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**MANAGEMENT REPORT AND RECOMMENDATION**  
**IN RESPONSE TO THE**  
**INSPECTION PANEL INVESTIGATION REPORT No. 24000**

**INDIA:**  
**COAL SECTOR ENVIRONMENTAL AND SOCIAL MITIGATION PROJECT**  
**(CREDIT NO. 2862-IN)**

July 25, 2003

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Pursuant to paragraph 23 of the Resolution Establishing the Inspection Panel (IBRD Resolution 93-10 and IDA Resolution 93-6), attached for consideration by the Executive Directors is Management's Report and Recommendation in response to the findings set out in the Inspection Panel's Investigation Report No. 24000 dated November 25, 2002 (Request for Inspection – India: Coal Sector Environmental and Social Mitigation Project – Credit No. 2862-IN).

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## LIST OF ACRONYMS AND ABBREVIATIONS

BP	Bank Procedure
CASS	Chotanagpur Adivasi Sewa Samiti
CBA Act	Coal Bearing Areas Act of 1957
CCL	Central Coalfields Ltd. In Jharkhand (formerly part of Bihar)
CIL	Coal India Ltd. (A public sector enterprise of the Government of India)
CMPDI	Central Mine Planning and Design Institute, Ltd.
CSSEMP	Coal Sector Environmental and Social Mitigation Project
CSR	Coal Sector Rehabilitation Project
DEA	Department of Economic Affairs, Ministry of Finance
EAP	Environmental Action Plan
EMP	Environmental Management Plan
GMK	Ghair Mazurva Khas
GOI	Government of India
IPDP	Indigenous Peoples Development Plan
JBIC	Japan Bank for International Cooperation
JEXIM	Export-Import Bank of Japan
MCL	Mahanadi Coalfields Ltd., Orissa
NCL	Northern Coalfields Ltd., Uttar Pradesh and Madhya Pradesh
NGO	Nongovernmental Organization
OBC	Other Backward Castes
OD	Operational Directive
OPN	Operational Policy Note
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	Southeastern 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 Services, facilitating NGO in Parej East

## LIST OF OPERATIONAL DIRECTIVES AND OPERATIONAL POLICY NOTES RELEVANT TO THIS REPORT

OD	4.01	Environmental Assessment, October 1991
OD	4.20	Indigenous Peoples, September 1991
OD	4.30	Involuntary Resettlement, June 1990
OD	13.05	Project Supervision, January 1996
OPN	11.03	Management of Cultural Property in Bank-Financed Projects, September 1986
BP	17.50	Disclosure of Operational Information, September 1993

## I. INTRODUCTION

1. The Coal Sector Environmental and Social Mitigation Project (CSESMP) was designed as a free-standing project to mitigate impacts deriving from the major investment component of the Coal Sector Rehabilitation Project (CSRP). 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 (EIA). The EIA identified the adverse impacts and measures to mitigate them through the implementation of Environmental Management Plans (EMPs) for the twenty-five mines under the project.<sup>1</sup>

2. The objectives of the CSESMP were to: (i) enhance CIL's capacity to deal more effectively with environmental and social issues; (ii) implement appropriate policies for environmental mitigation and resettlement and rehabilitation of people affected by coal projects, and provide support to communities, in particular tribals, living in coal mining areas; and (iii) test the effectiveness of these policies in the twenty-five coal mines slated to receive financial support under CSRP.<sup>2</sup> The CSESMP became effective in July 1996 and the CSRP in June 1998.

3. A Request for Inspection (Request) was submitted to the Inspection Panel (the Panel) on June 21, 2001 by Ms. Bina Stanis of Chotanagpur Adivasi Sewa Samiti (CASS), a local nongovernmental organization (NGO) representing residents of the Parej East coal mining project area (the Requesters) in India. According to the Requesters, the CSESMP was supposed to mitigate the adverse effects of the expansion and rehabilitation of the coal mines assisted under the CSRP, co-financed by the World Bank and the Japanese Bank for International Cooperation (JBIC).<sup>3</sup> The Requesters contended that execution of the projects resulted in adverse impacts on the local population, their living standards, income earning capacity, and on the environment of the Parej East mine project area, and that lack of consultation and participation resulted in inadequate implementation of the Environmental Action Plans (EAP), Resettlement Action Plans (RAPs), and Indigenous Peoples Development Plans (IPDPs) under the CSESMP. The Request was registered by the Panel on June 22, 2001 (IPN Request RQ01/2).

4. Management was notified by the Panel of receipt of the Request, and responded to the issues raised in the Request on July 20, 2001. The Management Response discussed the issues and constraints that were encountered during implementation of the CSESMP, and noted that while not all of these problems could be fully resolved, progress had been made. Management also noted that in its view, the World Bank had complied, and intended to continue to comply, with the relevant policies and procedures related to the design and implementation of the CSESMP, and provided the Panel with written evidence in this regard.

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1 As required by OD 4.01, public consultations were held with PAPs and NGOs, an independent advisory panel composed of Indian and international experts was retained, and the Environmental Assessment report was made available at CIL headquarters and at the headquarters of subsidiary coal companies, as well as at the Public Information Center (PIC) of the World Bank in Washington, DC. This facility is now known as the InfoShop.

2 These twenty-five mines were distributed among five different subsidiary companies, namely Northern Coalfields Ltd. (NCL) in Madhya Pradesh and Uttar Pradesh, Mahanadi Coalfields Ltd. (MCL) in Orissa, Western Coalfields Ltd. (WCL) in Maharashtra, Southeastern Coalfields Ltd. (SECL) in Chhattisgarh, and Central Coalfields Ltd. (CCL) in Jharkhand (formerly Bihar).

3 Formerly the Export-Import Bank of Japan (JEXIM).

5. Despite the difficulties that arose during project implementation, Management maintained that World Bank withdrawal from the CSESMP was not a viable option. Since the purposes of the CSESMP were to mitigate the impacts of the CSR, strengthen CIL's capacity to manage such mitigation issues, and test the effectiveness of mitigation, resettlement and rehabilitation policies, World Bank withdrawal would have seriously undermined its ability to continue dialogue with the client on improving mitigation efforts. More importantly, World Bank withdrawal might have resulted in cessation of social mitigation activities, particularly those involving economic rehabilitation assistance for Project-Affected Persons (PAPs).

6. The Panel, in its Report to the Board, found the Request eligible and recommended an investigation into the matters alleged in the Request. The Executive Directors recorded their approval of the Panel's recommendation for investigation on September 7, 2001.

7. Four months after the Executive Directors authorized an investigation into the issues raised in the Request, the Requesters submitted two additional documents to the Panel. The first document elaborated on Paragraph 4(a) of the original Request, and introduced additional allegations of harm. The second document was a table prepared by CASS which provided information on individuals (both PAPs and non-PAPs) from Parej East who had already resettled. Management received these two documents from the Panel on January 11, 2002.

8. All issues raised by the Requesters in these communications were investigated by the supervision team during a mission to CIL headquarters and the Parej East mine from February 4 to 14, 2002. Management provided its comments on the two communications in a supplemental document to the Panel on April 4, 2002. After examining Management's comments, on July 25, 2002 the Panel requested further clarification regarding two of the issues raised by the Requesters. The supervision team further investigated these two issues during a mission to CIL headquarters and its subsidiaries from September 16 to October 2, 2002. Management submitted its clarifications to the Panel on October 2, 2002.

9. On November 25, 2002 the Panel issued its Investigation Report (Report) outlining the findings of its investigation.

10. Management would like to acknowledge the Panel members for the thorough nature of their review and the level of analysis applied to the compliance issues raised with regard to this project. In addition, Management wishes to express its appreciation to the members of the Inspection Panel Secretariat for their contributions to the investigation process. Finally, Management appreciates and shares the Panel's recognition of the dedication, quality, and significant efforts of the supervision team.

11. As noted by the Panel, Management acknowledges that with hindsight, there were deficiencies in the project appraisal process, even though most of the World Bank's formal obligations at appraisal were complied with. Management also endorses the Panel's observation that concerted efforts were made with the help of thorough and extensive supervision of project implementation to address those deficiencies in a prompt and timely manner. While the success of resettlement implementation depends on a range of factors including borrower commitment, the macroeconomic environment, the continuing feasibility of rehabilitation measures considered appropriate at the time of project appraisal and the efforts of the affected people themselves, Management agrees that the World Bank team made every effort to promote successful resettlement throughout project implementation. The fact that this may not have resulted in fully successful resettlement for every PAP does not necessarily represent a failure of World Bank supervision. Experience under the project, the objectives of which included testing the effectiveness of government policies, highlights

the complexity of the resettlement process and some important lessons that can be learned to inform future resettlement programs.

## II. STATUS OF THE PROJECTS

12. India has made a decision to continue its reliance on the country's abundant coal reserves, at least over the next 15-20 years.<sup>4</sup> 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.

13. When preparation of the projects for India's coal sector began in 1991, the design of project environmental mitigation activities was targeted to meet Indian and World Bank environmental requirements. While CIL's Resettlement & Rehabilitation (R&R) Policy was considered adequate at the time it was developed, with hindsight, it is acknowledged that the Policy should have included more specific provisions related to detailed economic rehabilitation measures, and that this important issue should not have been left to be resolved during project implementation.

14. The CSESMP became effective in July 1996, nearly two years earlier than the CSRP, in order to provide time for CIL to establish the necessary institutional and human resources capacity for environmental and social mitigation, and enable the World Bank to assess implementation progress prior to negotiations for the CSRP. To reinforce CIL's performance in environmental and social mitigation, progress on mitigation activities was linked to the CSRP through a series of covenants in Schedule 9 of the CSRP Loan Agreement. When the CSRP became effective in June 1998, CIL was substantially in compliance with the applicable Schedule 9 covenants and the deviations were caused by circumstances beyond CIL's control.<sup>5</sup> The World Bank had anticipated that CIL's performance on environmental and social mitigation activities would improve once the CSRP became effective. However, overall progress in both areas did not improve to the extent expected. Due to unsatisfactory performance under the CSRP regarding coal sector reform and financial covenants, as well as unsatisfactory performance in the area of 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 moving towards suspension.<sup>6</sup>

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4 With a population almost four 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.

5 Schedule 9, para. 3(a) requires CIL to issue Photo ID cards to all entitled PAPs. Due to ongoing court cases filed by PAPs contesting compensation for lost assets in MCL in Orissa, 22 percent of the PAPs in the six MCL mines refused to receive the ID cards as they believed that this would be tantamount to acceptance of the contested 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 World Bank which would enable mining to continue over a five to seven year period without any relocation.

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

15. Despite CSRP and CSESMP supervision missions in March 2000, subsequent meetings between the Energy Sector Director and both the Government of India (GOI) and CIL, and a meeting between the India Country Director and the Secretary of the Department of Economic Affairs (DEA), the outstanding issues remained unresolved. On July 24, 2000, CIL and the DEA requested cancellation. On July 25, 2000, Management cancelled the undisbursed balance of the CSRP Loan, and on January 21, 2001 the undisbursed balance of the CSRP Credit was cancelled.<sup>7</sup>

16. Although the undisbursed balance of the CSRP Credit was cancelled, implementation of the CSESMP continued, and on April 20, 2001, the GOI requested that the World Bank extend the project closing date for one year, until June 30, 2002.<sup>8</sup> The World Bank approved this request based on evidence of CIL's increased commitment over the previous year, and to enable it to advance towards completion of its social and environmental mitigation obligations.

17. Throughout implementation of the CSESMP, Management has allocated significant resources in order to provide for the level of supervision 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. Cumulative World Bank inputs for the entire CSESMP project cycle included 465 staff weeks and a budget in excess of US\$1.6 million. World Bank inputs for supervision alone amounted to more than 400 staff weeks and a budget in excess of US\$1.4 million.

18. Since August 1996, 23 supervision missions have been undertaken, 21 of which included field visits to Parej East. In addition to the 20 supervision missions to Parej East, 4 more informal site visits were undertaken by the supervision team member based in the New Delhi Office, in order to more closely monitor contentious issues.

19. The CSESMP closed on June 30, 2002. Cumulative disbursements totaled approximately SDR30.5 million (US\$40.1 million equivalent), or 79.5 percent of the revised Credit amount.

### III. ISSUES

20. The Requesters' initial request and the supplementary requests include a great deal of detailed information on a number of complex issues. A summary of the issues and the findings of the Panel are presented in Table 1 below. Management's comments on the issues raised in the Investigation Report are provided in Annex 1.

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7 As of December 15, 2002, US\$241.7 million of the IBRD Loan had been disbursed, with US\$12.7 million in commitments and US\$0.2 in the pipeline remaining. US\$1.4 million of the IDA Credit amount had been disbursed. As a result of the fluctuation in the exchange rate, disbursements made under the JBIC co-financing totaled US\$241.5 million.

8 The original Credit amount of SDR 43.30 million was reduced by SDR4.89 million to SDR38.41 million.



**Table 1. Summary of Inspection Panel Findings on Compliance with World Bank Policies and Procedures**

<b>Policy</b>	<b>Issue</b>	<b>Inspection Panel Finding</b>
<b>OD 4.01 Environmental Assessment</b>		
	Consultations on SEIA and Parej East EMP	Not in compliance
	Consultations with local NGOs	In compliance between 1998 and 2000
	Land reclamation	In compliance
	Disclosure of EIA, RAPs and IPDPs	Not in compliance
	Parej East Public Information Center (PIC) (also BP 17.50)	Not in compliance
<b>OD 4.20 Indigenous People</b>		
	IPDPs including tribals and other vulnerable groups	In compliance
	Original 1995 mine specific IPDP for Parej East	Not in compliance
	Local participation in original Parej East IPDP	Not in compliance. [R]ecent efforts by Management have resulted in some progress in addressing an enormous challenge. <sup>a</sup>
<b>OD 4.30 Involuntary Resettlement</b>		
	Baseline survey preparation in Parej East	In compliance
	Preparation of the original Parej East RAP	Not in compliance
	Implementation of the Parej East RAP	In compliance. [O]nce XISS began work, there was systematic consultation and involvement of the PAPs. <sup>b</sup>
	Land compensation	Not in compliance
	Choice of resettlement site	Not in compliance
	Size of plots in resettlement site	Not in compliance at appraisal. Rectified during implementation.
	Access to potable water and operational school	Not in compliance
	Increase in morbidity and mortality of PAPs in Parej East	Alleged increases not attributable to CSESMP
	Title to house plot	Not in compliance when the Parej East RAP was prepared (1994). Persistent efforts to rectify the issue during project period.
	Grievance mechanism	In compliance
	Traditional land rights	Not in compliance in connection with the preparation of the 1994 Parej East RAP. World Bank has since worked with persistence to resolve the issue.
	Coverage of common property resources in Baseline Survey	In compliance
	Compensation for loss of access to forest products	Not in compliance during preparation.
	Income restoration	Not in full compliance at the time of Panel Investigation.
	RAP Entitlements: - Jobs in the mine - Land for land - Non-farm based self-employment - Transition period and subsistence allowance	Not in compliance during preparation and appraisal of 1994 Parej East RAP. From the early stages of implementation, the World Bank has insisted that CIL find alternative income generating schemes, such as land based ones. World Bank efforts to get formal agreement between CCL and contractors to hire PAPs as casual laborers have succeeded.
	Transition period and subsistence allowance	Not in compliance.
	Land-based income generation	Current World Bank supervision team is commended for recognizing...that this option was essential... [and] the team has made an impressive effort to have it adopted. <sup>c</sup>
<b>OPN 11.03 Management of Cultural Property</b>		
		In compliance

Policy	Issue	Inspection Panel Finding
<b>OD 13.05 Project Supervision</b>		
	World Bank Supervision	In compliance since 1998. It is...clear that the current supervision team inherited many...problems and has made significant efforts to address the outstanding problems in Parej East ... The Panel has been impressed by the team's frank and honest assessments... <sup>d</sup>
	Supervision Consultation	In compliance since February 1999.
<b>BP 17.50 Disclosure</b>		
	Disclosure of EIA, RAPs and IPDPs	Not in compliance. Management ensured that the...[documents]...were placed in the World Bank's PICs in Washington and New Delhi before appraisal; it failed to ensure that the reports were available in Parej East. <sup>e</sup>

a. Inspection Panel Investigation Report, November 25, 2002, p.82, para. 340.

b. Ibid. p.109, para. 440.

c. Ibid. p.71, para. 291.

d. Ibid. p.118, para. 470 and 473.

e. Ibid. p.99, para. 394.

21. This section attempts to provide a wider context to the detailed responses Management has provided regarding some of the issues discussed in the findings of the Inspection Panel, including: (i) the changing political context in which the project was implemented, (ii) resettlement, (iii) compensation for land under customary tenure, (iv) income restoration, (v) subsistence allowance, and (vi) water quality and land reclamation.

22. **The political context.** The Parej East Mine site is located in what is now the State of Jharkhand. The creation of the State of Jharkhand (formerly the southern part of Bihar) was a long-standing demand of its indigenous people, and took place on November 15, 2000, some four years after project implementation began. Economically, Jharkhand has faced tremendous obstacles, despite its wealth of mineral resources. In 1999-2000, the state had a net per capita income of Rs.9,223 (US\$213) against the national average of Rs.15,626 (US\$361). Its poverty ratio is roughly double the national average, and it is home to five of the ten least developed districts in India. The staffing of new government offices has been hindered by the lack of appropriately qualified candidates. In the area of education in particular, the absence of the necessary administrative arrangements and management skills has been a particular constraint. Despite the Government's intention to recruit 4,189 primary education teachers, there have been long delays in filling these posts because there were no rules or processes to begin hiring. As a result, the teacher-student ratio for primary school students has been as high as 1:60 in some areas. In addition, the non-availability of funds has left large numbers of rural primary schools functioning without a building, and urban school buildings in a state of disrepair.

23. **Resettlement.** As outlined in the Staff Appraisal Report (SAR), the resettlement and rehabilitation obligations of CIL were related to PAFs affected by actual land acquisition for anticipated mine expansion during the CSESMP project period. However, the progress of mine expansion plans at the time of project closure on June 30, 2002, and the amount of land actually acquired for this expansion turned out to be considerably lower than projected during preparation of the CSESMP. By the project closing date, only 173 PAFs needed to relocate, compared with the appraisal estimate of 290 PAFs. All of these were successfully relocated.

24. **Compensation for land cultivated under customary tenure.** Consistent with the World Bank's OD 4.30, CIL's R&R Policy states that "tribals cultivating land under traditional rights"

should be recognized as entitled to compensation. Under Indian law, PAPs must establish that they have a valid claim to the land before compensation can be paid. Claims for rights to land cultivated under customary tenure—referred to as Ghair Mazurva Khas (GMK) land in the Hazaribagh area—are examined on a case-by-case basis by the District authorities. For recognized claims, the compensation amount is calculated in the same manner as for tenancy land.<sup>9</sup> In Parej East, the District authorities conducted a number of land settlement camps to resolve outstanding land claims to GMK land. The cases of ten PAPs from Duru Kasmar are still being processed by the district authorities.

25. **Income restoration.** Although Management has acknowledged that income restoration for all PAPs has not yet been achieved, it may be too early to draw final conclusions regarding the impacts of the income restoration measures. The latest evidence seems to suggest that the incomes of PAPs have actually increased significantly since implementation of the RAP. The objective of CIL's R&R Policy is to improve or at least restore the livelihoods and incomes of PAPs. As of March-April 2002, 87.1 percent of all PAPs entitled to income restoration assistance had met this objective.<sup>10</sup> Of the remaining 12.9 percent who reported a decline in individual incomes, 29 out of 73 reported increased household incomes during the project period. In addition, the number of PAPs with incomes above the GOI's poverty line has nearly doubled during the project period.<sup>11</sup>

26. CIL's earlier policy of providing mine jobs to PAPs resulted in a substantial surplus of unskilled labor and contributed to heavy economic losses for the company.<sup>12</sup> As a result, CIL's 1994 R&R Policy aimed at providing alternative economic rehabilitation measures. In addition to the provision of mine jobs only to those PAPs that lose two acres of irrigated land or three acres of non-irrigated land, the policy contains two other instruments to support income restoration for PAPs, namely: (i) assistance in obtaining work with contractors; and (ii) assistance with non-land based self-employment. In Parej East, there are 564 PAPs entitled to income restoration assistance.<sup>13</sup> As of March-April 2002, 442 out of the 564 had access to means of income restoration.<sup>14</sup>

27. The figures also show that during the period of RAP implementation (from 1997 to 2002) incomes of a large proportion of the 564 PAPs increased significantly. The percentage of women PAPs earning an income increased dramatically during this period, from 4.1 percent to 57.8 percent. Among the 270 female PAPs, 97.8 percent have maintained or increased their incomes during the project period, while only 2.2 percent reported a decrease in income.

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9 See para. 63 in *Management Response to the Inspection Panel* of July 19, 2001.

10 This includes the elderly, the disabled, and women—less than 5 percent of whom reported earning any income in 1997.

11 The poverty line established by the GOI is Rs.1,500 per month.

12 SAR, Annex 2.4: Resettlement and Rehabilitation Policy of CIL, p 59, para. 2.

13 Of the 564, 294 are men and 270 are women. This excludes those PAPs who have died or migrated since 1997, and the five PAPs who did not provide income information in either 1997 or 2002.

14 Of these, 32 earn an income from mine jobs with CCL, 105 from work with contractors, 87 have an income derived from the self-employment training, 82 are employed by other public enterprises, including the Tata Iron and Steel Corporation (TISCO), and 136 have an income from some other source. There are approximately 90 PAPs in Parej East who can earn as much as Rs.2,500 per month through pilferage and sale of coking coal. As the potential incomes derived from most of the self-employment training options cannot compete with this, the majority of the PAPs explicitly stated during the June 2000 census that they were not interested in the training provided under the project.

Figure 1. Number of PAPs Reporting Earned Income: 1997 and 2002

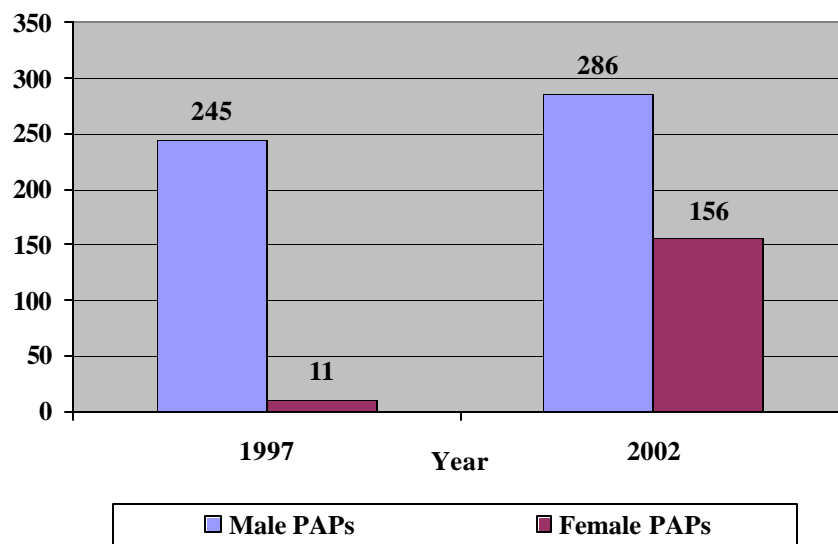


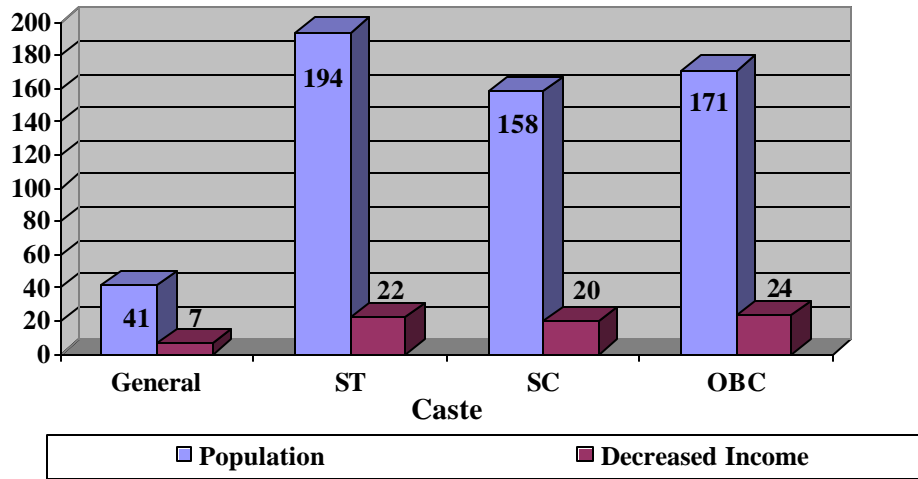
Table 2. Overall Status of Economic Rehabilitation in Parej East: March-April 2002 Census

Total Number of PAPs		Number Providing Income Information <sup>a</sup>		Avg. Individual Income Rs./month		Avg. Increase 1997 – 2002 <sup>b</sup> Rs./month	Number of PAPs whose inflation adjusted incomes changed between 1997 and 2002		
1997	2002 <sup>c</sup>	1997	2002	1997	2002		Increased	Decreased	Remained Same
647	569	621	564	798	1,553	563	370	73	121

- a. Income information is considered to be any amount which is equal to or greater than zero.
- b. This represents the average monthly increase in income after adjusting for inflation.
- c. Excludes PAPs who have died or migrated out of the area during the project period.

28. The affected *tribal population* witnessed similar improvements. In Parej East, there were 194 PAPs belonging to one of the Scheduled Tribes who provided income information for both the 1997 and 2002 censuses. Of these, 88.7 percent maintained or increased their incomes during the project period. In addition, the number of tribal PAPs with above-poverty-line incomes more than doubled during the project period.

Figure 2. Analysis by Caste<sup>a</sup> of PAPs Reporting Decreased Incomes – March-April 2002



a. The acronym SC refers to Scheduled Castes, and OBC to Other Backward Castes. Both categories are at the bottom of the caste hierarchy, and along with Scheduled Tribes (STs), are usually among the poorer sections of the community. "General" castes refer to the rest of the caste groups (Brahmins, Kshatriyas, etc.).

29. Among the 73 PAPs who reported a decrease in income, only 30 had completed one of the skills training programs offered annually under the project for income restoration assistance. As a number of the training programs were as long as six to twelve months, many of the PAPs would not yet have completed training at the time the Panel made its assessment of compliance, nor would they have had time to establish themselves after completing training.

30. The follow-up assistance planned in the 2002 annual RAP, which included investment support and/or supplementary skills training, plus support in establishing market linkages for PAPs who were not earning after completing training, has attracted little interest from the PAPs. This lack of interest indicates that the vast majority of PAPs have been able to restore their incomes either independently, or with the assistance previously provided under the project.

31. **Subsistence allowance.** In one of the two additional documents submitted by CASS, and provided to Management by the Panel on January 11, 2002, CASS states that CIL's R&R Policy "mentions a subsistence allowance BUT it is not known that any such subsistence allowance is being given to PAPs eligible for it; at a rate of Rs. 300 per month (below the poverty line) it fails to achieve an [sic] purpose of providing subsistence assistance; the people don't seem to know about claiming it."

32. CIL's R&R Policy does not mention the type of subsistence allowance described by CASS. Paragraph 14 of CIL's R&R Policy refers to rehabilitation in the form of a "subsistence allowance"—a lump sum grant for the purpose of productive investment (Package D). The following conditions must be met in order to be eligible for Package D: (i) the PAP must be an individual from whom land is acquired (this includes tribals cultivating authenticated land under customary rights); (ii) the amount of land acquired must be less than two acres; (iii) the PAP must not have income from other sources that exceeds Rs. 12,000 per year; and (iv) none of the other options should be available to the PAP. CIL's R&R Policy does not prescribe any specific amount for the subsistence allowance. According to CIL, no PAP has received this subsistence allowance to date because the eligibility criteria were not met by any PAP.

33. Although CIL's R&R Policy does not mention the type of subsistence allowance referred to by CASS, the 1994 Parej East RAP, prepared by CIL's Central Mine Planning and Design Institute (CMPDI), does mention a subsistence allowance similar to that referred to by CASS. Of the fourteen RAPs for mines under the CSESMP, the Parej East RAP is the only document that refers to this type of subsistence allowance, since this allowance is not based on CIL's R&R Policy. The Parej East RAP was cleared by the World Bank along with the other thirteen RAPs, and is referred to in the legal documents. Management acknowledges that the 1994 Parej East RAP is the applicable project document and accepts that it was an oversight that the additional subsistence allowance was referred to neither during Bank review and clearance of the RAP, nor during supervision of the project. Thus, the concerned PAFs appear to be entitled to this additional subsistence allowance.

34. Within CIL, standards and approaches to resettlement and rehabilitation have varied from subsidiary to subsidiary due to the nature of the projects and regional variations in policy or implementation. When project preparation began in the early 1990s, most of the R&R programs of CIL and its subsidiaries were based on the provisions of the 1990 Gulla Report, prepared by Mr. O.P. Gulla, Joint Secretary to the Government of India, Department of Coal, Ministry of Energy. This document was the first attempt to formulate a corporate policy for resettlement and rehabilitation in CIL, and provided the basis for resettlement and rehabilitation activities up to April 1994. The Gulla Report was not a policy document, but a set of guidelines developed in an attempt to implement resettlement programs on an equitable basis and minimize disputes and delays in land acquisition.

35. The reference to subsistence allowance in the 1994 Parej East RAP appears to be a hold over from the 1990 Gulla Report and is not in conformity with the subsistence allowance provided for under CIL's R&R Policy. Although a reference to the type of subsistence allowance described by CASS does exist in the original 1994 RAP for Parej East, it does not exist in the 1994 Baseline Socio-Economic Survey on which the 1994 Parej East RAP is based, nor is there a reference to it in the 1994 RAPs in any other subsidiary, in CIL's R&R Policy, in any of the subsequent annual RAPs for Parej East, or in the R&R policy framework agreed between CIL and the World Bank and included in the SAR.

36. The unit of entitlement for this subsistence allowance, as specified in the 1994 Parej East RAP, is not the individual, but the family. For families losing up to one acre of land, a subsistence allowance "at the rate of Rs.300 per month + an ex-gratia amount of Rs.100 per month" would be provided for twenty years. For families losing more than one acre of land, a subsistence allowance of "Rs.300 per month per acre subject to a maximum of Rs.1,000 per month + an ex-gratia amount of Rs.100 per month" would be provided for 20 years. The 1994 Parej East RAP also indicates that 54 percent of the PAFs there were landless (while another 40 percent owned less than 2.5 acres of land).

#### **IV. MANAGEMENT'S ACTION PLAN IN RESPONSE TO THE FINDINGS**

37. Resettlement of all PAFs who were affected by land acquisition/possession for mine expansion during the CSESMP project period has been completed and income restoration has been achieved with respect to 87.1 percent of PAPs (as of March-April 2002). Since some implementation issues, such as payment of subsistence allowance, and settlement of claims of PAPs cultivating land under customary tenure are still outstanding, Management intends to continue supervising the CSESMP project until all outstanding issues have been resolved. Management also proposes to report progress on outstanding issues to the Board of Executive Directors by July 31, 2004.

38. The activities which the World Bank would continue to supervise/monitor are as follows:
- Economic rehabilitation of PAFs who have suffered a decrease in income.
  - Settlement of claims for PAPs cultivating land under customary tenure.
  - Provision of long-term leases to PAPs for their house plots in the resettlement site.
  - Disbursement of subsistence allowance funds by GOI.
  - Mechanisms to access grievances redress systems related to payment of compensation.
  - Water quality at the resettlement sites.
  - Reclamation of mine land for agricultural use.
  - Procedures for consultations in project design and implementation.
  - Mechanisms for dissemination of project related information to PAPs in Parej East.

These issues are discussed in further detail in Annex 1.

39. **Independent Monitoring Panel.** Management has reviewed the Panel's suggestion to establish an Independent Monitoring Panel (IMP) for the CSESMP modeled on the IMP for the National Thermal Power Corporation project and agrees that the use of such a panel could be appropriate for monitoring the implementation of outstanding actions related to provision of the subsistence allowance and outstanding land titling cases. The World Bank has therefore written to GoI suggesting this arrangement, and has provided a draft Terms of Reference for its consideration. If agreed by GoI, the IMP for the CSESMP could be established by September, 2003 to independently support resolution of these administrative issues.

40. **Subsistence Allowance Payments.** Regarding the issue of the subsistence allowance discussed in Section III, Management recommends that funds totaling about US\$300,000 be made available by the GOI to administer a lump sum payment to the 121 eligible PAFs. Management also recommends that the GOI submit its request and implementation arrangements to the World Bank by August 31, 2003, and disburse all funds to the PAFs by March 31, 2004.

## **VI. CONCLUSION AND LESSONS LEARNED**

41. Management believes that the World Bank has made every effort to apply its policies and procedures and to pursue its mission statement in the context of the CSESMP. Management remains committed to a process of consultation and disclosure to support the achievement of the environmental and social objectives of the CSESMP. Management intends to continue to utilize its dialogue with the GOI and CIL to: (i) monitor provision of support to communities, in particular tribals living in coal mining areas, including the issuance of land titles/long-term leases to PAPs; (ii) encourage establishment of an Independent Monitoring Panel to support resolution of issues related to subsistence allowances and land titling; and (iii) advise GOI on apparent entitlements for subsistence allowances for 121 eligible families in Parej East. Management also proposes to continue post-project supervision of the CSESMP until June 30, 2004, when all of the outstanding actions are expected to be completed.

42. **Lessons Learned.** Implementation of the CSESMP provides important lessons that would be useful in guiding preparation and implementation of future projects:

- **Assumptions about organizational change should be realistic.** The achievement of sustainable change in the organizational set-up and attitudes in an organization of the size and complexity of CIL is difficult to accomplish within the duration of a standard project implementation period. Appraisal of resettlement components should, therefore, be informed by a careful assessment of the institutional capability of the agencies responsible for environmental and social mitigation. Such assessment should take into account the decision making process related to environmental issues as well as the incentives in place to bring about change.
- **Efforts should be made to strengthen national and state level legislation.** Mitigation activities that are implemented to establish compliance with national laws, which are monitored by state agencies (such as those relating to environmental mitigation) have a higher likelihood of success than mitigation activities that are not subject to similar compliance requirements. While there have been previous efforts at the state and national level, the World Bank should look for further opportunities to provide support for strengthening national/state level environmental and social policies and regulations as well as the institutions responsible for implementing them.
- **Mechanisms for institutional coordination should be carefully assessed during preparation.** In operations that involve coordination among a large number of agencies, it is essential to carefully review the adequacy of institutional coordination mechanisms during project preparation. In CSESMP, establishment of an appropriate coordination mechanism between GOI, the state government, CIL, and the subsidiary companies, could have helped address issues related to land acquisition, provision of land titles, access to government schemes, involvement of Panchayats, etc.
- **Critical issues should be resolved prior to initiation of implementation.** Critical implementation issues that require decisions by ministries other than those responsible for project implementation (e.g., the Law Ministry regarding decisions on security of tenure for plots in resettlement sites and mine lands allotted for land based income generation) should be addressed prior to project appraisal, and not left to be resolved during project implementation.
- **Obligations of implementing agencies should be clear and specific.** Safeguard policy frameworks agreed with the Borrower need to be clear and specific as to the obligations of the Borrower regarding provision of resettlement entitlements and other assistance. Determination of specific Borrower obligations cannot be left to decisions during project implementation. Thus, CIL's R&R Policy would have benefited from a more detailed description of the entitlements of PAPs in relation to self-employment (for example, effective self-employment assistance needs to include, in addition to skills training, investment assistance, infrastructure support, market analysis and assistance in establishing the necessary market linkages).
- **Innovative approaches should be explored for restoration of livelihoods in mine-related resettlement.** Effective income restoration for PAPs whose livelihoods are based on small-scale agriculture is difficult to achieve through provision of non-land-based assistance measures. In the case of the CSESMP, other measures (besides the provision of mine jobs to those who lose land above a certain threshold) were required. The success of the



“land based income generation pilot” on unused and reclaimed mine land provides one model for an alternative approach to income restoration in resettlement associated with development of mines.

- **Thorough analysis of the feasibility and risks of proposed resettlement options should be conducted during project preparation.** Project resettlement entitlements should include a range of options for PAPs to choose from. Resettlement preparation should be based on a thorough analysis of the feasibility of various options proposed to the affected people. Feasibility studies should include a detailed analysis of the technical, economic and financial aspects of the proposed options as well as an assessment of the capacity of the affected people to undertake the proposed activities. Resettlement planning should also include an analysis of the “implementation risks” associated with the proposed options and assess the feasibility of introducing fall-back options in case the options selected by the affected people do not adequately materialize.

**MANAGEMENT REPORT AND RECOMMENDATION  
IN RESPONSE TO THE INSPECTION PANEL INVESTIGATION REPORT ON  
INDIA: COAL SECTOR ENVIRONMENTAL AND SOCIAL MITIGATION PROJECT**

**ANNEX 1**

**FINDINGS, COMMENTS AND ACTIONS**

No.	Finding	Sec/ Para	Policy	Comment / Action
	<b>Social Compliance – Involuntary Resettlement</b>			
1.	<b>Parej East Resettlement Action Plan (RAP).</b> The Panel finds that the original RAP for Parej East did not reflect the actual situation in Parej East and was not location-specific as required by Management when it approved Coal India Ltd.'s R&R policy. In the Panel's view, Management's failure during appraisal to ensure that the original RAP reflected reality on the ground resulted in many problems that are at the root of the Requesters' complaints. In light of this, the Panel finds that Management's appraisal of the Parej East RAP was not in compliance with paragraph 30 of OD 4.30.	3.2, 50-57	4.30	<b>Comment:</b> Management notes the Panel's finding of non-compliance with paragraph 30 of OD 4.30, but would like to highlight the fact that the NGOs hired for the preparation of the RAP conducted an extensive house-to-house census, with a structured questionnaire, to elicit the current socio-economic status of the affected people and to receive input on each individual's preferred means of economic rehabilitation if jobs in the coal mines were not available. Management also notes the Panel's finding that: "Parej East Baseline Survey provides information on the resource base of the affected population, including income derived from forest resources as required by paragraph 11(b) the OD 4.30," that seems to support the location-specific nature of the Parej East RAP.  <b>Action:</b> No action to be taken.
2.	<b>Level of Compensation for Land.</b> A basic principle of OD 4.30 is that "[d]isplaced persons should be (i) compensated for their losses at full replacement cost prior to the actual move." In light of the above, the Panel finds that, in Parej East, many of the displaced PAPs have not been and are not being compensated at full replacement cost, with the result that many of them have suffered and are still suffering harm. The Panel notes that although the Land Acquisition Act reflects the principle in OD 4.30 that PAPs should be compensated for their land at its "market value," in practice, it defines "market value" to be the registered value of plots in official land records. Since, as a rule, these values are substantially under-reported, the principle is effectively disregarded and the PAPs are usually compensated at considerably less than replacement cost, even with the customary 30 percent 'solatium' paid in addition to "market value." [...] In light of this, the Panel finds that Management was not in compliance with paragraph 3(b) of OD	3.3, 58-78	4.30	<b>Comment:</b> Management notes the Panel's finding of non-compliance with paragraph 3(b) of OD 4.30, but would like to draw attention to the fact that the real price of land is difficult to ascertain, as land transactions in rural areas in India are often not conducted through transparent open-market mechanisms, and there is a tendency to under-report prices in order to pay lower property tax. However, the method used to calculate compensation payable for affected land was considered adequate to assess the replacement cost of land.  Land acquisition for mining in Parej East is conducted in accordance with the GOI's Coal Bearing Areas Act (CBA) of 1957, which was modified in 1976. The value of land compensation is based on the registered land prices in the area at the time notification is issued as to the purpose and intention of land acquisition. In addition to the basic assessed land value, a solatium of 30 percent is added to compensate for compulsory acquisition, as well as a 12 percent per annum cost escalation for the period between notification and "declaration of acquisition." On top of this amount, 9 percent interest is computed for the first year after the "declaration of acquisition" and 15 percent for each consecutive year. For examples of land compensation calculations, also refer to Annex 7 of the Management Response to the Inspection Panel dated July 19, 2001.  Registered market purchases indicate that low quality land is available in the project area for Rs. 12,000 – Rs.15,000 per acre, while higher quality land is available for a price of Rs.40,000 – Rs.45,000 per acre. In an assessment of 30 land compensation awards made to PAPs, the average award was found to be Rs.41,000 per acre (including trees, solatium, escalation, and interest), which would enable PAPs to purchase land at the higher end of the quality spectrum.  The CBA Act also includes a provision for appeal to a Government Tri-

No.	Finding	Sec/ Para	Policy	Comment / Action
	4.30. [...] In the Panel's view, it is clear that, as the Requesters claim, the compensation process in Parej East was and is not transparent. In light of this, the Panel finds that Management is not in compliance with paragraph 8 of OD 4.30.			<p>bunal. Forty-three appeals have been filed by PAPs contesting the amount of compensation assessed by the District authorities. The fact that sixteen of the appeals have been settled in favor of the PAPs demonstrates that there is a functioning Government grievance redress mechanism. If any PAPs feel they have been compensated at levels below the replacement cost of land they can approach this Tribunal.</p> <p><b>Action:</b> Continuing Bank supervision will review the adequacy of mechanisms to resolve outstanding issues including access to court system for resolving complaints regarding the adequacy and implementation of the compensation plan.</p>
3.	<b>Level of Compensation for Houses.</b> In the Panel's view, both the process and the basis for house compensation was open to abuse and raises serious questions, as in the case of compensation for land noted earlier.	3.4, 79-88	4.30	<p><b>Comment:</b> Management notes the Panel's finding. House compensation was calculated based on the current (2000) Government Schedule of Rates for Chotanagpur Division. As shown in Annex 8 of the Management Response to the Inspection Panel dated July 19, 2001, the value of the building is depreciated at 1.6 percent per year and a price escalation of 5 percent per year is added to the year of the Schedule of Rates. Beginning on January 1, 2001, the price escalation to be added to the compensation has been increased to 10 percent per year. Due to this price escalation clause, any adverse impacts of depreciation would be compensated in the calculation of total compensation payable.</p> <p>The owner of the house is also entitled to salvage any materials that he or she may want to use for the construction of the new house. The mine assists with dismantling the old house and transporting the salvaged materials to the new site. The value of the salvaged building materials alone could potentially equal or exceed the depreciation deducted from the compensation payable.</p> <p>House compensation is paid when the PAPs are making preparations to start dismantling their house to salvage materials for the new house. PAPs are also provided with accommodation by CCL while their new houses are under construction.</p> <p><b>Action:</b> No action to be taken.</p>
4.	<b>Resettlement Sites — Choice of Sites:</b> The Panel finds that the PAPs in Parej East were not consulted in the selection of the Pindra resettlement site as required by paragraph 8 of OD 4.30 and that Management was not in compliance with the OD in this respect.	3.5.1, 90-96	4.30	<p><b>Comment</b> Management notes the Panel finding that PAPs in Parej East were not consulted in the selection of the Pindra resettlement site and also notes that the Panel does not raise issues with the consultation process for the selection of the Prem Nagar site. It should, however, be noted that a very similar consultation process was used for the two sites; PAPs were consulted in the selection of both the Pindra and the Prem Nagar resettlement sites. Pindra, the main resettlement site, is on the main road and provides access to land for grazing and the collection of forest produce. The Prem Nagar site was developed at the request of the PAPs, and was selected in direct consultation and with the consent of the nine families from Turi Tola. It is located next to the Parej East mine colony and provides immediate access to a forest area. For additional details, refer to p.23 of the Management Response to the Inspection Panel dated July 19, 2001.</p> <p><b>Action:</b> No action to be taken.</p>
	<b>Casual Labor Opportunities:</b> The Parej East RAP limited its discussion of casual labor opportunities for resettlers at Pindra to mentioning some future nearby industrial development. The Panel could not find any record of a professional analysis of the pre- and post-relocation casual labor market.	3.5.2, 97-102		<p><b>Comment:</b> As noted in the clarification provided above, the Pindra resettlement site is on the main road, and the distance from the Pindra resettlement site to casual (work with contractors) labor opportunities, such as the Parej East coal loading dump, is roughly the same distance – 1.5 to 2km (see Map 1) – as from Borwa Tola, the original village. In addition to coal loading, PAPs have been employed in a number of other project related casual labor opportunities, including: road diversion, construction of a domestic effluent treatment plant, and assisting other PAPs who are relocating with the dismantling of their homes and</p>

No.	Finding	Sec/ Para	Policy	Comment / Action
	<p>Those who have moved to Pindra thus have superior physical accommodation but lack access to formal and informal labor opportunities at the mine site. Thus in neither case have these PAPs regained their former standard of living.</p>			<p>salvaging of building materials. Moreover, CCL had made an agreement with contractors who execute civil works contracts for the mine to employ PAPs on a preferential basis. Project related casual labor opportunities exist, are accessible, and have been capitalized on by interested PAPs.</p> <p>During a World Bank supervision mission in February 2002, it was found that seven out of the thirty-one labor crews loading coal trucks at Parej East were comprised of PAPs. Out of the 35 supervisors (<i>munshi</i>) responsible for overseeing the allocation of trucks to crews, 20 were from Parej village and 15 from Duru village. Ten percent of all trucks are reserved for PAPs, and the PAP labor crews participate in the allocation of the balance on equal terms with non-PAP labor crews. A labor crew earns Rs 1,400 per truck (about Rs 90 per laborer). This is a year round activity though the number of trucks to be loaded varies.</p> <p>PAPs have also been employed for the following activities:</p> <ul style="list-style-type: none"> <li>• Construction of a road for expansion of the Parej East mine – the entire casual labor force of 40 laborers consists of PAPs.</li> <li>• Construction of a domestic effluent treatment plant under the CSESMP – 35 PAPs were employed as casual laborers for about one year.</li> <li>• Dismantling and relocation of houses of PAPs as casual laborers employed by CCL.</li> </ul> <p>As discussed in the Section III of this Response, by March-April 2002, income restoration had been achieved with respect to 87.1 percent of PAPs, and average incomes had increased by Rs.563 per month, after adjusting for inflation.</p> <p><b>Action:</b> During supervision, the Bank will seek additional information and statistics on this issue of casual labor provided for PAPs.</p>
	<p><b>Size of Plots:</b> The Parej East RAP simply repeated Coal India's R&amp;R policy in respect of the size of plots, and did not provide for second-generation growth or land for gardens and animals. The Panel therefore finds that Management's appraisal of the Parej East RAP was not in compliance with paragraphs 13 and 19 of OD 4.30. However, in practice, Management immediately recognized this flaw, and in response to CASS insistence, CCL allocated plots twice the size of that provided for in the RAP. In addition, since implementation commenced, Management has continued to press Coal India Ltd. to change its policy.</p> <p><b>Water, Health and Services:</b> <i>Water.</i> In the Panel's view, the host community's initial opposition to allowing the PAPs to have access to its well indicates a failure to consult with the host community as required by paragraph 8 of OD 4.30. By failing to ensure access to potable water before the PAPs</p>	<p>3.5.3, 103-110</p> <p>3.5.4, 111-127</p>		<p><b>Comment:</b> Management notes the Panel's finding that in the specific case of Parej East, Management immediately recognized this flaw, and ensured that plots twice the size of those provided for in the RAP were allocated. Management also notes the Panel's acknowledgement of its efforts to persuade CIL change this aspect of its corporate policy.</p> <p><b>Action:</b> No action to be taken.</p> <p><b>Comment:</b> While there are a few houses adjacent to the resettlement site, there is no "host community" per se. Consultations with residents of these houses were held in the early stages of project preparation and implementation and they did not raise any objections to the relocation of PAPs at the Pindra resettlement site.</p> <p>In the Pindra resettlement site, the sixteen families have access to one hand pump and three dug wells. Water quality monitoring results for the quarter ending June 30, 2002 indicated that the water sources were</p>

No.	Finding	Sec/ Para	Policy	Comment / Action
	<p>were moved to the Pindra resettlement site, the Panel finds that Management was not in compliance with paragraph 19 of OD 4.30.</p> <p><i>Health.</i> [...] the Panel is of the view that, it would be extremely difficult, if not impossible, to ascribe any alleged increases [of mortality] to the Project.</p> <p><i>Services (school).</i> In December 1999, the PAPs from Borwa Tola were involuntarily relocated some distance away to Pindra. There they found a school building with no teachers, despite OD 4.30 and promises to the contrary. The Panel therefore finds that Management was not in compliance with paragraph 19 of OD 4.30.</p>			<p>within the permissible limits established by the Indian Bureau of Standards. In the Prem Nagar site, the eight families have access to water from one dug well and a water storage tank, with potable water supplied from the mine colony. As in Pindra, water quality testing results show that the water sources in Prem Nagar are within the permissible limits established by the Indian Bureau of Standards.</p> <p>Management notes the Panel's finding that any alleged mortality increases cannot be ascribed to the project.</p> <p>At the Pindra resettlement site, CCL has constructed a school building, and has issued repeated requests to the State Government to provide teachers, without any results. The 29 children (13 boys and 16 girls) from the Pindra resettlement site attend four different schools within the vicinity of the site. These schools include the State Government school in Tapin, the Dayanand Anglo Viklas school in Tapin, a private school, and an English medium school operated by the Parej East mine. CCL took action to arrange that the school in Parej village, which would be affected by land acquisition, be continued in the school building provided in the Pindra resettlement site. However, at the insistence of CASS, the school was instead shifted by the state authorities to Lower Barisom village in March 2001. This village is located at a distance from the main road, which makes it inaccessible for children from Parej village, or from the Pindra and Prem Nagar resettlement sites. The assumption behind making a provision for a school at Pindra was that most PAFs would move to the Pindra resettlement site. However, most PAFs opted for a payment of Rs.50,000 in lieu of a plot at the resettlement site, and have resettled elsewhere. Currently, the population at the resettlement site does not justify the establishment of a school at the site since the 29 children of school age are attending schools in the vicinity.</p> <p><b>Action:</b> Continuing Bank supervision will follow up on the issue of access to water and water quality at the resettlement sites. The World Bank has suggested to GoI that an Independent Monitoring Panel be established to monitor progress on this and other issues.</p>
5.	<p><b>Cultural Property.</b> While there are irresolvable issues related to cultural property management, in the Panel's view, Management has acted responsibly in consulting local people, and has acted in good faith in attempting to mitigate the issues. It therefore finds Management in compliance with OPN 11.03.</p>	3.6, 128-129	11.03	<p><b>Comment:</b> Management notes the Inspection Panel's finding of compliance.</p> <p><b>Action:</b> No action to be taken.</p>
6.	<p><b>Title to House Plot.</b> It is clear that the question of title transfer should have been identified and dealt with when the Parej East RAP was prepared, as required under OD 4.30. CCL had already purchased the Pindra resettlement site by that stage. Now, up to four years after affected people have been involuntarily resettled they are still suffering the harm that results from lack of title, including a sense of insecurity and, as Management</p>	3.7, 130-146	4.30	<p><b>Comment:</b> Management notes the Panel's finding regarding the need to have the title transfer issue addressed during project preparation. Management also notes the Panel's recognition of the continued efforts of the supervision team to resolve this issue with the GOI.</p> <p>Management began raising this issue with the GOI during the CSRPN negotiations in 1997. At that time, GOI made a commitment to provide long term leases for house plots in the resettlement sites (refer to para. 38 in Minutes of CSRPN Negotiations). Since 1997, the supervision team has raised the issue of land titles or long-term leases during every supervision mission.</p> <p>A <i>patta</i> (land title) format for long-term renewable leases proposed by</p>

No.	Finding	Sec/ Para	Policy	Comment / Action
	itself has stated, an inability to borrow for self-employment income restoration schemes. In light of the above, the Panel finds that Management was not in compliance with paragraphs 13(c) and 14(a) of OD 4.30 when the RAP for Parej East was prepared. The Panel realizes that supervision missions have raised the issue repeatedly. It has not been able to ascertain whether a renewable 30-year lease provides the same security of tenure as the 99-year lease that Management demanded. It is understood that Management is continuing to follow this issue closely through arrangements for post-Project monitoring and reporting.			<p>CIL was forwarded to the Ministry of Coal on March 30, 1999. The Law Ministry has communicated to CIL that the issuing of <i>pattas</i> (land title) can be considered on a case-by-case basis for particular resettlement sites. Specific case applications were submitted to the Law Ministry by CCL, and two other subsidiaries by May 2001, but a response from the Ministry is yet to be received. During the supervision mission in February 2002, the Ministry of Coal informed the supervision team that it expected a solution to be found, and would follow-up on the matter with the Law Ministry. However, at the time of project closure, PAPs had still not received land titles from GOI for house plots in the resettlement sites.</p> <p><b>Action:</b> The World Bank will continue to monitor this issue until land titles/long-term leases are issued to all PAPs by appropriate authorities. The World Bank has suggested to GOI that an Independent Monitoring Panel be established to monitor progress on this and other issues.</p>
7.	<b>The Grievance Mechanism.</b> Since a grievance mechanism was established in Parej East and appeals process described, the Panel finds that Management is formally in compliance with paragraph 17 of OD 4.30. However, Bank staff were unable to confirm that any independent person was on the grievance committee.	3.8, 147-152	4.30	<p><b>Comment:</b> Management notes the Inspection Panel's finding of compliance.</p> <p>The selection of PAP representatives for the three committees in Parej East related to resettlement and rehabilitation is done by the PAPs themselves. Village meetings are called, and the assembled villagers are requested to select their representatives for the committees. The Coordination Committee includes four PAP representatives – two tribal (one female), one Muslim, and one scheduled caste; the Monitoring Committee includes three PAP representatives – two tribal (one female), and one scheduled caste; and the Grievance Redress Committee includes 11 PAP representatives – three tribal, three Muslim, and five scheduled caste.</p> <p><b>Action:</b> No action to be taken.</p>
	<b>Social Compliance – Traditional Land Rights</b>			
8.	<b>Traditional Land Rights.</b> The .... account in Parej East of traditional land rights reveals a serious failure to comply with the relevant Bank policy provisions. In proceeding with the CSESMP, Management expected (and Coal India Ltd. agreed) that the tribals would be treated in accordance with Bank ODs 4.30 and 4.20. Yet, it appears that the laws of the State of Bihar precluded such treatment without documentation. ....[I]t seems clear that, during preparation, Management did not raise any questions about the possible lack of legal recognition or the process required to ensure compensation for tribals cultivating traditional land without title or documentation. The Parej East RAP does not identify tribals as claiming land rights; it does not	4, 153-183	4.30	<p><b>Comment:</b> Management notes the Panel's finding of non-compliance, and acknowledges it should have developed a better understanding of the impediments PAPs might face in Bihar (now Jharkhand) when trying to regularize their rights to lands cultivated under customary tenure.</p> <p>Management also notes the Panel's finding that once Management became aware of and acknowledged the problem, the issue was raised to the level of a cross-conditionality under Schedule 9 of the CSRP Loan Agreement. And since that time, it has worked with persistence to try to get the matter resolved.</p> <p>In the Management's responses to the Panel in July 2001, April 2002, and October 2002, Management provided the Panel with all information available – collected from supervision missions, CIL and CCL, GOI, and the District authorities – regarding compensation for PAPs cultivating land under customary tenure.</p> <p>Claims for land cultivated under customary tenure have been submitted by a total of sixteen tribal PAPs (six in Borwa Tola and ten in Duru Kasmar). In the village of Borwa Tola, four out of the six claims were authenticated by the District authorities in 1996. Of the four authenticated claims, two PAPs received compensation before relocating, one was not present in the area and received the compensation later, and</p>

No.	Finding	Sec/ Para	Policy	Comment / Action
	<p>provide any details of the process required under Bihar law; and it does not include a time-bound schedule for authenticating GMK land rights that were not already settled. There is no mention of [land] camp[s] or of what the PAPs would need to do in order to establish their rights. All this should have been done because Management accepted the Coal India Ltd. R&amp;R policy as a working framework on the understanding that it would review mine specific RAPs for compliance with OD 4.30.[...] The Panel finds that Management was not in compliance with paragraph 17 of OD 4.30 and paragraphs 15(c) and 17 of OD 4.20, in connection with the preparation of the Parej East RAP. At the same time, the Panel recognizes that after this flaw was raised by CASS and international NGOs, Management acknowledged the problem. It raised the issue to the level of a cross-conditionality under the CSR loan. And, since then, it has worked with persistence to try to get the matter resolved. [...] the Panel notes that Management has failed to provide the Panel with evidence that it has complied with OD 4.30 with regard to the compensation of PAPs who own land under traditional or customary rights, prior to their relocation.</p>			<p>one had died without any successors having submitted a succession claim to date. In the village of Duru Kasmar, ten tribal PAPs have submitted GMK claims. Land surveys for authentication were conducted by the District authorities in 2000, and a final decision is pending. None of the PAPs who have submitted GMK claims in Duru Kasmar have been resettled.</p> <p><b>Action:</b> The World Bank will continue to monitor this issue until all claims have been settled. The World Bank has suggested to GOI that an Independent Monitoring Panel be established to monitor progress on this and other issues.</p>
	<p><b>Social Compliance – Forest Resources</b></p>			
9.	<p><b>Access to Forest Products.</b> The Panel finds that the Parej East Baseline Survey provides information on the resource base of the affected population, including income derived from forest resources as required by paragraph 11(b) the OD 4.30.</p>	5.1, 184-196	4.30	<p><b>Comment:</b> Management notes the Panel's finding of compliance.</p> <p><b>Action:</b> No action to be taken.</p>
10.	<p><b>Compensation for Loss of Access to Forest Products.</b> As provided for in paragraph 15(c) of OD 4.30 the RAP states that the Pindra resettlement site will provide equivalent access to the forest, but it fails to support this statement with any details about the adjacent forest including whether the forest will support the same income earning opportunities for the 227 families originally</p>	5.2, 197-204	4.30	<p><b>Comment:</b> Management notes the Panel's finding of non-compliance on this issue during preparation.</p> <p>The discussion of this issue in the first Management Response (July 19, 2001) utilized the Baseline Survey data, which indicated that there was limited dependence on forest produce by the PAPs, who lived in an area where forest resources had been severely depleted. In Management's second communication to the Panel (April 2002), the World Bank's findings during supervision indicated that those PAPs who had previously made use of forest produce as part of their livelihood strategy still had access to forest produce due to the proximity of the resettlement sites to such resources (see Comment to Finding 4, above).</p>

No.	Finding	Sec/ Para	Policy	Comment / Action
	<p>expected to move there, or whether the host community is prepared to share the resource. The Panel found no evidence to indicate that during appraisal Management ensured that a access would be available or that access to the forest beside Pindra would provide PAPs who moved there with equivalent compensation for loss of their access to forest products. Because of this, the Panel finds that Management was not in compliance with paragraph 15(c) of OD 4.30 during Preparation.</p>			<p><b>Action:</b> The Bank will continue to supervise and follow up on access to forest products by PAPs</p>
	<p><b>Social Compliance – Income Restoration</b></p>			
11.	<p><b>Income Restoration.</b> The Bank's objective in OD 4.30 on Involuntary Resettlement is to ensure that people who are displaced benefit from the project. Displaced people must be assisted to improve or at least restore their standard of living. In spite of significant efforts on the part of various Bank officials and others involved during implementation, these objectives have not been achieved in Parej East and, as a result, PAPs have been harmed and continue to suffer harm.</p> <p>While it is absolutely essential for the Bank to support these difficult challenges, the Panel would caution that unless they are matched by time, the early planning required by OD 4.30, and the resources and realism needed to achieve them, the poorest and most vulnerable of the people affected by the project may end up carrying a disproportionately heavy burden. In light of the above, the Panel finds that, as Management itself recognizes, it is not in compliance with paragraphs 3(b)(iii) of OD 4.30 since, according to the April 2002 Management Response, the income of at least 21 percent of EPAPs in the Parej East subproject had not been improved, still less restored.</p>	6, 205-212	4.30	<p><b>Comment:</b> Management notes the Panel's finding on non-compliance with paragraph 3(b) (ii) of OD 4.30, but notes that relevant income data from the March-April 2002 census was not available when Management submitted its response on April 4, 2002. Management is pleased to note that recent data indicates that the situation continues to improve. As of March-April 2002 (2 months prior to project closure), income restoration had been achieved with respect to 87.1 percent of all PAPs entitled to income restoration assistance.</p> <p>Income restoration is a process that usually requires a moderate to long gestation period. For a section of the PAPs the decrease in incomes reflects the normal time-lag between availing income restoration assistance and fully realizing its income generation potential. Among the seventy-three PAPs who reported a decrease in income during the March 2002 census, only thirty completed any of the skills training programs offered under the project for income restoration assistance. While some of the PAPs who have completed training reported a decrease in income, nearly two thirds did not opt to enroll in a training program until eighteen months prior to project closure. The forty-three PAPs who did not complete a skills training program lost an average of Rs. 150 more per month compared to those PAPs who did complete a program.</p> <p>As a number of the training programs were as long as six to twelve months, many of the PAPs would not yet have completed training at the time the Panel made its assessment of compliance, nor would they have had time to establish themselves after completing training. Therefore, it may still be too early to draw a final conclusion regarding the status of income restoration</p> <p>Management agrees with the Panel's finding that realism is needed when planning for and carrying out economic rehabilitation activities. The objective of 100 percent income restoration may be difficult to achieve for some sections of the displaced population. For example, the disabled and women generally have lower incomes and incomes of the elderly usually decline over time.</p> <p>Management shares the Panel's concern that the most vulnerable people may end up carrying a disproportionately heavy burden. However, an analysis of income data from March-April 2002 indicates that income restoration has been achieved with respect to 97.8 percent of female PAPs, and 88.7 percent of tribal PAPs (a higher percentage than for all PAPs). In addition, the number of PAPs with above-poverty-line incomes nearly doubled for all PAPs, and has more than doubled for tribal</p>



No.	Finding	Sec/ Para	Policy	Comment / Action
				<p>PAPs during the project period.</p> <p>Of the seventy-three PAPs who reported a decrease in income, twenty-nine were members of households whose incomes had in fact increased during the project period.<sup>15</sup></p> <p><b>Action:</b> Continuing Bank supervision will monitor the status of economic rehabilitation.</p>
12.	<p><b>RAP Entitlements in Parej East – Jobs in the Mine:</b> In the Panel's view, it is quite understandable that PAPs who opted for jobs in June 1994 should naturally expect to receive those jobs. Nor is it surprising that those who owned less than two acres continued to demand and expect jobs for land. It must have been a shock for them to discover otherwise when finally presented with the reality of their situation in early 1997. The Panel finds that Management was not in compliance with paragraph 30(e) of OD 4.30 during preparation and appraisal of the Parej East RAP.</p>	6.1.1, 213-227	4.30	<p><b>Comment:</b> Management notes the Panel's finding of non-compliance during the preparation and appraisal of the Parej East RAP.</p> <p>In accordance with CIL's R&amp;R Policy, CCL's employment records for Parej East indicate that all PAPs who have lost more than two acres of irrigated land or three acres of non-irrigated land have been compensated for their loss with a mine job. Additionally, as per CIL corporate policy, no "non-PAPs" have been hired for any unskilled or semi-skilled jobs in CCL during the project period.</p> <p>During the 1994 Baseline Survey, 45 percent of PAPs opted for jobs in the mine, 23 percent opted for cultivation, and 32 percent opted for labor or some form of self-employment.</p> <p>All PAPs who opted for jobs in 1994 and met the stipulated criteria for provision of jobs, were provided jobs in CIL.</p> <p>CIL has traditionally provided employment to PAFs as part of the compensation for land acquisition. The comparatively high wages offered by CIL and the security of employment (jobs could frequently be passed on to a family member upon retirement) made this a highly desirable form of compensation, and the reason nearly all PAPs opted for mine jobs as their preferred means of compensation.</p> <p>Consultations on the implications of CIL's R&amp;R Policy were held with the affected community and NGO representatives beginning in May 1995. Between May 1995 and September 1997, six meetings were held with PAPs and NGO representatives where the issue of income restoration, including employment in the mine and training for self-employment were discussed (see Annex 5 of the Management Response dated July 19, 2001). Despite the communication during these consultations of the thresholds in terms of land loss required to obtain a mine job, PAPs continued to press for provision of additional mine jobs because of the obvious economic security provided by such jobs. All PAPs entitled to mine jobs were provided jobs.</p> <p><b>Action:</b> No action to be taken.</p>
13.	<p><b>Land for Land:</b> Under the Bank's policy, the land for land option is not mandatory, but it is clearly preferred wherever possible. Under CCL's Parej East RAP, CCL was to offer assistance to PAPs to find replacement land. According to Management CCL received no</p>	6.1.2, 228-235	4.30	<p><b>Comment:</b> Management notes the Panel's finding of non-compliance.</p> <p>As of March-April 2002, a total of forty-four PAFs had purchased replacement land.<sup>16</sup> Not all PAFs are in a position to purchase replacement land since not all PAFs owned agricultural land when they were displaced. Information collected on land ownership as part of project preparation indicated that 54 percent of PAPs were landless, while 40 percent owned less than 2.5 acres, and the remaining 6 percent owned</p>

15 For example, if a member of a household received a mine job during the project period, household income could easily double, making it unnecessary for other members of the household, particularly women, to continue working.

16 Ninety-seven PAPs are members of these forty-four families.

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	requests for such assistance. But in the RAP some 117 opted for this assistance and 115 qualified. Management also indicated in its Response that a large number of PAFs found replacement land, indicating that, with effort, it could be obtained. The Panel finds that Management was not in compliance with paragraph 4 of OD 4.30.			<p>from 2.6 to more than 10 acres of land.</p> <p>Neither GOI nor CIL considered provision of replacement land through purchase of private land on behalf of the PAPs to be a realistic option due to the practical administrative difficulties this would present, and the inflationary effects this would have on land prices. The provision of replacement land through utilization of unused or reclaimed mine land was proposed by the World Bank in late 1997, and pursued in successive supervision missions. Despite agreements during the midterm review in February 1999 regarding five land based income generating pilots (including in CCL), reluctance on the part of CIL to follow up on its commitments resulted in only one such pilot being implemented in another subsidiary (SECL).</p> <p><b>Action:</b> Continuing Bank supervision will follow up on the issue of reclamation of previously mined lands.</p>
14.	<p><b>Non-Farm Based Self-Employment:</b>  <i>The Market Surveys.</i> The Panel finds that Management failed to ascertain the adequacy or feasibility of the self-employment income rehabilitation strategy in the Parej East RAP during appraisal and, after a Market Survey was finally conducted in March 1998, it failed to ensure that the recommended follow-up measures were taken. In light of this, Management was not in compliance with paragraphs 24, 29, and 30 of OD 4.30.</p> <p><b>Income Restoration through Self-Employment.</b> During project preparation and appraisal, Management relied almost entirely on non-farm self-employment as the strategy to regain standards of living, without assessing its feasibility for income restoration in Parej East (any evidence that some sort of a feasibility analysis was indeed carried out). As a result, many PAPs in Parej East have failed to restore their living standard and incomes to their previous levels and consequently have suffered and continue to suffer harm.</p>	<p>6.1.3, 236-238  6.1.3.1, 239-243</p> <p>6.1.3.2, 244-258</p>	4.30	<p><b>Comment:</b> Management notes the Panel's finding of non-compliance and acknowledges that a more thorough analysis of the feasibility of income restoration options should have been undertaken during project preparation.</p> <p><b>Action:</b> No action to be taken.</p> <p><b>Comment:</b> Management notes the Panel's finding of non-compliance.</p> <p>As of March-April 2002, income restoration had been achieved with respect to 87.1 percent of all PAPs entitled to income restoration assistance.</p> <p><b>Action:</b> Post-project supervision of the CSESMP, including monitoring of status of economic rehabilitation, will be carried out by the World Bank.</p>
15.	<p><b>Wage Labor:</b>  In the Panel's view, it is a positive development that the supervision team's efforts to get formal agreement to employ PAPs as casual laborers have finally succeeded and it is to be hoped that this will make quite a difference to some of the displaced families.</p>	6.1.4, 259-261	4.30	<p><b>Comment:</b> Management acknowledges the Panel's recognition of the outcome of the supervision team's efforts.</p> <p><b>Action:</b> No action to be taken.</p>
16.	<p><b>Timing of Income Restoration – Changing into Entrepreneurs:</b>  In the Panel's view it was a major</p>	6.2.1, 262-267	4.30	<p><b>Comment:</b> Management notes the Panel's finding and agrees that a more thorough analysis of the feasibility of income restoration options should have been undertaken as part of project preparation.</p>

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	<p>planning flaw for the Bank not to have recognized that it was unrealistic to expect that the PAPs in Parej East could become entrepreneurs in five years. In accordance with paragraph 30 of OD 4.30 the feasibility of Parej East PAPs regaining their livelihood through self-employment should have been reviewed when the RAP was appraised.</p>			<p><b>Action:</b> No action to be taken.</p>
17.	<p><b>Rehabilitation before Displacement.</b> In the Panel's view, a feasible strategy for income generation should have been in place in Parej East at the time the RAP was prepared.</p>	6.2.2, 268-271	4.30	<p><b>Comment:</b> Management notes the Panel's finding.</p> <p><b>Action:</b> No action to be taken.</p>
18.	<p><b>Transition Period and Subsistence Allowance.</b> In the Panel's view, Management failed to ensure that the Parej East RAP made effective provision for support during a time-bound transition period after displacement as required by OD 4.30. Some PAPs have suffered harm by temporarily losing their standard of living and a number continue to do so. [...] The supervision reports made available to the Panel do not provide any further information on this matter. The Panel finds that Management has failed to demonstrate that it has complied with paragraph 3(b) (ii) of OD 4.30 that requires that displaced persons "be supported during the transition period in the resettlement site."</p>	6.2.3, 272-284	4.30	<p><b>Comment:</b> Management notes the Panel's finding of non-compliance.</p> <p>There are two types of subsistence allowances, one provided for in the Parej East RAP and the other included in the CIL R&amp;R policy.</p> <p>The one provided for in the Parej East RAP is called the "Relocation and Transitional Allowance" that is comprised of two elements - a "Relocation Allowance" to be paid to each family, and a subsistence allowance to be provided to individuals who belong to families losing land and who do not opt for jobs or do not qualify for jobs.</p> <p>The relocation allowance consists of an ad-hoc grant for house construction of Rs.5000 per family and a relocation allowance of Rs.2000 per family.</p> <p>The subsistence allowance at the rate of Rs.300 per month + an ex-gratia amount of Rs.100 per month provided for 20 years is paid to families losing up to one acre of land. For families losing more than one acre of land, a subsistence allowance of "Rs.300 per month per acre subject to a maximum of Rs.1,000 per month + an ex-gratia amount of Rs.100 per month" would be provided for 20 years. The 1994 RAP also indicates that in Parej East, 54 percent of the PAFs were landless, while another 40 percent owned less than 2.5 acres of land.</p> <p>The subsistence allowance included in CIL's R&amp;R Policy (Package D) refers to a rehabilitation grant in the form of an allowance or lump sum grant to be used for the purpose of productive investment. To be eligible to receive assistance under Package D, the PAP must be an individual from whom land is acquired (including tribals cultivating land under customary rights), the amount of land acquired must be less than 2 acres, the PAP must not have income from other sources that exceeds Rs.12,000 per year, and none of the other economic rehabilitation options should have been taken up by the PAP. CIL's R&amp;R Policy does not prescribe any specific amount for the subsistence allowance. To date, CCL states that no PAP has received a subsistence allowance because the eligibility criteria have not been met.</p> <p>Although CIL's R&amp;R Policy does not mention the type of subsistence allowance referred to by CASS, the 1994 Parej East RAP, prepared by CIL's Central Mine Planning and Design Institute (CMPDI) does mention a subsistence allowance similar to that referred to by CASS. Of the fourteen RAPs for mines under the CSESMP, the Parej East RAP is the only document that refers to this type of subsistence allowance, since this allowance is not based on CIL's R&amp;R Policy. The Parej East RAP</p>

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				<p>was cleared by the World Bank along with the other thirteen RAPs, and is referred to in the legal documents. Management acknowledges that the 1994 RAP is the applicable project document and accepts that it was an error to not refer to the original 1994 RAP during implementation. To rectify the situation, it is proposed that the eligible PAFs be paid the subsistence allowance to which they are entitled, as a one time, lump sum payment.</p> <p>Also see Section III of this report for a full discussion of this issue.</p> <p><b>Action:</b> Management recommends that funds totaling about US\$300,000 be made available by the GOI to administer a lump sum payment to the 121 eligible PAFs. Management also recommends that the GOI submit its request and implementation arrangements to the World Bank by August 31, 2003, and disburse all funds to the PAFs by March 31, 2004.</p> <p>The World Bank will continue to monitor this issue until all claims have been settled. The World Bank has suggested to GOI that an Independent Monitoring Panel be established to monitor progress on this and other issues.</p>
19.	<p><b>Adoption of Alternative Income Generating Schemes – Land Based Income Generation.</b> Like the ESRP, the Panel believes that this would offer the most promising possibility for restoring or improving the lives of PAPs, in particular in Parej East. In the Panel's view, the current Bank supervision team must be commended for recognizing that a land-based income restoration option was essential. Since doing so, the team has made an impressive effort to have it adopted. Noting the success of the one pilot in operation in another mine, the supervision team has recommended its immediate adoption in other subsidiaries.<sup>17</sup> Unfortunately this will not help the PAPs in Parej East.</p>	6.3.2, 288-291	4.30	<p><b>Comment:</b> Management notes the Panel's acknowledgement of the supervision team's recognition of the necessity of land-based income generation as an income restoration option and its repeated efforts to have the pilot expanded beyond SECL.</p> <p><b>Action:</b> No action to be taken.</p>
	<p><b>Social Compliance – Indigenous Peoples Development Plan</b></p>			
20.	<p><b>Separate IPDPs for Tribals.</b> The Panel considers that, while the Coal India Ltd. "generic IPDP" is not directed exclusively at tribals, the decision to include all vulnerable people in the context of a framework plan to be eventually applied to all 495 Coal India Ltd. mines was in conformity with OD 4.20.</p>	7.1, 294-299	4.20	<p><b>Comment:</b> Management notes the Panel's finding of compliance.</p> <p><b>Action:</b> No action to be taken.</p>
21.	<p><b>Original Parej East IPDP.</b> [...] the Bank was not in compli-</p>	7.2, 300-316	4.20	<p><b>Comment:</b> Management notes the Panel's finding of non-compliance and acknowledges that the Parej East IPDP should have been reviewed</p>

<sup>17</sup> December 2001 Aide Memoire, para. 7.

No.	Finding	Sec/ Para	Policy	Comment / Action
	<p>ance with paragraph 18 of OD 4.20 in failing to require an assessment and clearance of the IPDPs for each mine at appraisal. Specifically, the IPDP for Parej East was not reviewed. [...] In the Panel's view, as recognized by the ESRP, the Parej East IPDP should have been responsive to local needs. It was not. The Panel considers that Management could have assessed a local NGO report on the IPDP prior to CSESMP approval. Especially since it did not itself review the Parej East IPDP. Having failed to review the Parej East IPDP, Management could not have assessed whether it was in compliance with paragraph 18 of OD 4.20 during appraisal. The Panel finds that Management was not in compliance with paragraph 18 of OD 4.20 in the preparation of the original Parej East IPDP.</p>			<p>and cleared by the World Bank.</p> <p><b>Action:</b> No action to be taken.</p>
22.	<p><b>Annual Implementation Plan.</b> In the Panel's view, OD 4.20 does not contemplate "indicative" IPDPs either as a substitute for, or as a near-rigid template for, location-specific IPDPs. In Parej East, an indicative IPDP was the basis for the Annual Implementation Plans, which turned out to be inflexible and largely unresponsive exercises. In light of this, the Panel finds that Management was not in compliance with OD 4.20 in preparation of the original IPDP for Parej East.</p>	7.3, 317-326	4.20	<p><b>Comment:</b> Management notes the Panel's finding of non-compliance.</p> <p>A set of 25 "site-specific" IPDPs was prepared based on location specific socio-economic surveys and consultations with representatives of the target villages. Thus, these IPDPs were "location specific" and they were considered indicative only in terms of the actions described, since they needed to be updated and elaborated based on ongoing consultations during project implementation. In order to facilitate direct broad-based involvement of the villagers, subsequent project implementation was based on the participatory planning of annual action plans by VWGs. The VWGs had an average of thirteen members, who were nominated by the villagers themselves, and represented different sections of the beneficiary community. Although initially limited, women increased their level of representation in the VWGs to approximately 30 percent at the time of project closure.</p> <p>The IPDPs consisted of three types of activities: (i) asset creation, including irrigation and drinking water supply facilities, school classrooms, and community halls; (ii) skills development, including training in book-keeping, contract management, income generation, and adult literacy; and (iii) various community activities ranging from health awareness camps to the plantation of wasteland areas. VWGs were employed as contractors for the civil works during the creation of community infrastructure facilities. By serving this function, the capacity established in the area of contract management has enabled some VWGs to bid for and execute small contracts for the Panchayats and/or the mines.</p> <p><b>Action:</b> No action to be taken.</p>
23.	<p><b>Local Participation.</b> The Panel found no evidence of this in the case of the Parej East IPDP. An early 1997 Bank supervision mission acknowledged that there had</p>	7.4, 327-341	4.20	<p><b>Comment:</b> Management notes the Panel's finding of non-compliance during preparation of the original IPDP.</p> <p>Implementation of the annual IPDPs is based on participatory planning involving VWGs whose members are nominated by the villagers them-</p>

No.	Finding	Sec/ Para	Policy	Comment / Action
	<p>been virtually no meaningful participation of indigenous people in preparation of the IPDPs. “<i>Only panchayat [village council] members and/or village elders had been consulted with only one meeting in each village.</i>”<sup>18</sup> Unlike the IPDPs for some other mines, the original IPDP for Parej East does not describe any consultation or participation.<sup>19</sup> During its field visit, the Panel confirmed a lack of consultation in the preparation of the original Parej East IPDP.</p> <p>In light of Management’s failure to ensure meaningful consultation in the preparation of the original Parej East IPDP, the Panel finds that Management was not in compliance with paragraphs 14(a) and 18 of OD 4.20. [...] In the Panel’s view, recent efforts by Management have resulted in some progress in addressing an enormous challenge. Not only does the challenge presume a massive shift in the institutional culture of the key implementing agents, who have other overriding priorities, it also requires processes of participation and involvement that are new and strange to those who must relate to the project affected peoples and elements of civil society who represent them. In Chapter 5 of the original IPDPs prepared by ORG, including that for Parej East, the community development strategy for all three mines in the two different States is described in the exact same terms. Although the strategy has evolved, it is not location specific, nor is it sensitive to the composition, structure and needs of the community. In light of this, the Panel finds that Management is not in compliance with paragraph 15(d) of OD 4.20.</p>			<p>selves. 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.</p> <p>Management has found the outcome of the IPDPs successful, and that the role and composition of the VWGs has made a noticeable contribution to strengthening the voices of women and other marginalized groups in village affairs.</p> <p>See comment provided with reference to finding 22 above.</p> <p><b>Action:</b> Continuing Bank supervision will focus on the issue of consultation in project design and implementation for the Parej East Plan for follow up actions.</p>
24.	<p><b>Dominance of Infrastructure Activities.</b> During its investigation, the Panel found that many of the</p>	7.5, 342-349	4.20	<p><b>Comment:</b> The annual IPDPs were prepared with the direct broad-based involvement of the villagers, and the number of each of the three different types of activities – asset creation, skills development, and</p>

18 March 1997 Aide Memoire, para. 14.

19 The addendum which is a standard prepared form used for all twenty-four mines has the exact same phrase at the beginning of each form stating that the IPDP was prepared using “*techniques like Focus Group Discussion and Participatory Rural Appraisal for evoking informal responses from the presidents.*” The Panel is not certain who supplied the form and language.

No.	Finding	Sec/ Para	Policy	Comment / Action
	IPDP activities in Parej East are disconnected, have little depth, are just marginal and, on the whole, do not reflect a real "felt" need. The Panel is concerned that there has been no concentration on long-term projects such as literacy and numeracy classes, maternal and child health, and self help groups. Although very late, it is encouraging to note that the 2002 IPDP implementation plans consists exclusively of self-help group capacity building and income generation.			community activities – to include in the plan was at the discretion if the villagers.  At the time of project closure, 134 community activities had been completed, 48 activities in the area of skills development, and 42 in the area of asset creation. Among the 134 community activities completed during IPDP implementation in Parej East, there were 3 health camps and 18 adult literacy programs.  <b>Action:</b> No action to be taken.
<b>Environmental Compliance</b>				
25.	<b>Observations of the Environmental and Social Review Panel.</b> (There is no)... formal violation of Annex C of OD 4.01 as far as land reclamation (emphasis added) in Parej East is concerned. <sup>20</sup>	8.2, 367-377	4.01	<b>Comment:</b> Management notes the Panel's finding of compliance regarding land reclamation.  <b>Action:</b> No action to be taken.
<b>Disclosure of Information</b>				
26.	<b>Disclosure of EIAs, RAPs and IPDPs.</b> The Panel found no evidence that the Sectoral Environmental Impact Assessment, which contained the Parej East five-year Environmental Action Plan, was made "available at some public place" in Parej East "accessible to affected groups and local NGOs for their review and comment."  Based on its review of the documentation and interviews, the Panel notes that while Management ensured that the SEIA and the Parej East EAP and RAP were placed in the Bank's PICs in Washington and New Delhi before appraisal, it failed to ensure that the reports were available in Parej East at a public place accessible to affected groups and local NGOs for their review and comment; not even a Summary of their conclusions "in a form and language meaningful to the groups being consulted," as required by OD 4.01/BP 17.50. In light of this, the Panel finds that Management was not in compliance with paragraph 21 of OD 4.01 and paragraph 12 of BP 17.50 in respect of disclosure.	9.1, 389-394	4.01 17.50	<b>Comment:</b> Management notes the Panel's finding of non-compliance.  <b>Action:</b> No action to be taken. Since the project was prepared the Bank has taken measures to improve the disclosure of EIAs, RAPs and IPDPs in project affected areas.
27.	<b>Parej East Public Information Center.</b> In 2002, it is obviously not	9.2, 395-409	4.01	<b>Comment:</b> Management notes the Panel's finding of non-compliance.

<sup>20</sup> Annex C relates to environmental mitigation and management plans.

No.	Finding	Sec/ Para	Policy	Comment / Action
	<p>possible to verify what precise documents were or were not available in the Parej East Center in 1996/97. In the Panel's view, however, the location of the Center in the office of the R&amp;R Officer, in the gated CCL mine Headquarters' compound, does nothing to facilitate information being provided "<i>.. in a timely manner and in a form that is meaningful for, and accessible to, the groups being consulted,</i>" as required by paragraph 21 of OD 4.01. On the contrary, for poor, vulnerable and now dependent people, it is clearly intimidating to approach an office in that location, let alone walk in and freely request information, register complaints and engage in dialogue. In addition, the information being provided in 2001 was largely technical and inaccessible to project affected people and without summaries "<i>... of its conclusions in a form and language meaningful to the groups being consulted,</i>" as required by OD 4.01. Management could and should have been aware of this. In light of this, the Panel finds Management not in compliance with paragraph 21 of OD 4.01 and paragraph 12 of BP 17.50.</p>		17.50	<p><b>Action:</b> Continuing Bank supervision will follow up on implementing effective mechanisms for dissemination of information to PAPs in Parej East, including dissemination of documentation on the follow up measures proposed above.</p>
	<p><b>Consultations</b></p>			
28.	<p><b>Environmental Assessment / Environmental Action Plan.</b> The Panel finds no evidence of, and no documentation of, meaningful consultations on the Sectoral Environmental Impact Assessment and the Environmental Action Plan with the PAPs or local NGOs in Parej East, as required under OD 4.01. In light of this, the Panel finds that Management was not in compliance with paragraph 20 of OD 4.01 concerning consultations in Parej East on the preparation of the Sectoral Environmental Impact Assessment and the Parej East Environmental Action Plan.</p>	10.1, 414-425	4.01	<p><b>Comment:</b> Management notes the Panel's finding of non-compliance with paragraph 20 of OD 4.01 but does draw attention to the fact that during project preparation, thirteen 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 (see Annex 5 of the Management Response dated July 19, 2001).</p> <p><b>Action:</b> No action to be taken.</p>
29.	<p><b>Preparation of RAP.</b> Based on a review of the records and interviews in the field, the Panel found no evidence to indicate that, apart from being interviewed for the Baseline Survey, the PAPs were</p>	10.2, 426-434	4.30	<p><b>Comment</b> Management notes the Panel's finding of compliance with paragraph 8 of OD 4.30, and the Panel's finding of non-compliance with paragraph 9 of OD 4.30. Management would like to draw attention to the fact that consultations were held throughout project implementation, as part of the process of preparing the annual RAP. During project preparation, CIL engaged nine NGOs as consultants to carry out Base-</p>



No.	Finding	Sec/ Para	Policy	Comment / Action
	<p>consulted in the preparation of the Parej East RAP itself.<sup>21</sup> The Panel recognizes that Management ensured that the PAPs in Parej East were interviewed during the process of the Baseline Survey preparation and, to the extent that this provided inputs for the RAP, finds that Management was in compliance with paragraph 8 of OD 4.30. But, beyond these interviews, there is nothing to indicate that the PAPs in Parej East were “systematically informed and consulted during preparation of the resettlement plan about their options and rights.” In light of this, the Panel finds that Management was not in compliance with paragraph 8 of OD 4.30. The evidence is clear that the host community for the Pindra resettlement site was not consulted during project preparation and, in light of this, the Panel finds that Management was not in compliance with paragraph 9 of</p>			<p>line Socio-Economic Surveys of the affected populations in the fourteen mines with land acquisition. On the basis of these surveys, the original RAPs 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.</p> <p>Prior to the preparation of the annual RAP the mine authorities post notices in the RAP villages, the PIC, and other prominent places to inform the entitled PAPs about the income restoration planning and to invite them to select a self-employment training option. Following these announcements, PAPs are contacted individually and the different training opportunities are discussed with them. Once a PAP 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.</p> <p><b>Action:</b> No action to be taken.</p>
30.	<p><b>Implementation of RAP.</b> The Panel notes that, after the RAP was prepared, consultation with PAPs and PAP participation in the resettlement process were to be undertaken entirely through the implementing NGO, but also observes that in Parej East the implementing NGO, XISS, set up an office in Parej East only in July 1997. During the three years that elapsed since the RAP had been prepared there is scant evidence of consultations on planning for displacement, except occasionally at the insistence of CASS. The Panel finds, however, that once XISS began work, there was systematic consultation and involvement of the PAPs, on behalf of CCL, and therefore finds Management in compliance with paragraph 8 of OD 4.30.</p>	10.3, 435-440	4.30	<p><b>Comment:</b> Management notes the Panel’s finding of compliance.</p> <p>XISS was first employed by the borrower in March 1994 to prepare the Baseline Socio-Economic Survey of Project Affected Families in Parej East, on which the 1994 Parej East RAP was based. As part of the Baseline Survey, XISS conducted an extensive house-to-house census, as noted above. When XISS established an office in Parej East in 1997, consultations with PAPs became more frequent and sustained.</p> <p><b>Action:</b> No action to be taken.</p>
31.	<p><b>Consultation with Parej East NGOs.</b> The Panel notes Management’s view that consultation with local NGOs was to be undertaken exclusively with the implementing NGOs, but also observes that in</p>	10.4, 441-448	4.01	<p><b>Comment:</b> Management notes the Panel’s finding of partial compliance, but wishes to note that consultations with NGOs were held throughout the implementation period. In March 1995, a two day workshop was held in Calcutta, on Income Restoration and Self-employment Alternatives which included representatives from PAPs. In addition, a number of State Government officials and a total of forty-one NGOs</p>

21 The Parej East RAP was prepared by CCL’s’ design and planning consultant, the same consultant who surveyed and prepared the plan for the resettlement site.

No.	Finding	Sec/ Para	Policy	Comment / Action
	<p>Parej East the implementing NGO, XISS (employed only in March 1997), was located in Ranchi, and could not be considered a local NGO until it set up an office in Parej East only in July 1997. It is evident therefore that, prior to mid 1997, any consultation the borrower may have had with XISS did not constitute consultation with a local Parej East NGO. It is also worth noting that since XISS was contracted by CCL it was accountable to the subsidiary that employed it. In the Panel's view, it is at best not clear how this arrangement could serve to discharge Management's obligation to ensure consultation with local NGOs acting on behalf of the PAPs, rather than on behalf of CCL. At worst, it places the implementing NGO in a serious conflict of interest, the results of which the Panel itself had an opportunity to witness. The Panel notes, however, that Bank staff did meet with CASS in the field at least once and did, after consultation with Coal India Ltd., systematically respond to CASS letters, and met with the NGO several times in the field to discuss issues. However, this ended in March 2000 and since then, the Panel understands there has been no communication between the Bank and CASS. The Panel therefore finds that, before 1998 and after 2000, Management did not ensure that the views of "local NGOs" in Parej East were taken "fully into account in the project design and implementation" as suggested by paragraph 19 of OD 4.01, in particular with regard to implementation of the RAP. In this respect, Management was not in compliance with paragraph 19 of OD 4.01.</p>			<p>participated, eight of whom were from Bihar. Of these eight NGOs, two were from Hazaribagh (Damodar and Nav Bharat Jagriti Sangh), and therefore local, while six were headquartered in Ranchi, and could also be considered local. Subsequent workshops were organized at the subsidiary level involving representatives from both the PAPs and NGOs.</p> <p>The Panel states that XISS was "employed only in March 1997" and as a result concludes that "prior to mid 1997, any consultation the borrower may have had with XISS did not constitute consultation with a local Parej East NGO." XISS was first employed by the borrower in March 1994 to prepare the Baseline Socio-Economic Survey of Project Affected Families in Parej East, on which the 1994 Parej East RAP was based. As part of the Baseline Survey, XISS conducted an extensive house-to-house census as noted above.</p> <p>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 its concerns in April 1997, December 1998, February 1999 (in conjunction with the Midterm Review), November 1999, January 2000, and March 2000. CASS did not request a meeting with the supervision team (as it had done in the past) during either the October 2000 or March 2001 missions.</p> <p>However, the World Bank's supervision team did not have any contact with CASS once the Request for Inspection was submitted to the Inspection Panel on June 21, 2001.</p> <p><b>Action:</b> No action to be taken.</p>
	<b>Supervision</b>			
32.	<p><b>The Supervision Consultant.</b> In the Panel's view, it is most unfortunate that Management did not act on the unsatisfactory nature of the supervision consultant's reports on the social aspects of the Project before February 1999. By that time, over three years had passed since the local NGOs in Parej East had begun to submit their complaints about lack of con-</p>	11.1, 454-457	13.05	<p><b>Comment:</b> Management notes the Panel's finding of non-compliance prior to February 1999 and of compliance after that date.</p> <p><b>Action:</b> No action to be taken.</p>

No.	Finding	Sec/ Para	Policy	Comment / Action
	<p>sultation. As the Panel reported earlier, it found no evidence of consultation on the preparation of the SEIA and the RAP, which deal with matters that have a fundamental impact on the future well being of those being forced to resettle. The Panel would also note that the ESRP reports should have alerted Management to a number of problems as early as April 1997, two years before it concluded that its supervision consultant's reports were unsatisfactory. In light of this, the Panel finds that, prior to February 1999, Management was not in compliance with OD 13.05 on Bank</p>			
33.	<p><b>Bank Supervision Findings.</b> Judging from the Back to Office Memoranda, Aide-Memoirs, other mission reports and documents since 1998, Management has not hesitated to be frank about problems and difficulties encountered. It has also proposed solutions and worked with the borrower to find ways of achieving them, and to the extent that Management can, to follow up. In the Panel's view, based on this evidence, the supervision team generally made a significant effort to overcome some of the problems stemming from the flawed RAP and IPDP for Parej East. Since its establishment, the current supervision team has generally made a significant effort to overcome the major problems outstanding and, short of suspending or canceling the Credit, doing its best to translate its efforts into outcomes on the ground. In light of this, the Panel finds that since 1998 Management has been in compliance with OD 13.05.</p>	11.2, 458-473	13.05	<p><b>Comment:</b> Management notes the Panel's finding of compliance since 1998.</p> <p>Management acknowledges the Panel's recognition of the supervision team's efforts to the achievement of project outcomes.</p> <p><b>Action:</b> Post-project supervision of the CSESMP will be carried out by the World Bank and will continue for the duration necessary to complete follow up on the actions proposed above.</p>

**MANAGEMENT REPORT AND RECOMMENDATION  
IN RESPONSE TO THE INSPECTION PANEL INVESTIGATION REPORT ON  
INDIA: COAL SECTOR ENVIRONMENTAL AND SOCIAL MITIGATION PROJECT**

**ANNEX 2**

**INDEPENDENT MONITORING PANEL  
SUGGESTED DRAFT TERMS OF REFERENCE**

**Background**

The implementation phase of the World Bank-assisted India Coal Sector Environmental and Social Mitigation Project has recently been completed. While most of the measures described in the Environmental Management Plan (EMP), the Resettlement Action Plan (RAP) and the Indigenous Peoples Development Plan (IPDP) pertaining to the Parej East Resettlement Site have been completed, a few actions are still outstanding. Some of these actions were also identified in the investigation of the project recently conducted by the World Bank's Inspection Panel. Responding to a recommendation made in the final report of the Inspection Panel, Coal India Ltd. proposes to establish an Independent Monitoring Panel to follow up on the implementation of the key outstanding issues.

**Mandate of the IMP**

The overall mandate of the proposed Independent Monitoring Panel will be to monitor the implementation of the specific resettlement-related actions that are still outstanding at the Parej East resettlement site. More specifically, the IMP will monitor the following actions:

- Economic rehabilitation of PAFs who have suffered a decrease in income.
- Settlement of claims for PAPs cultivating land under customary tenure.
- Provision of long-term leases to PAPs for their house plots at the resettlement site.
- Disbursement of subsistence allowance funds by GOI.
- Mechanisms to access grievances redress systems related to payment of compensation.
- Water quality at the resettlement sites.
- Reclamation of mine land for agricultural use.
- Procedures for consultations in project design and implementation.
- Mechanisms for dissemination of project related information to PAPs in Parej East.

**Modalities**

The IMP will carry out its work in coordination with Coal India Ltd. In carrying out its work, the IMP will refer to the provisions of the RAP agreed between the World Bank and Coal India Ltd. for Parej East. Before starting its field activities, the IMP will discuss with Coal India Ltd. its proposed plan of action to address the above issues and periodically monitor its implementation. The IMP would be expected to make quarterly field visits to the resettlement sites and interview a sam-

ple of PAPs as part of the process of reviewing implementation. Outstanding issues and problems will be discussed with the concerned officials of Coal India Ltd. at the end of each field visit. The IMP will submit its quarterly progress report to Coal India Ltd. and the World Bank. The reports of the IMP will be made public within one month of their receipt by Coal India Ltd. and the World Bank.

### **Composition of the IMP**

The IMP will be composed of three appropriately qualified professionals in development and environmental management, with at least 15 years experience. At least one member of the IMP should have a background in Law. A long list of the members of the IMP would be prepared by the Government of India and finalized with the concurrence of the World Bank.

### **Duration**

The Panel will carry out its task from September 1, 2003 – September 30, 2004, and its mandate may be extended in writing prior to the completion of above proposed duration, as necessary to complete its mandate as described above.