project preparation. The total number of families (PAFs) to be resettled are 2,584, and the number of PAFs entitled to assistance for income restoration is 10,003.³³ IPDPs involving community development assistance are being undertaken in 24 mines, and comprise villages not affected by land acquisition and located within a one kilometer radius around the mines. The target group under the IPDPs comprise around 186,000 people belonging to 186 villages. About a third of the IPDP target group belong to scheduled tribes who are generally settled in mixed villages among caste Hindus and scheduled caste Hindus.³⁴ In this context, development activities focusing exclusively on tribals would be socially divisive, and the IPDPs are therefore aimed at the community as a whole with particular emphasis on the poor and women.

19. The CSESMP became effective in July 1996, nearly two years earlier than the CSRP, in order to provide time for CIL to establish the required capacity for environmental and social mitigation, and to enable the Bank to assess the implementation progress prior to the negotiations for the CSRP. To reinforce CIL's performance on environmental and social mitigation, the progress on mitigation activities was linked to the CSRP through a series of covenants in the CSRP Loan Agreement (See Annex 1 for Schedule 9 of the Loan Agreement). When the CSRP became effective in June 1998, CIL was substantially in compliance with the applicable Schedule 9 covenants, and the exceptions were caused by circumstances beyond the control of the CIL.³⁵

³² Both the annual RAP and IPDP action plans are submitted to the Bank for clearance, and often go through a process of revision and improvement before they are approved.

³³ Figures from the PAP census undertaken in late 1997 to update the original census from 1994.

³⁴ The official classification of social and/or ethnic groups and the land they live on rests on principles established in 1890, which have not been changed substantially since then. As a result, what is classified as forest area may long since have been converted into farm land, and originally migratory groups may have become sedentary farmers. Most of the tribal population in the vicinity of the mines have been exposed to mining operations for the past 20 to 35 years. The Parej East mine began operating in 1993. Their contact with industrial and mining operations is therefore nothing new, and their livelihood is often closely related to the mining operations in different ways (direct employment in mines, work for contractors, or pilferage of coal).

³⁵ Schedule 9, para 3(a) requires CIL to issue Photo ID cards to all entitled PAFs. Due to ongoing court cases filed by PAFs contesting compensation for lost assets in MCL in Orissa, 22% of the PAFs in the six MCL mines refused to receive the ID cards as they believed that this would be tantamount to acceptance of the contested

20. Due to unsatisfactory performance on coal sector reform, financial covenants under the CSR, and economic rehabilitation under the CSESMP, Management informed the Ministry of Coal and CIL on January 20, 2000, that it was considering applying its legal remedies and move towards suspension.³⁶ Following CSR and CSESMP supervision missions in March 2000, subsequent meetings were held between the Energy Sector Director and both GOI and CIL. As the issues remained unresolved, the India Country Director met with the Secretary, DEA on June 1, 2000, and outlined two options open to the government: (i) if GOI could achieve compliance with the covenanted actions under the two projects in the near term, the Bank would suspend the CSR Loan, reinstating it when compliance was achieved, or (ii) if GOI assessed that compliance could not be achieved within a reasonable time span, they should request cancellation of the balance of the CSR loan. On July 24, 2000, CIL and Department of Economic Affairs requested cancellation of the un-disbursed balance of the loan and credit. On July 25, 2000, Management cancelled the un-disbursed balance of the CSR loan, and on January 21, 2001 the un-disbursed balance of the CSR Credit was cancelled.³⁷ While the loan account is still open to allow for disbursements under the special commitments given by the Bank (about US\$24 million)³⁸, the project has been “de-activated” and is no longer listed as an active project.

21. After CSR effectiveness in June 1998, the overall progress on both environmental and social mitigation did not improve as expected, and CIL’s commitment was for some time questionable. The performance on economic rehabilitation was also unsatisfactory. However, despite the less than satisfactory performance, particularly with regard to economic rehabilitation, of the CSESMP, Management did not consider suspension or cancellation of the CSESMP to be a constructive option. As the purpose of the CSESMP was to mitigate impacts deriving from the CSR and to strengthen CIL’s capacity to manage such mitigation issues, Bank withdrawal from the CSESMP would not have provided the context for a continued dialogue. On the contrary, withdrawal by the Bank might have adversely affected the considerable task that still remained regarding improvement of mitigation efforts. Therefore, Management decided to continue to actively work with CIL to help develop practical solutions to improve environmental and social mitigation at the mine and corporate level, and to achieve compliance with Bank policies.

2.2 CIL’s commitment and capacity

compensation. Moreover, in the village of Hensmul under the Ananta mine in MCL, some of the villagers prevented both the original 1994 baseline survey and its 1997 updating, since some PAPs who had received jobs as compensation for land loss feared that their jobs would be reallocated to others as a result of the survey. To provide time for CIL to achieve compliance with the Schedule 9 covenants without undertaking any resettlement, contingency mine plans were agreed with the Bank which would enable mining to continue over a five to seven year period without any relocation (see aide memoire from May-June 1998, and memo of June 17, 1998 from Mr. Suzuki to Mr. Lim).

³⁶ Letter of January 20, 2000 from the Country Director, India to the Secretary Coal, Government of India, with copy to Chairman, CIL.

³⁷ Of the IBRD Loan amount of US\$530 million, US\$235.7 million had been disbursed, and of the IDA Credit amount of US\$2 million, US\$1.41 million had been disbursed. Disbursements made under the JBIC co-financing totaled US\$235.7 million. As a result of the fluctuation in the exchange rate, the amount cancelled from the Loan will be US\$273.7 million. JBIC will also cancel the same amount.

³⁸ This amount relates to irrevocable letters of credit issued for equipment ordered, but not yet delivered.

22. Enhancement of CIL's capacity to deal more effectively with environmental and social issues on a company-wide level is one of the development objectives of the CSESMP, and achievement of this objective is possibly the most important legacy that the CSESMP can leave behind. Capacity building has been pursued at two levels, namely that of implementation of mitigation measures in the 25 project mines, and that of institutional reform at the company level to strengthen CIL's capacity to manage environmental and social mitigation throughout the company.

23. At the Bank's recommendation and with Bank support, CIL introduced from 1997 a four module training course for its social mitigation staff and for the staff of the facilitating NGOs. The four training modules are (i) CIL's R&R and Community Development policies and implementation issues, (ii) income generation for PAPs, (iii) information management, and (iv) participation.³⁹ A second round of training was conducted during 1999 for new mine level staff as well as for participants at the subsidiary level, and special courses have been conducted to enable staff to manage the computerized PAP database. Training courses for environmental officers have been developed and conducted by the Indian School of Mines in Dhanbad, Bihar. At the recommendation of the Bank supervision team, CIL has conducted workshops for both social and environmental staff to enable an exchange of lessons learned between project mines. The training together with the actual implementation experience have been found to strengthen the capacity of both social and environmental mitigation staff.

24. Although terms of reference for a study on the *Strengthening of CIL Social and Environmental Management Capability* was agreed in July 1997, the selection of a consultant only took place in February 1999, and the study was only initiated in March 2000. The study was completed by October 2000, and its major outputs are policy guidelines and recommendations, technical managerial and operational guidelines on social, environmental, and safety guidelines, and an institutional strengthening action plan. Based on the recommendations of the study, CIL has adopted an Institutional Strengthening Action Plan to enhance its environmental and social mitigation capacity beyond the 25 Bank supported mines and beyond the life of the CSESMP.⁴⁰ The action plan will mainstream the lessons learned during the CSESMP and introduce improved practices regarding environmental management, social impact assessments, and resettlement and rehabilitation in mine planning. One innovative aspect of the plan involves the introduction of the concept of mine closure planning, which incorporates both environmental rehabilitation of the mined area and measures to minimize social costs.

25. It is worth noting that the overall performance and commitment by CIL has improved after the closure of CSR. Indicators of this are:

- The Institutional Strengthening Action Plan is currently under implementation, and CIL has formed high level strategy groups both at headquarters and in all subsidiaries, drafted

³⁹ The first training on CIL's social mitigation policies was conducted in September 1997, that on income generation in November 1997, on information management in February 1998, and on participation in August 1998.

⁴⁰ CIL is currently negotiating a follow-up contract with the consultant that undertook the study regarding technical assistance to implement the institutional strengthening action plan.

subsidiary action plans, and authorized staff as responsible for the handling of environmental and social mitigation throughout the company;

- Economic rehabilitation measures involving self-employment assistance have been strengthened through the provision of assistance regarding the investments or market linkages required to enable the EPAP to earn an income on the basis of the training received.⁴¹ This assistance is also being provided to those EPAPs, who have been trained previously, but who have not been able to utilize the training because they did not have access to credit or lacked market linkages.
- As most of the displaced persons are villagers familiar with agriculture, CIL has for the first time introduced land based income generation on unused or reclaimed mine land as a means of economic rehabilitation. Pilot projects on unused or reclaimed mine land have been started in SECL and are about to start in MCL;
- Lessons learned from the CSESMP regarding resettlement and rehabilitation, the participatory aspects of community development, and environmental mitigation are now being applied in non-project mines;⁴²
- On April 20, 2001 GOI, MoC and CIL requested a one year extension of the project closing date.

3. RESPONSE TO ALLEGATIONS RAISED BY THE REQUESTER

3.1 Project supervision: *The Bank ...has failed to adequately supervise the CSESMP project as guaranteed when it undertook the project (p. 2 of the Request).*

26. Over the life of the CSESMP, Management has devoted full attention to the intense supervision effort required by the scale and complexity of the project's physical and institutional activities. To ensure the autonomy of CSESMP supervision in relation to the CSR, Management decided that the responsibility of managing the project should be with the Social Development Unit with a supervision budget independent of CSR, which is managed by the Energy Unit. The resources allocated for project supervision have been considerably above the average for the South Asia Region. To date, a total of 21 supervision missions have been undertaken since CSESMP effectiveness in June 1996, including a midterm review in February/March 1999 (for details on missions, team composition and issues raised in Management Letters, see Annex 3. Regarding visits to Parej East and issues raised with CCL, see Annex 4).

Year	1996	1997	1998	1999	2000	2001 until June
Supervision Missions	1	7	4	3	4	2

⁴¹ For example contracts for carpet weaving for 30 female EPAPs and cane basket manufacture for 11 EPAPs).

⁴² Both NCL and WCL have decided to extend the IPDP approach to all mines under the subsidiaries. SECL is also applying the IPDP approach to participatory planning of community development activities outside the project mines, as is MCL in the Kalinga Area. WCL has developed RAPs for two non-project mines with land acquisition, and engaged facilitating NGOs. Environmental mitigation is also replicated in WCL where workshop effluent treatment plants will be established in 5 non-project mines every year. Construction of domestic effluent treatment plants is also being considered.

Visits to Parej East	1	6	3	3	3	2
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27. Eighteen out of twenty one supervision missions has involved extensive field visits to project mines.⁴³ Each mine visit has included visits to villages targeted for assistance under the IPDPs and RAPs, interactions with PAPs regarding relocation and economic rehabilitation, and meetings with different stakeholders. Project supervision has also involved technical assistance by the project team, including ongoing support to establish and improve monitoring arrangements, as well as the development and participation in staff training courses and workshops.⁴⁴ In addition to the supervision missions, there has been continuous written and electronic communication with the CIL, and when required with other stakeholders such as advocacy NGOs and individuals who have raised issues regarding the project.⁴⁵ Moreover, the Country Director visited Calcutta in late 1997 and early 1998, and met with the Board of Directors of CIL and its subsidiaries to convey Management’s concerns regarding the slow progress of CSESMP.

28. As required under the CSESMP Development Credit Agreement (Schedule 2, para 5), a Project Implementation Supervision and Monitoring Consultant has, since April 1997, been undertaking supervision of all project mines on a quarterly basis as a supplement to that by the Bank supervision team. The team deployed by the consulting firm comprises two environmentalists and two social scientists, who conduct field visits as part of the preparation for their quarterly reporting. To date, 16 quarterly reports have been submitted, each with one volume covering the environmental and social issues relating to a particular subsidiary. Over time, as the consultant developed its capacity, the reporting has become a useful tool for Bank missions. Additionally, as required under the CSESMP Development Credit Agreement (Schedule 2, para 4), a Social and Environmental Review Panel comprised of two Indian and two international experts has since April 1997 been providing an independent assessment of CIL’s policies and performance regarding environmental and social mitigation. The staff of Review Panel has conducted a total of seven field visits to CCL (field visit schedule in Annex 5). The findings of the Panel as recorded in its four reports have confirmed those of Bank supervision missions.⁴⁶

29. As reflected in mission aide memoires and Management Letters, the project supervision has strived for a realistic assessment of the problems faced by the project, and has tried to facilitate solutions that promoted improved implementation and compliance with Bank policies. Particular emphasis has been given to economic rehabilitation of PAPs as is described below.

⁴³ The exceptions are the missions in June 1997, February 1998, and June 2000.

⁴⁴ The Bank conducted a workshop on institutional change and capacity building for CIL management and project staff from November 2-7, 1997, and another workshop on the same issue was held on October 13, 2000 on the findings and recommendations of a study on ‘Strengthening of CIL Social and Environmental Management Capability’. The Bank team provided technical assistance during 1997 to CIL regarding the development of a four module training course for the staff involved in activities related to social mitigation comprising both RAPs and IPDPs.

⁴⁵ Files related to these communications are available.

⁴⁶ The Review Panel has submitted four reports as follows: (1) October/November 1997; (2) June/July 1998; (3) May and August 1999, and (4) May 2000

3.2 Consultation and Participation: *The claimants have the right to participation and consultation (which was effectively denied because their attempts to raise concerns did not result in improvement of implementation).* (p. 1 of Request)

30. CIL has held consultations with both PAPs and NGOs during the course of project preparation and implementation. In addition, Management and the supervision team has had extensive interaction with a number of local and international NGOs interested in the coal projects during the course of project preparation and implementation as described below See Annex 5 for consultations with PAPs in Parej East).

3.2.1 Consultation on environmental mitigation: The PAPs “*have an interest in a full and proper assessment and mitigation of the environmental risks associated with this project*” (p. 1 of the Request)

31. In accordance with the requirements of OD 4.01, consultations were held on the draft Sectoral Environmental Impact Assessment and Environmental Action Plans for the 25 mines. In May 1995, a workshop on the Environmental Assessment was held in Calcutta, which also included PAPs, local NGO representatives, and environmental organizations.⁴⁷ The opinions voiced by the PAPs and NGOs were included in a report prepared after the workshop, and the findings of the workshop were discussed with the PAPs of Parej East in July 1995. The finalization of the Environmental Action Plans was made after considering the suggestions and recommendations made during these consultations.

3.2.2 Consultation during project preparation

32. Consultation and participation under the CSESMP for both social and environmental mitigation activities has been a continuous process, involving a wide variety of stakeholders. In March 1995, a two day workshop was held in Calcutta, on Income Restoration and Self Employment Alternatives which included representatives from the project affected people. In addition, a number of State Government officials and a total of 41 NGOs participated, eight of whom were from Bihar. Subsequent workshops were organized at the subsidiary level involving representatives from both the PAPs and NGOs.

33. At the mine level, project officials in Parej East have held a total of 54 consultations with the affected communities from April 1995 to the end of May 2001, in which both affected persons and NGO representatives participated (see Annex 5 for details of consultations). During project preparation, 13 consultations were held in Parej East to discuss issues raised by the PAPs, including: (i) increase in plot size and allotment of sites by caste group; (ii) damage of homes due to blasting; (iii) Environmental Assessment; (iv) land compensation; (v) mine jobs; and (vi) income generation. In addition, these consultations were used as a forum by CCL to disseminate project related information such as CIL’s R&R Policy, infrastructure development of the resettlement site, and the commencement of a survey to determine appropriate income generation options.

⁴⁷ NGOs represented from the Parej East area were Jagriti Vihar and INTACH. The names of the PAPs are known, but are not given here in order to protect their anonymity.

34. One of the outcomes of these consultations was that PAPs were able to choose their plot in the resettlement site and the self-employment training option which appealed to them. Additionally, a committee was constituted to assess the claims of damage due to blasting. Continued dialogue between project officials and affected persons brought about an increase in the resettlement plot size from the 100 sq. meters provided for under CIL's R&R Policy to 200 sq. meters. Other consultations led to the selection of the Prem Nagar resettlement site at the request of the PAFs from Turi Tola (see also para 43, and Annex 5).

3.2.3 Consultations on Annual RAPs and IPDPs

35. Throughout project implementation there have been a series of consultations regarding the planning of the annual RAPs and IPDPs. During project preparation, CIL engaged nine NGOs as consultants to carry out Baseline Socio-Economic Surveys of the affected populations in the 14 mines with land acquisition. On the basis of these surveys, the original Resettlement Action Plans were prepared in 1994. The NGOs conducted an extensive house to house census with a structured questionnaire to elicit the current socio-economic status of the affected people and receive input on each individual's preferred means of economic rehabilitation if jobs in the coal mines were not available.

36. Prior to the preparation of the annual RAP action plan, including measures for income restoration activities, the mine authorities post notices in the RAP villages, the Public Information Center, and other prominent places to inform the entitled project affected persons (EPAPs) about the income restoration planning and to invite them to select a self-employment training option. Following these announcements, EPAPs are contacted individually and the different training opportunities are discussed with them. Once an EPAP has chosen a training option an application form is filed which indicates their willingness to participate in the training and the type of training selected. The number of EPAPs consulted annually, is given in the Table below:

EPAPs Consulted Annually for Economic Rehabilitation in Parej East

YEAR	NO. OF EPAPS CONSULTED ON PREFERRED OPTIONS	NO. OF EPAPS OPTING FOR TRAINING	NO. OF EPAPS NOT OPTING FOR TRAINING*
1999	339	141	198
2000	474**	102	372
2001	352	72	280

* This column excludes the 32 EPAPs who are already employed by CCL, but does include the 41 EPAPs employed by Tata Iron and Steel Company (TISCO) and other public service.

** Includes the re-consultation with the 198 EPAPs not opting for training in 1999.

37. For preparation of the original Indigenous Peoples Development Plans in 1995, bids from 24 NGOs (including CASS) were solicited, and five were eventually selected from the six NGOs who responded. The NGOs utilized focus group discussions, participatory rural appraisal, and in-depth interviews with the villagers to elicit information about community needs and get a general sense of the community's willingness to participate in the construction of assets and other activities such as training.

38. In each of the villages implementing IPDPs in CCL, Village Working Groups (VWGs) have been constituted and individuals from all sections of the community are represented (see Table below for details). In the case of the VWGs in Parej East, nearly 25% of all representatives are women, while two-thirds are from scheduled tribes.

Composition of Village Working Groups in CCL

	SC	ST	OBC	Other	Total	% Female
PAREJ EAST	53	128	0	13	194	24.74
As % of VWGs	(27.3)	(66.0)	(0)	(6.7)		
CCL Total	93	142	24	57	316	27.85
As % of VWGs	(29.4)	(45.0)	(7.6)	(18)		

39. The VWGs have played an integral role in the development of the IPDPs by assessing the needs in their communities and determining the types of infrastructure, training, and community activities required to meet those needs. Moreover, in the implementation phase, the VWGs have served as contractors for civil works constructed under the plans, and as a result of this experience have been awarded a number of small civil works contracts by the mines and in some cases also by the Block Development Office or Panchayat (see Annex 6 on IPDP activities in Parej East).

3.2.4 Grievance Committee in Parej East

40. On May 27, 1996 a Coordination and Monitoring Committee (CMC) was established in Parej East to approve and oversee the implementation of the annual RAPs and to serve as the first point of entry in dealing with grievances. The Committee is comprised of the Project Officer, CD/R&R Officer, facilitating NGO representative, PAP representatives and the District Development Officer. Although the CMC held monthly meetings, Bank supervision missions observed that the Committee was not carrying out its grievance redress function and recommended that a Grievance Committee be established. The CMC was reconstituted as a Grievance Committee on July 3, 1999 and has held two meetings thus far. In addition, at the request of the villagers, another Committee was formed in January 2001 to include greater participation from the EPAPs of the Parej and Duru villages and has held two meetings. The Grievance Committee is comprised of 11 EPAP representatives and 5 representatives from CCL management.

41. A grievance register is maintained in the Parej East Public Information Center, and since June, 1997 a total of 30 grievances have been recorded. The reason given by CCL for this low number of recorded grievances is that in many cases the grievances represented are handled by mine authorities immediately, and are therefore not entered. Furthermore, the facilitating NGO, the Xavier Institute for Social Service (XISS) and the Community Development/ Resettlement & Rehabilitation officer (CD/R&R) visit the villages regularly and deal with the issues raised by the PAPs (see Section 3.6.1 on the Tribunal that deals with complaints regarding land compensation).

3.2.5 Consultations with CASS: *“The claimants received polite and pro-active responses to all their communications, but in time came to realize that these were only serving to wall-paper*

failures on the ground which were not being addressed. They find the responses of the Bank to be unsatisfactory” (p. 4 of the Request)

42. The supervision team has had significant interaction with a number of local and international NGOs interested in the coal projects during the course of project preparation and implementation. From early 1996, frequent communication began between the supervision team and CASS. In addition to regular correspondence, the supervision team met with CASS in Parej East to discuss their concerns in April 1997, December 1998, February 1999 (in conjunction with the Midterm Review), November 1999, January 2000, and March 2000. The supervision team has communicated all of the concerns raised by CASS to CIL and CCL, and has repeatedly facilitated a dialogue between CASS and CCL as well as between the PAPs and CCL. In response to concerns raised by CASS, the supervision team has discussed the issues with CCL, and the issues on which CCL has taken action include (see Annex 4 and 5 for further details):

- Increase in the size of plots in the resettlement sites from 100 sq.m. to 200 sq.m per PAF;
- Consultation with the Turi Tola villagers resulting in selection of a resettlement site of their own choice;
- Contracting of a reputed community development consultant to assist the Turi Tola PAFs regarding income generation through the manufacture of cane baskets for underground mining;
- An increase in the minimum distance for controlled blasting from the legally permissible distance of 100 m to 150 m from the nearest habitation;
- Consultation and agreement with PAPs regarding the shifting of two sacred groves (*sarna*) to the Pindra resettlement site;
- Establishment of improved grievance redress arrangements;
- Relocation of the school in Parej village to Lower Barison village following request by CASS;
- Follow-up on the suggestion made by CASS that CCL should involve a cooperative of female EPAPs in plantation works implemented under contract by the Forest Department. A meeting with CASS was held on December 15, 1999 with mine authorities, PAPs, and XISS the facilitating NGO in the area. As requested by CASS, CCL changed the contract with the Forest Department to provide for weekly payments to daily labor instead of the existing monthly payments. Moreover, CCL asked CASS to facilitate the involvement of the women’s cooperative in the plantation works, but did not receive assistance from CASS.

3.3 PAPs and revisions to CIL’s R&R Policy: *Further, during the term of the project, CIL’s R&R policy underwent changes. There was no discussion of this with the PAPs at any level, never any public discussion* (p. 3 of Request)

43. During the February/March 1999 Midterm Review, CIL and the supervision team agreed to undertake a joint review of the R&R Policy to identify possible areas of improvement based on lessons learned during implementation. In April 1999, CIL constituted a committee consisting of the Chairman cum Managing Directors from three of its subsidiaries. The findings

and recommendations of this committee were to be discussed in a joint CIL/Bank workshop planned for November 1999. However, the report of the committee was not yet available during the November 1999 supervision mission, and the workshop was rescheduled for February 2000.

44. The workshop did not take place during the February/March 2000 supervision mission, as the committee was not available. However, in the meantime CIL introduced changes into its policy regarding eligibility and entitlements recommended by the committee.

45. While CIL did not hold direct consultations with the PAPs on the revision of its R&R Policy, the revisions themselves were a response to issues raised by affected persons in previous consultations during implementation of the existing policy. The concerns of PAPs resulted, significantly, in two additional compensation options being introduced in early 2000.⁴⁸ The first revision offers displaced PAFs the choice of receiving a lump sum payment of Rs. 50,000 in lieu of a house plot in the resettlement site as a site development grant. This payment is the equivalent of the average infrastructure investment per plot in a resettlement site, and is given to the PAF in addition to the compensation provided for the loss of house and homestead land. The primary benefit of this additional compensation option is that it provides the PAPs with greater freedom in deciding where to resettle, as well as providing them with the means to do so. The second revision provides the option to PAPs of monetary compensation in lieu of a mine job for land losers whose loss of land entitles them to mine employment.⁴⁹ A copy of the original Policy has been translated into the local language and is available in the Public Information Center, and brochures in the local language highlighting important provisions have been distributed to the PAPs.

46. While the above strengthening of CIL's R&R Policy, which introduces additional options of the EPAPs, is consistent with OD 4.30, the supervision team recommended further enhancements to the policy during the October/November 2000 supervision mission. Discussions during the May/June 2001 mission resulted in CIL's acceptance of the team's recommendation that land losers and their dependents above 18 years who are not entitled to a mine job, or the newly introduced cash compensation in lieu of a mine job, will be entitled to income restoration assistance. The supervision team also recommended that unmarried sons aged 18 years and above should be entitled to additional plots in resettlement sites, or that the minimum plot size per family should be increased above the 100 sq.m provided for in the 'old' policy. CIL did not agree to incorporate this recommendation into their revised policy. However, Coal India's practice for all but one resettlement sites in the 13 mines with resettlement has been to provide plots from 250 to 400 sq.m.⁵⁰ In view of this, the supervision team has requested CIL to reconsider its position on this issue and reflect this practice in the revised policy.

⁴⁸ Aide memoire for supervision mission from February 28 to March 15, 2000, para 39.

⁴⁹ The payment will be Rs. 100,000 for the first acre of land, or pro-rata payment subject to a minimum of Rs. 25,000. For the 2nd and 3rd acre, the compensation will be 75,000, and Rs. 50,000 on pro-rata basis for land above 3 acres. This payment is in addition to land compensation.

⁵⁰ The exception is the Birsanagar resettlement site in Jharkand where the plot size is 100 sq.m. In response to PAP requests, successive Bank missions have recommended to CCL that additional land be made available to the PAPs for kitchen gardening. However, despite CCL's initial acceptance of the recommendation, it was later claimed that no land in the vicinity of the site could be made available.

3.4 The target groups for social mitigation in Parej East: *The CSESMP is expected “to improve the lives of some 186,000 people, most of whom are poor”, i.e. those affected by the mining expansion under the CSR. For the Project Affected People (PAPs), this means ... (p. 1 of the Request).*

47. The population of 186,000 referred to in the Request for Inspection is the aggregate number of persons targeted under the IPDPs under the CSESMP, not those affected by land acquisition, and they are therefore not entitled to compensation for lost assets or economic rehabilitation.⁵¹ Under the CSESMP, the total number of persons affected by land acquisition and entitled to economic rehabilitation assistance is 10,003, while the number of PAFs to be resettled is 2,584.

48. The original RAP for Parej East, was developed by the Central Mine Planning and Design Institute Ltd., in August 1994, and was reviewed and cleared by the Bank. The census undertaken as part of RAP preparation identified 257 PAFs who would have to be resettled. However, due to delays in mine expansion, the number of PAFs to be resettled has been reduced to 227. The original census also identified 418 PAPs as entitled for income restoration assistance. In early 1998 the census was updated and the number of EPAPs was found to be 625. From that point onwards, resettlement and rehabilitation activities have been implemented on the basis of annual RAPs approved by the local RAP Coordination Committee, which includes representatives from the PAPs and the ‘host’ community.

49. For Parej East, an overall IPDP was developed in November 1995 by the consulting firm Operations Research Group. Eleven villages with a total population of 2,913 persons were identified for IPDP implementation.⁵² The original IPDP was primarily intended to be indicative of the scale and range of activities. Beginning in 1998, community development activities have been implemented under annual village specific IPDPs. These village specific IPDPs are developed through a participatory planning process involving a Village Working Group (VWG) that represents different segments of the village population and contains both women and men. Civil works activities are whenever technically feasible implemented through community contracting by the VWG (see Annex 6 for IPDP activities).

50. Both the population affected by land acquisition, and those in the villages targeted for community development activities under the IPDPs comprise different social groups. Of the population in the 11 villages targeted for IPDP activities, 71% belong to Scheduled Tribes, and the rest to different Scheduled Castes. Eight villages are exclusively or predominantly inhabited by Scheduled Tribes, while two villages comprise only Scheduled Castes, and one has a predominantly Scheduled Caste population. Of the population affected by land acquisition, 38% belong to Scheduled Tribes.⁵³ The distribution of social groups in the villages affected by land acquisition and resettlement is as follows:

⁵¹ However, in villages targeted for assistance under the IPDPs, income generation activities have been implemented where beneficiaries have chosen such activities during the participatory annual planning exercise.

⁵² The villages are Jharnatungari, Borwa Tola, Kasmar Khas, Bihor Tola, Barison Upper, Barison Lower, Turi Tang Tola, Facodith (Ageria), Ulhara Tola, Ulhara Basti, Ulhara Zamunia.

⁵³ The population classified as Scheduled Tribes is mainly *Santhals*.

Social groups in villages affected by land acquisition

Social group	Parej village	Duru Kasmar village
Scheduled Castes	34 PAFs	17 PAFs
Scheduled tribes	40 PAFs	58 PAFs
General Castes	60 PAFs	48 PAFs
Total	134 PAFs	123 PAFs

51. The religious identity of the PAPs vary, with 36 % identifying themselves as Hindu, 31% as *Sarna* (combination of tribal and Hindu religious elements), 30% as Muslim, and the remaining 3% as Christian.

3.5 Resettlement in Parej East: *The Requester's complaint regarding OD 4.30 is that the people have not received "fair and adequate compensation for the loss of their lands and villages"*(p.1 of the Request)

3.5.1 Fair and adequate compensation for villages

52. Resettlement sites constitute the compensation for loss of villages (compensation for loss of land and other assets is discussed under Section 3.6). In the course of RAP implementation, resettlement in Parej East has encountered a number of problems deriving from initial lack of flexibility and understanding on the part of mine management, and from resistance to relocation by the PAPs. In addition to the general resistance to relocation that exists in every situation involving involuntary resettlement, difficulties also arose when changing demands from PAPs undermined previous agreements that had been reached between the mine management and the PAPs.

53. Selection of the resettlement sites to compensate loss of villages has been made in consultation with the PAPs. The location of the main resettlement site - Pindra - is right next to the main road through the area, on the slope of a valley with access to both grazing and collection of forest produce.⁵⁴ The Prem Nagar site for the 8 PAFs from Turi Tola was selected in direct consultation and with the consent of the PAFs, and is located next to the Parej East mine colony and with immediate access to a forest area.

54. Relocation in Parej East has been a contentious issue where claims and counter-claims have been made by PAPs and those speaking on their behalf on the one hand, and CCL on the other.⁵⁵ At the same time, this has served to highlight issues that then became the subject of a

⁵⁴ The Pindra resettlement site has a capacity to accommodate 282 PAFs.

⁵⁵ Allegations of police violence against Turi Tola PAPs were made by The Berne Declaration in a letter of November 5, 1996 to CIL, and refuted by CIL in their communication to the Bank of November 7, 1996. In a letter of January 4, 2000 to the Bank, the Requester (CASS) alleged that CCL's handling of the relocation in late December 1999 of PAFs from the hamlet of Borwa Tola had been in violation of CIL's R&R Policy and the Bank's OD 4.30. In response, a member of the CSESMP team from the Bank's New Delhi Office investigated the circumstances of the relocation in Parej east on January 20-21, 2000, met with CASS and PAPs, and found that while the allegations were unfounded, there was nevertheless scope for improvements in the way CCL did handle resettlement. The findings of the visit were communicated to CASS on February 8, 2000, and recommendations

more fruitful consultation process leading to decisions that benefited the PAPs. Examples of this are CCL's acceptance of the request for a separate resettlement site by the PAFs from Turi Tola, and the effort to provide these PAFs with viable income restoration through manufacture of cane baskets for carrying coal in underground mines.⁵⁶ Other examples related to the supervision team's discussion with CCL of the Borwa Tola relocation are improved information dissemination on relocation from CCL, renewed efforts by CCL to get the State authorities to expedite the settlement of claims regarding land under customary tenure, transparency regarding the basis for calculation of house compensation, improved handling of PAP grievances, and an increase of the minimum distance from a habitation at which controlled blasting can take place from 100 to 150 meters.

55. At present, 118 or 52% of the PAFs scheduled for relocation by the end of 2002 have shifted from their habitations as follows (see Map 1):

Parej East Resettlement status as of July 2001

Village	Hamlet	PAFs to be resettled by end 2002	PAFs to be resettled by end 2003	PAFs resettled by July 2001
Parej	Borwa Tola	46		46
	Turi Tola	9		9
	Muslim Tola	47		12
	Ganju Tola	37		14
	Sonu Guttu	11		11
	Jogwa Tola	8		8
Duru	Duru Muslim Tola	43		18
	Duru Kasmar	26	63	0
Total		227	63	118

56. Of the families who have resettled, 23 PAFs have settled in the Pindra resettlement site, and 8 PAFs have opted for the Prem Nagar site. Of the 9 families, who are all from the Turi Tola hamlet, only 3 have so far built houses on the site in Premnagar and 1 in Pindra, while 5 continue to stay in the mine staff quarters that were originally provided by the mine as a temporary arrangement when they relocated in May 1997. Another 5 PAFs are also living in temporary accommodation provided by the mine. Instead of moving to the resettlement sites, 82 of the PAFs (69%) have chosen to relocate elsewhere, after receiving the additional cash site development grant, that CIL has introduced as an alternative to a plot in a resettlement site under its revised R&R Policy. The response both in Parej East and in other mines to the introduction of this alternative to relocation to a resettlement site, provides grounds for optimism that the resettlement process will encounter less resistance in future.

3.5.2 Legal title to plots in resettlement sites: *“they are living in a colony without legal possession of any land whereas formerly they were landowners”* (p. 3 of the Request).

were made to CIL regarding improved practices regarding relocation which were reiterated in the mission aide memoire for the supervision mission from February 28 to March 15, 2000 (para 46-48).

⁵⁶ According to CIL, the PAFs in the Turi Tola hamlet are encroachers on government forest land that had been acquired by CCL for mining in 1993. The Turi Tola PAFs were displaced by the neighboring TISCO mine in the early 1990s, and moved to settle on the land acquired for mining by Parej East.

57. The supervision team has raised the issue of land titles or long term leases for house plots in resettlement sites acquired under the CBA Act with CIL and MoC during every supervision mission. A *patta* format proposed by CIL to provide long term leases for PAPs to resettlement plots was forwarded to MoC on March 30, 1999. The Law Ministry has communicated to CIL that the issuing of *pattas* could be considered on a case-by-case basis for particular resettlement sites. A specific *patta* format for Pindra resettlement site was submitted to MoC on April 1, 2000. MoC required that CCL submit additional information. This was done on December 5, 2000, and, although the matter is still unresolved, CIL are following up with MoC. Meanwhile, CCL has issued “temporary *pattas*” allotting specific house plots to the PAFs who opted for relocation to the resettlement sites. The supervision team will continue to seek a resolution to this issue.

3.5.3 Services in resettlement sites – drinking water: *“increase of illness (esp. waterborne diseases) as a result of the pollution of water sources and the wells in the resettlement colonies are not fit for drinking”* (p. 3 of Request).

58. The Pindra resettlement site is furnished with internal roads lined by drains accommodating 130 house plots, electricity, and water supply from three open wells and one hand pump. CCL tested for Coliform at three different sites in the Parej East villages. Tests in April, May, June, and July 1999 revealed a low level presence of Coliform. CCL has taken corrective measures, and testing done on a monthly basis in 2000 and 2001 has resulted in the absence of Coliform in the water supply. CCL also tested for Coliform in the 3 open wells at the Pindra resettlement site on February 1 and 8, 2000. As the tests did not indicate the presence of Coliform, further testing was not done. The alleged increase in water borne diseases has not previously been brought to the attention of the Bank supervision team, and upon inquiry, CCL has reported that its medical staff have no evidence of such an increase.

3.5.4 Services in resettlement sites – education and health: *“lack of capability of securing other services (e.g. education)”* (p. 3 of Request).

59. At Pindra, a school building with five class rooms has been constructed, but there has been considerable delay in getting the Bihar (now Jharkand) state government to allocate teachers. CIL has the position that while they should furnish the buildings for services such as schools and clinics in the resettlement sites, it is the responsibility of the concerned state authorities to manage and fund the operation. CCL has previously requested the state authorities to provide teachers, but without result. More recently, CCL has taken action to arrange that the school in Parej village be continued in the Pindra resettlement site, but at the insistence of CASS, the school was instead shifted to Lower Barisom village. From July 2000, CCL has sought the state’s concurrence to allow the organization operating the private Dayanand Anglo Vedic (DAV) schools to take over the building for a primary school. This matter has not yet been resolved, and in the meantime, children from the PAFs residing in Pindra are attending a DAV school about 0.5 km away as well as another school about 2.5 km from the resettlement site.⁵⁷ The supervision team will continue to follow up on this issue with CCL.

⁵⁷ A private school run by the Sardar Shishu Vikas organization.

60. Access to health services for PAPs in the Pindra and Prem Nagar resettlement sites is on par with that before the resettlement. Prior to displacement, the PAPs had access to a hospital run by TISCO about 4 km from Parej Village. Medical facilities are also available at the Mine Colony at Tapin about 0.5 km from the Pindra resettlement site, and at the Government Public health center at Chhari about 9 km away.

61. At the Prem Nagar resettlement site, an approach road has been constructed, together with an open well, and electricity supply.⁵⁸ In addition, a community building, and facilities for the manufacture of cane baskets comprising a water tank and shed have been provided.

3.6 Compensation for lost assets: “ *Monetary compensation for private income producing assets (land) has not been adequate to secure replacement by other income producing assets (replacement land, other capital assets). Ultimately it is mostly spent on consumer items*” (p. 2 of the Request).

3.6.1 Compensation for privately held land - tenancy land

62. After comparing recent market purchase prices with the compensation paid to EPAPs, Management is satisfied that the compensation paid for agricultural land is equivalent to replacement costs. Acquisition of land for mining in Parej East takes place under the Coal Bearing Areas (CBA) Act of 1957, which was modified in 1976. Under the CBA Act, notification is issued under Section 4(1) announcing the intention and purpose of the acquisition. A second notification is issued under Section 7 within 2 years from the date of the Section 4 (1) notification. Objections to the acquisition of whole or part of the land can be submitted under Section 8 within 30 days of this notification. After these objections are settled, a ‘declaration of acquisition’ is published in the Official Gazette under section 9(2) of the CBA Act giving the details of the land to be acquired. Thereafter Section 10 vests the land rights in the Central Government which in turn transfers these rights to the Government Company (i.e., CIL) under section 11. Section 14 of the CBA Act provides for appeal to a Tribunal by PAPs contesting the compensation that has been assessed by the District Administration and CCL. The PAPs can “accept under protest” the compensation assessed by the District Administration, and appeal to the Tribunal for enhancement. The Tribunal will be constituted by the Central Government, and will be headed by a person at the level of a High Court judge.

63. The land compensation valuation is based on the registered land prices in the area at the time of Section 4(1) notification. In addition to the basic assessed land value, a solatium of 30% is added for compulsory acquisition, as well as cost escalation at 12% per annum for the period between the notification under Section 4(1) and the “declaration of acquisition” under Section 9 (up to 3 years). On this amount is computed interest of 9% for the first year after the “declaration of acquisition” under Section 9, and 15% for each consecutive year (see Annex 6 for examples of calculation of land compensation). During the period from notification under

⁵⁸ The 3 PAFs currently residing in Prem Nagar also have access to water from the neighboring mine colony, where their relatives comprising 5 PAFs are residing (one is resettled in Premnagar).

Section 4(1) and the “declaration of acquisition” under Section 9, and until the land is taken into possession for mine expansion, CIL allows the PAPs to remain on and cultivate the land.

64. As land transactions in rural areas are often not undertaken through open market mechanisms, prices are not easily verifiable, and a rigorous comparison of actual land compensation awards and real market prices is difficult. However, recent market purchases are reported at between Rs 12 to 15,000 per acre for lower quality, and Rs 40 to 45,000 per acre for better quality land, which corresponds with the average awards made to PAPs. An assessment of 30 awards has been found to average Rs 41 thousand per acre, including trees, solatium, escalation, and interest. Compensation has been paid within the last two years, providing a realistic equivalent to actual replacement cost.

65. A total of 33.89 hectares of tenancy land (privately owned land) has been acquired for mine expansion up till March 31, 2003. Of this land, compensation has been paid for 28.23 hectares. For the balance of 5.66 hectares, PAPs have exercised their right to have their compensation awards reviewed by the Tribunal for enhancement. At present, 43 cases have been filed with the Tribunal, which has settled 16 cases in favor of the PAPs with increase of awards, while the remaining 27 cases are still under review. Under Section 19 of the CBA Act, CCL has appealed the decision of the Tribunal to increase compensation amounts to the High Court. Regardless of the final outcome, a functioning grievance redress mechanism which does not discriminate against the PAPs is in place.

66. How the PAPs decide to use their land compensation is ultimately their own decision. CCL cannot require the State Authorities to withhold the compensation money on the grounds that it should be released only for purchase of replacement land or other productive investments. In the case of house compensation, the supervision team has recommended that CCL deposit the money in an account held jointly with the PAP, and only release the funds in stages if and when the PAP begins construction of a replacement house.⁵⁹ This recommendation was not accepted by CCL on the grounds that this would infringe on the individual rights of the PAPs and be near impossible to manage.

⁵⁹ Aide memoire for March 2000 supervision mission (para 48).

3.6.2 Compensation for privately held land under customary tenure

67. Consistent with the Bank's OD 4.30, CIL's R&R Policy states that "tribals cultivating land under traditional rights" should be recognized as units of entitlement. Before compensation is paid in this regard, the PAPs must establish that they have a valid claim to the land. Claims to rights in land cultivated under customary tenure are examined on a case-by-case basis by the District authorities. During 2000, the District authorities have in Parej East conducted field camps to authenticate PAP claims to GMK land (*Ghair Mazurva Khas*) in the Parej and Duru village areas.⁶⁰ During its visits to Parej East, the supervision team has requested that CCL and XISS assist PAPs in assembling evidence for their claims, and that the decisions are made in a transparent manner. For Parej village, 8.17 ha out of 59.5 ha of GMK land has been authenticated in favor of 11 PAPs, while 13 have had their claims rejected regarding 8.89 ha. Claims regarding the balance of 42.44 ha are yet to be settled. For Duru village, authentication of claims regarding 107 ha have been completed by the state authorities, but a final settlement is delayed by the transition to the new state government. The supervision team has repeatedly requested CCL to facilitate that the processing of these claims is expedited.

3.6.3 Compensation for common property resources: *As a result of the expanded mining, common property resources (water sources, fruit trees, forest fodder, fuel, building material etc) have been greatly depleted, and for the PAPs (in contrast to the company employees) these are NOT being replaced (p. 2 of the Request).*

68. The population in the vicinity of the mines has been exposed to mining operations for a considerable period, in many cases from between 20 to 35 years. When the Parej East mine was sanctioned by GOI in March 1993, there were 18 other mines in the area, including TISCO's West Bokaro Colliery.⁶¹ The TISCO mine predates Parej East, and is established on a leasehold bordering that of Parej East. Mining activities together with the expansion of infrastructure and a growing population had, before the start of the Bank assisted Coal Sector projects, led to both a reduction and deterioration in the availability of forest resources.⁶² The communities living in the vicinity of the mining and other industrial operations had during the same period made more or less successful adaptations to the shrinking natural resource base and the new opportunities furnished by the changing economy.

69. The Request for Inspection states that before the start of the CSESMP, "*the basis for the PAP's former non-formal economy was income from i) common property resources (CRP), and ii) income from their own (privately owned) lands*" (p. 2 in the Request). However, this is not empirically correct. The socio-economic baseline study undertaken by XISS in 1994 as preparation for the RAP states that while 52% of the PAFs were landless, "there was not a single landless tribal family dependent on forest produce".⁶³ The research undertaken by XISS in 1994

⁶⁰ Ghair Mazurwa Khas (GMK) land was previously held by large landowners (zamindars), but was after independence either transferred to the cultivators or to the state.

⁶¹ *Report on Impact of Mining on People: A case Study of West Bokaro Coalfields*, XISS, December 1994. The total coal production at the time of the study was 3.5 million tons per year, of which 2.6 million tons came from open cast mines.

⁶² XISS report of 1994, p. 6.

⁶³ Baseline Socio-Economic Study of Project Affected Families, Parej Open Cast Project, XISS 1994, p. 26.

and by Operations Research Group in 1995 as preparation for the original IPDP shows that there was already at that time a considerable depletion of forest resources, decreased dependence on such resources, and instead a significant involvement in an economy based mostly on casual wage labor. In 9 of the 11 villages targeted for IPDP activities, between 70% and 90% of the male population were working as daily wage laborers, supplemented by marginal agriculture.⁶⁴ This also applies to the 71% of the IPDP target population who are tribals.

70. To the extent that common property resources are applicable, they consist of Forest Department land utilized by local communities for grazing, fuel wood, and timber for house construction. As described above, the choice of resettlement sites has attempted to address the issue of access to common property resources such as forest and grazing land. The Pindra resettlement site provides access to nearby forest land that can be utilized by the PAFs for grazing, fuel collection, and collection of minor forest produce. The same applies to the Prem Nagar site, which was selected with the consent of the PAPs following consultations.⁶⁵ Since most PAFs now appear to choose to relocate outside the resettlement sites in surrounding villages or further away from Parej East, there will be little if any scope for direct facilitation by CCL of access to common property resources. However, to the extent that PAFs choose to settle in the villages that are targeted for IPDP activities, they will be able to benefit from the community development assistance extended by CCL (see Annex 9 for a comparison between common property resources and access to facilities in the original villages and the resettlement sites).

3.6.4 House compensation

71. As required by the RAP, all the 118 PAFs that have relocated have been paid house compensation. Among these 118 PAFs, there were 81 PAFs who opted for the cash site development grant in lieu of a plot in a resettlement site, and who have received the payment. There are 109 PAFs who are yet to relocate. The overall status regarding payment of house compensation and the cash site development grant in lieu of a plot in a resettlement site is presented in the table below. The figures show that all the PAFs who have not yet resettled, have chosen not to shift to a resettlement site, but to a place of their own choice.

House compensation status as of June 2001

Payment status	House compensation	Cash site development grant
Payment made	118 PAFs	81 PAFs
Checks ready	26 PAFs	26 PAFs
Checks under process	26 PAFs	26 PAFs
House measurement to be done	57 PAFs	57 PAFs
Total	227 PAFs	227 PAFs

⁶⁴ The exceptions are Lower Barison, where 40% are stated to be engaged in full time agriculture, and the hamlet of Kasmer Khas, where 30% are engaged in agriculture (p. 2 of the IPDP for Parej East).

⁶⁵ According to CCL, the 9 PAFs from Turi Tola were legally encroachers on the land they were occupying in Parej East. They settled on the Parej East land after being displaced by land acquisition under the neighboring TISCO mine.

72. House compensation payment is made when the PAPs are prepared to start demolishing their house to salvage materials for their new dwelling (see Annex 7 for examples of house compensation assessments). The PAF receives assistance to transport the salvaged building materials to the new site. In addition, the PAFs are also provided temporary accommodation by CCL during the time their new houses are under construction. Based on visits to the resettlement sites, information from PAPs on the adequacy of compensation received, and from CCL regarding the assessment of house compensation, the supervision team is satisfied that the compensation provided for houses enables the PAPs to construct a replacement house at par with their original house, as required under the Bank's OD 4.30 (see Annex 8 for assessment of house compensation).

3.7 Income restoration: *"One key issue is income restoration of the PAPs. It can be argued that without it, the ESMP has failed in its purpose, that these Bank projects have only impoverished people"* (p. 2 of the Request).

3.7.1 Overall status of income restoration

73. The supervision team has been supporting CIL's efforts to enhance economic rehabilitation through intensive supervision and by recommending full use of the provisions in CIL's R&R Policy. While it is still too early to judge whether these efforts will result in the intended outcome of full economic rehabilitation, it is worth noting that progress has been achieved. At the level of the CSESMP, the proportion of those earning as a result of all types of assistance from CIL is 40.0% of the total number of EPAPs (10,003). For Parej East, analysis of a sample comprising half of the EPAPs show that 79% of these have either maintained or increased their incomes, during the project period, after adjusting for inflation.

74. CIL's practice of providing mine jobs in addition to the monetary compensation for land loss is regarded by almost all PAPs as the most attractive rehabilitation option due to the associated increase in income and income stability. Between 1973 and 1993 CIL provided jobs to a total of 33,470 PAPs as compensation for loss of land. However, with the phase out of Government support in the early nineties, Coal India was unable to continue to absorb the heavy financial consequences of employing more labor than necessary. As a result, CIL has had to impose severe hiring restrictions and adopt parallel manpower reduction programs. These circumstances also required CIL, during preparation of the CSESMP, to review its approach to economic rehabilitation during preparation of the CSESMP and to devise new ways to restore the incomes of those adversely affected by land acquisition. Under the R&R Policy approved for CSESMP, CIL continues to provide a mine job as compensation if two or more acres of irrigated land (or three or more acres of non-irrigated land) are acquired from a family. However, for those who lose less than two acres, compensation involves training and assistance for self-employment. Although the options for such self-employment are identified in consultation with the PAPs, many PAPs insist that CIL should continue its previous practice of more liberal provision of mine jobs for land.

75. Of the total number of EPAPs (10,003)⁶⁶, 47% of whom are women, the proportion of those earning as a result of all types of assistance from CIL is 40.0%. This figure includes those

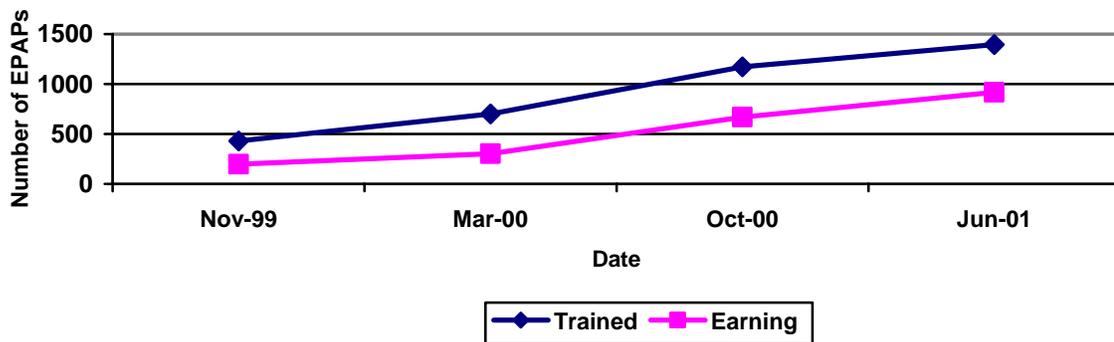
⁶⁶ Does not include the number of EPAPs (211) who have died since the 1997 census.

earning from mine jobs provided as compensation for land loss (25.9%), jobs with contractors (4.3%), and income restoration through self-employment assistance (9.0%).

76. After excluding those EPAPs who have mine jobs and those who have migrated, there are a total of 6,532 EPAPs entitled to self-employment assistance under the CSESMP. During 1998, 1999, and 2000, a total of 1,395 EPAPs completed self-employment training. Of these, more than half (65.7%) have been able to establish an income based on the assistance received under the project. During a census of the EPAPs conducted in June 2000 to find out their interest in making use of the assistance offered by CIL for self-employment 24% responded positively. Those who did not exhibit interest in training included EPAPs employed by CIL (33%), female EPAPs who preferred housework (24%), EPAPs who were elderly or disabled (15%), EPAPs who felt the options offered were unattractive (7%), EPAPs who stated that the required credit was unavailable (2%).

77. The annual RAPs for 2001 (and 2002) will continue to provide enhanced income restoration assistance. This assistance includes follow-up assistance regarding investments and/or supplementary training together with assistance to establish market linkages for those EPAPs that were trained during 1998, 1999, and 2000, but who were not able to establish an income based on the training received. As a result, the percentage of EPAPs able to earn from the income generation training under the previous RAPs is expected to increase.

EPAPs Earning from Self-Employment Training



78. One of the lessons from the income restoration effort to date is that self employment training cannot by itself bring about the full economic rehabilitation of people displaced by coal mining in India. It needs to be supplemented with other measures such as land based income generation.

79. CIL's R&R Policy states that wherever possible and if desired by the PAP who has lost land, replacement land should be purchased with assistance from its subsidiary companies. However, as the availability of replacement land through market purchase is limited, the supervision team began discussions with CIL in December 1997, regarding the introduction of land based income generation on unused and reclaimed mine land as a supplement to the measures provided for in CIL's R&R Policy. At the project midterm review, it was agreed that five land based income generation pilot projects would be implemented in the subsidiaries with land acquisition (one in Central Coalfields Ltd (CCL), South Eastern Coalfields Ltd (SECL), and Northern Coalfields Ltd (NCL), and two in Mahanadi Coalfields Ltd. (MCL)). Later CIL

informed the supervision team that no land was available in CCL and NCL, and that land based income generation pilots would only be started in SECL and MCL.⁶⁷ The supervision team has continued to request CIL to further explore the availability of land in CCL and NCL. So far, this has not yielded any results. The pilot project in SECL started, and the one in NCL is about to start.⁶⁸

3.7.2 Income restoration in Parej East: *“Training has been done, often short and ineffective, and not linked to explicit employment opportunities.”* (p. 3 of the Request)

80. In preparation of the Parej East Resettlement Action Plan, XISS carried out a baseline socioeconomic survey in 1994. Data relating to the level of employment in Parej East indicate that 66.2% of the population were identified as non-working.⁶⁹ Of the 33.8% of the population who were main or marginal workers, 68% stated that their employment was of a seasonal nature. In Parej village, 62.8% of the main working population was employed in mining and quarrying activities, 22.9% were agricultural laborers, and only 1.5% were full-time cultivators.⁷⁰ The remaining 12.8% were engaged in other activities such as transport, construction, commerce, and household industries.

81. In order to monitor implementation of the Resettlement Action Plans, the supervision team assisted Coal India in establishing the EPAP database, required under Schedule 9 paragraph 3(b) of the CSRP Loan Agreement, at its headquarters in Calcutta, and in the 14 mines with land acquisition containing information gathered during the 1997 census.⁷¹ As agreed with the supervision team, CIL and the facilitating NGOs conducted a follow-up census in June 2000, in order to more effectively target income restoration assistance to the most vulnerable EPAPs, and to those who were trained in previous years but have not yet succeeded in establishing an income after training.⁷² These data were entered into the EPAP database, as were the data gathered by the facilitating NGOs and CIL in the April 2001 census, in preparation for the 2002 annual RAPs.

⁶⁷ Agreement on the five land based income generation pilot projects is recorded in the aide memoire for the mission from February 12 to March 5, 1999, para 47. In a letter from CIL dated December 10, 1999, it was stated that pilot projects would only be started in SECL and MCL. However land based income generation on unused or reclaimed mine land did begin before the pilot projects when one subsidiary, namely SECL during 1999 took the initiative to start small-scale land based income generation activities for PAPs in two mines (Dipka and Bistrampur).

⁶⁸ Since the reclaimed or unused mine land has been acquired under either the Land Acquisition Act or the Coal Bearing Areas Act, legal arrangements need to be worked out to provide security of tenure for PAPs using such land. CIL is exploring this issue, and has in early April 2001 sent a draft lease agreement that would provide PAPs security of tenure to MoC for consideration.

⁶⁹ The category non-workers includes dependents, children, the elderly, and the physically handicapped. XISS 1994, Baseline Socio-Economic Study of Project Affected Families, Parej Open Cast Project, p. 20.

⁷⁰ Table 3.4 of XISS 1994 study.

⁷¹ In order for the database to be fully accessible to CIL staff and utilized as a monitoring, evaluation and planning tool, further modifications are required. CIL has hired a database consultant who will complete this task by August 31, 2001.

⁷² The most vulnerable EPAPs were identified as the elderly without a family to support them, single women, and the disabled. In previous years, some EPAPs had been trained but not provided with infrastructure, the tools to pursue the trade for which they were trained, or had received sub-standard training.

82. The present status of economic rehabilitation in Parej East was analyzed using information from the EPAP database (see tables below). The data collected during the 1997 census identifies a total of 647 EPAPs in Parej East. Since the 1997 census, 22 EPAPs have died leaving a caseload of 625. There are currently 82 EPAPs employed with CCL, TISCO, other public enterprises, or who work as contractors, and as a result of their relatively high level of income fall outside of the primary target group. In addition, 150 EPAPs have migrated since the 1997 census, many after choosing to receive the cash site development grant in lieu of a plot in a resettlement site, further reducing the caseload to 393.

83. One function of the June 2000 census was to identify which EPAPs were interested in receiving the economic rehabilitation assistance provided under the project. As CIL was also interested in improving the effectiveness of its assistance, the census also identified the EPAPs who were not interested, and solicited their reasons for lack of interest. The results of this line of enquiry are detailed in the table below. Regardless of the reasons stated for current lack of interest, all EPAPs remain entitled to self-employment assistance under the project.

Establishing the Caseload for Economic Rehabilitation Assistance

EPAPs identified in the 1997 census	647
EPAPs who have died since the 1997 census	22
Number of EPAPs	625
EPAPs with jobs at CCL	33
EPAPs with jobs at TISCO or public enterprises	41
EPAPs who work as contractors	8
	543
EPAPs who have migrated since the 1997 census	150
Caseload of EPAPs for self-employment training	393
Total number of EPAPs not interested in training⁷³	224
EPAPs not interested in training because present income is adequate	21
EPAPs not interested in training because they did not find the options attractive	3
EPAPs not interested in training because required credit was not available	0
Female EPAPs not interested in training because they prefer housework	48
EPAPs not interested in training due to old age ⁷⁴	62
EPAPs not interested in training due to disability ⁷⁵	3
EPAPs not interested in training due to other reasons ⁷⁶	87
Remaining Caseload = Caseload of EPAPs – EPAPs not interested in training	169

84. EPAPs have been consulted on training options and have been able to choose what type of training they wanted for self-employment. The training period varies depending on the type of skills to be imparted, and whether those trained have any previous exposure to the activity. For example, training on activities related to animal husbandry are shorter than for trades like welder, electrician, and driver. At present, 138 EPAPs have completed training and 51 EPAPs

⁷³ This number excludes those who have died, migrated, or are employed with CCL, as they have already been counted above.

⁷⁴ EPAPs in this category have indicated that they have pensions or are supported by other family members.

⁷⁵ The 3 EPAPs in this category are supported by other family members.

⁷⁶ The number of individuals in this category corresponds with the number EPAPs who are engaged in the pilferage and sale of coking coal and have higher incomes than the training is likely to yield. This category also includes 35 women who were not among the 48 women who stated that they preferred housework.

are earning an income that is directly related to their training. CCL has provided support in terms of infrastructure and/or productive assets to 78 EPAPs . Even with investment assistance from CCL, which has been recommended by the Bank supervision team and is provided for under CIL's R&R Policy, there is no guarantee that the EPAPs will make the necessary effort to turn this assistance into a viable source of income. In addition to the expected lag between completion of training and the establishment of income, there are EPAPs who make use of the training allowances as a temporary source of income without intending to use it as a means of earning a permanent income. However, the 87 EPAPs who are not earning an income after completing training, as well as others who have not restored their incomes by means of their own or with assistance from the project, remain in the target group.⁷⁷

Status of Self-Employment Training

EPAPs who have enlisted in training in 1998, 1999, 2000, and 2001 ⁷⁸	284
EPAPs who have completed training – 1998, 1999, 2000 ⁷⁹	138
EPAPs who have received infrastructure or assets from CCL related to their training ⁸⁰	78
EPAPs who are earning income after training	51
EPAPs not yet earning after training	87
Target Group = Remaining Caseload + EPAPs not yet earning from training	256
EPAPs unlikely to participate in training due to higher income from pilfered coal	87
Primary Target Group	169

85. The current monthly income after completing self-employment training ranges from Rs. 50 to Rs. 2,200 and averages Rs. 585. Of the 138 EPAPs who have completed training, 58 report additional sources of income. After training, the level of income is likely to fluctuate depending upon the season, the type of trade, and the amount of time the EPAP has available to practice the trade. While the average income is not high, many of those at the lower end of the range are women who had not previously earned any income. Some of these are women of marriageable age who are using the skill training as a means of enhancing their marriage prospects, and not for generating income. Others are women with less time to use their newly acquired skills due to their responsibilities in the home.

86. Potential incomes derived from most of the self-employment training options cannot compete with those of mine employees or those who are engaged in the sale of pilfered coal and the production of coking coal. In Parej East, the incomes of the 87 EPAPs who are engaged in the pilferage and sale of coking coal range from Rs. 350 to Rs. 2,500 per month and average Rs. 1,200 per month.

87. Income levels were analyzed for 337 of the 625 EPAPs where income data were available from both the 1997 census, and either the June 2000 census or the April 2001 census.

⁷⁷ A portion of the EPAPs are women who are using the skills acquired to meet their household needs and do not intend to generate outside income.

⁷⁸ This number includes those EPAPs who did not complete training initially and have re-enrolled.

⁷⁹ Training for 2001 has not yet been completed.

⁸⁰ The support provided by CCL includes, tools, sheds, goats, chicks, pigs, etc.

Of those 337 EPAPs, 265 or 79% have reported that they have either maintained or increased their incomes, during the project period, after adjusting for inflation. Additionally, 11% of the EPAPs have reported a decrease in income while 10% have reported incomes that have not kept pace with inflation. With the finalization of the EPAP database as described above, CIL and its subsidiaries will be in a position to undertake a more comprehensive assessment of the status of income restoration. On this basis, detailed plans can be made for effectively assisting the remaining caseload.

3.8 OPN 11.03 Cultural Property

88. The Environmental Assessment undertaken as part of appraisal did not identify any issues related to cultural property, and OPN 11.03 on Management of Cultural Property in Bank-Financed Projects was therefore found not to apply. Nevertheless, when issues have been raised during project implementation by PAPs regarding sites of religious importance, they have been dealt with in a manner consistent with OPN 11.03. Thus, during the supervision mission in November 1999, villagers from Muslim Tola (a section of Parej village) raised the issue of protecting their graveyard, which is located in the path of mine expansion. An agreement was later reached between the PAPs and the mine authorities to construct a boundary wall around the graveyard, and advance mine expansion in a manner that would leave the graveyard intact and accessible.

89. Similarly, consultations have been held between tribal PAPs and mine authorities regarding two sacred groves (*sarna*) in the hamlets of Ganju Tola and Majhi Tola that are in the path of mine expansion. The grove in Majhi Tola was moved in 1990 to its present location from a mine area owned by TISCO. Agreement has been reached with a committee representing the PAPs on this issue regarding the shifting of both sacred groves to an approved location in the Pindra resettlement site, and funds have been allocated for this in the annual RAP for 2001.⁸¹ The mine authorities have also agreed to fund the construction of a building for performing *puja* next to the new *sarna*.

3.9 BP 17.50 Disclosure of Information

90. In accordance with the Bank's BP 17.50 on Disclosure of Operational Information, public information centers have been established at all 25 CSESMP mines to effectively disseminate project related information. At Parej East, the public information center is located in the same building as the office of the Community Development/R&R Officer, the mine level CIL officer responsible for social mitigation activities, and is generally accessible on a daily basis. The following documents are available in the Center: (i) CIL's R&R Policy⁸²; (ii) a printout of the database of EPAPs; (iii) a list of PAFs; (iv) the annual RAP and Income Restoration Plan for 2001; (v) the annual IPDP for 2001; (vi) application form for income restoration assistance; (vii) a specimen of a house compensation assessment; (viii) the EMP, (ix) the grievance register; and (x) a register of visitors.

⁸¹ The committee representing the tribal PAPs regarding the sacred groves is called Bajrang Bali Samiti.

⁸² CIL's R&R Policy is available in English, Hindi, Marathi, Oriya, and Bengali.

91. A letter from CASS to the supervision team on December 12, 1998, endorsed by 27 other NGOs and individuals, inquired about the upcoming CSESMP midterm review and requested that the Bank's midterm review report be made accessible to the organization, that reports by the Environmental & Social Review Panel be made accessible, and a consultation be held with CASS and other NGOs on the findings of the midterm review. The supervision team replied to CASS on February 5, 1999 that the release of communication between the Bank and CIL, such as the midterm review report and those by the Review Panel, funded under the IDA Credit could only be released at the discretion of CIL. The reply also stated that the supervision team was open to consultations on the midterm review findings, but that such an event would require specific suggestions from the NGOs regarding the venue and participants. No follow-up on the issue of consultations was received from either CASS or the other NGOs endorsing their letter.

4. CURRENT PROJECT STATUS AND SUPERVISION PLAN

92. Although the project became effective in July 1996, implementation only began towards the end of 1997. During 1998 and 1999, overall implementation progress was slow and uneven across project mines, and CIL's commitment remained problematic especially with regard to the two key areas of economic rehabilitation of PAPs, and institutional reform to enhance CIL's environmental and social management capabilities. Significant implementation progress throughout all 25 project mines only began in the first half of 2000. Since then CIL has demonstrated increasing commitment regarding both environmental and social mitigation, and there has lately been noticeable implementation progress.

93. The main achievements relating to the implementation of the Environmental Action Plans are: (i) standardization of environmental monitoring; (ii) completion of studies on disposal of oil/grease and water from mine workshops, bio-contamination of subsoil water from domestic effluent, safety of overburden dumps, and ash disposal from power plants; (iii) construction of effluent treatment facilities for mines, mine workshops, and mine colonies; (iv) plantation activities; and (v) training of environmental personnel.

94. Significant progress has also been achieved with regard to dust suppression measures and reclamation of overburden dumps. However, despite installation of dust extractors on drills, water sprinkling, and black-topping of roads, dust suppression measures require further enhancement to achieve full compliance with existing air quality standards for habitations in and around the mine areas. Activities that supplement those in the SAR have been agreed with CIL, and since dust pollution is caused by other actors besides the mines, CIL will take steps to establish collaboration between the concerned stakeholders.⁸³ Although the start of overburden dump reclamation was significantly delayed, implementation progress has picked up, and to date civil works of good quality have been completed on 56% of the dumps, with expected completion of all dumps by December 31, 2001.

⁸³ A supplementary dust suppression plan was agreed between CIL and the Bank in August 1999, but needs further enhancement by CIL as recorded in subsequent aide memoires. Stakeholders that need to be engaged in collaboration regarding dust suppression include thermal power plants and other industries, mines operated by owners other than CIL, and the state authorities responsible for road maintenance outside the mine leasehold areas.

95. Social mitigation has achieved satisfactory results with regard to the implementation of Indigenous Peoples Development Plans (IPDPs), and while the implementation of Resettlement Action Plans (RAPs) has improved, both resettlement and economic rehabilitation continue to demand a high level of attention from CIL. Resettlement is progressing, albeit slowly, and at present, 72% of the 2,584 Project Affected Families (PAFs) whose houses have been acquired, have relocated. Economic rehabilitation activities have also shown some progress. Of the 10,003⁸⁴ Project Affected Persons entitled to economic rehabilitation assistance (EPAPs), the proportion of those earning as a result of all types of assistance from CIL, including mine jobs, is 40.0%.⁸⁵

4.1 Project extension and supervision plan

96. The likely need for an extension of the project closing date was recognized during the project midterm review.⁸⁶ During the mission from October 10 to November 1, 2000, discussions were held with CIL and MoC regarding a possible extension, provided the momentum of improved implementation performance was maintained.⁸⁷ The continuation of this momentum was established during a mission from February 26 to March 9, 2001. Following CIL's request of March 26, 2001 to MoC, a request for extension was submitted by DEA, Ministry of Finance, to the Bank on April 20, 2001. On June 29, 2001, Bank Management approved extension of the CSESMP closing date by one year until June 30, 2002. The extension will enable CIL to better achieve the project objectives. The key activities related to these which will also address the issues raised in the Request for Inspection, include:

- Implementation of the first phase of the Institutional Strengthening Action Plan to enhance CIL's environmental and social mitigation capabilities beyond the scope and life of the project;
- Income restoration activities for project affected persons (PAPs) including implementation of innovative land based income restoration pilot projects;
- Continued relocation of PAPs from land acquired for mine expansion, accompanied by fair and adequate compensation for lost assets;
- Environmental mitigation including completion of overburden dump reclamation and enhancement of dust suppression to improve air quality standards in and around the mines.

97. In addition, the extension will provide scope for strengthening the progress already achieved with regard to IPDP implementation, by further supporting community based organizations (the village working groups involved in IPDP implementation and women's self-help groups) to become sustainable and to enhance arrangements to maintain the community assets created under the IPDPs.

⁸⁴ This figure represents the total number of EPAPs, minus the number of EPAPs who have died since the 1997 census.

⁸⁵ This figure includes those earning from mine jobs provided as compensation for land loss (25.9%), jobs with contractors (4.3%), and income restoration assistance (9.0%).

⁸⁶ Back-to-Office report of April 14, 1999 for mission from February 12 to March 5, 1999, para 11.

⁸⁷ Back-to-Office report of December 13, 2000, para 9.

98. During the project extension period, Management will maintain the same level of supervision as it has throughout project implementation. Currently, two full missions comprising both headquarters and New Delhi based staff are planned during FY02. New Delhi based staff will conduct additional visits as required to support progress on CIL's implementation of the action plan, and ensure full compliance with the Bank's safeguard policies.

Annexes available upon request