

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

FIFTH PROGRESS REPORT
ON THE IMPLEMENTATION OF MANAGEMENT'S ACTION PLAN IN RESPONSE TO
THE INSPECTION PANEL INVESTIGATION REPORT (INSP/89109-IN) ON THE

INDIA
VISHNUGAD PIPALKOTI HYDRO ELECTRIC PROJECT
(LOAN NO. 8078-IN)

FEBRUARY 7, 2020

ABBREVIATIONS AND ACRONYMS

BP	Bank Procedures
COP	Community Outreach Program
GRC	Grievance Redress Committee
INR	Indian Rupee
LED	Local Economic Development Consultant
OP	Operational Policy
RAP	Resettlement Action Plan
R&R	Resettlement and Rehabilitation
SHG	Self-help Groups
TBM	Tunnel Boring Machine
THDC	THDC India Limited
US\$	United States Dollar
VDAC	Village Development Advisory Committee
VPHEP	Vishnugad <i>Pipalkoti</i> Hydro Electric Project

Currency Equivalent

(as of February 7, 2020)

US\$ 1 = INR 71.32

INR 1 = US\$ 0.014

INDIA
VISHNUGAD PIPALKOTI HYDRO ELECTRIC PROJECT
(LOAN NO. 8078-IN)
Progress Report No. 5

Implementation of Management Action Plan

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I. INTRODUCTION

1. This is the fifth Progress Report to the Board of Executive Directors (the Board) on the implementation of the Management Action Plan in response to the Inspection Panel Investigation Report No. 89109-IN on the India Vishnugad *Pipalkoti* Hydro Electric Project (VPHEP) (the Project).

2. On August 3, 2012, the Inspection Panel registered a Request for Inspection (the Request) concerning the VPHEP. The Request was submitted by residents of *Chamoli district* in the *State of Uttarakhand* (the Requesters). Management responded to the claims in the Request on October 24, 2012. In its Report to the Board, the Panel found the Request eligible and recommended that the Executive Directors authorize an investigation. On July 1, 2014, the Panel issued its report outlining the findings of its investigation, and this, along with Management's Report and Recommendation, including the Action Plan, was discussed at the Board on September 30, 2014.

A. PROJECT

3. The VPHEP has been designed as a 444 Megawatt, run-of-river hydropower scheme which, when completed, will generate an estimated 1,665 Gigawatt-hours (or million kilowatt-hours) of electricity in a typical year. This will represent a valuable addition of peaking power to India's Northern Grid, which faces severe power shortages during periods of high consumption. The Project will also help reduce India's greenhouse gas emissions by 1.6 million tons each year, compared to a thermal plant of the same capacity.

4. The Project infrastructure includes a 65-meter high diversion dam to create a small reservoir in the *Alaknanda* River. The river flows through a deep, uninhabited gorge at the dam site, so no fields, houses or any other major infrastructure will be submerged. The proposed reservoir will store 4.9 hours of average river flow in the lean flow season to allow the Project to meet its peaking generation obligations. A 13.4 km headrace tunnel will carry water to an underground powerhouse; all the diverted water will be returned to the river through a 3.07 km tailrace tunnel. To Management's knowledge, the Project has one of the highest minimum flow standards in India; it will maintain a minimum flow of 15.65 m³/sec of water in the river at all times to sustain the aquatic health of the river. This is equivalent to approximately 45 percent of the average lean season flow of the river.

5. The objectives of the Project are: (a) to increase the supply of electricity to India's national grid through the addition of renewable, low-carbon energy; and (b) strengthen the institutional capacity of THDC (Tehri Hydro Development Corporation, now THDC India Ltd.), the Project implementing agency, with respect to the preparation and implementation of economically, environmentally and socially sustainable hydropower projects. The Bank-funded components of the Project are: (i) construction of the VPHEP (US\$638 million, Bank-funded portion); and (ii) technical assistance for capacity building and institutional strengthening at THDC (US\$10 million, Bank-funded portion). The Project was approved by the Board of Executive Directors on June 30, 2011.

B. CURRENT STATUS OF PROJECT

6. Implementation of the Project has been subject to significant delays. An initial delay of almost two years in the award of the Project's civil works contract was followed by a further 12-month delay due to the effects of significant flooding in 2013. A further delay of around 18 months has been caused by poor geology in the area of the power station excavation, which required re-design and additional strengthening; the delay also stems from the poor performance of the civil works contractor for the Project. As a result, and in response to a request for extension and partial cancellation of loan proceeds, the Bank extended the Project Closing Date to December 31, 2019, and reduced the loan amount by US\$100 million to US\$548 million. About \$125.4m has been disbursed. Upon further request from the Borrower the Bank has extended the Project Closing Date to December 31, 2020.

7. Despite the poor performance of the civil works contractor, implementation progress has improved over the past year, and is moderately satisfactory. THDC continues to proactively work to improve implementation progress, with the support of the Bank team. Several key construction milestones were achieved over the past year, including the completion of the upstream coffer dam and commencement of dam construction, and the completion of the critical tunnel boring machine (TBM).

8. Continued safeguard compliance remains an ongoing focus of the Bank team supervising the Project, for which the team has employed additional environmental and social safeguards consultants to increase the frequency of Bank safeguards monitoring.

C. SUMMARY OF PANEL PROCESS, PANEL FINDINGS AND BOARD CONSIDERATION

9. The summary of key Panel findings is described in Table 1 below:

Table 1. Key Panel Findings

Item	Finding
Cumulative Impacts	The Panel found that Management complied with the provisions of OP/BP 4.01 by, inter alia, ensuring the preparation of a cumulative impact assessment for the Project and by incorporating the recommended increased minimum environmental flow (e-flow) into the Project to mitigate cultural, religious and biodiversity impacts. The Panel noted that Project documents did not sufficiently address the proposed transmission line.
Water Loss	The Panel found that Management complied with OP/BP 4.01 by undertaking the baseline studies to document village water sources along the tunnel alignment routes and ensuring that THDC committed to provide alternative water sources in the event that an existing source was lost. However, the Panel found that the Bank did not identify detailed and adequate mitigation measures that could be operationalized if a water source were lost, in non-compliance with OP/BP 4.01.
Risk relating to Structures, Landslides and Earthquakes	The Panel noted the steps taken to use Tunnel Boring Machine (TBM) technology to reduce potential harms from vibrations. The Panel found that this complied with Bank Policy OP/BP 4.01 as a step to reduce or mitigate potential harm. The Panel found that, in compliance with OP/BP 4.37, Management took adequate measures to ensure the preparation of relevant studies by THDC during Project design, appraisal and implementation stages to mitigate the risks raised in the Request. The Panel noted the importance of Management clarifying the issue of slurry disposal.

Item	Finding
Risk to Aquatic Life and Ecology	The Panel found the Project in compliance with OP/BP 4.01 with respect to the Requesters' claim about the Project's impacts on fish and aquatic fauna, but found that the analysis of the bedload issue was lacking and believed it may be necessary to study this issue further.
Resettlement and Livelihood Restoration	The Panel understood that resettlement and rehabilitation (R&R) efforts were underway and almost half of the eligible families had already received their R&R assistance. However, with respect to <i>Hatsari</i> (where seventeen families were affected), the Panel found that the Project Resettlement Action Plan (RAP) did not adequately assess the <i>Hatsari</i> reality, in non-compliance with Bank Policy OP/BP 4.12 on Involuntary Resettlement. The Panel recognized, however, Management's concern for the <i>Hatsari</i> issue and the fact that negotiations were continuing, with a wide range of options on offer to <i>Hatsari</i> residents. ¹
Gender Impacts	The Panel found that the THDC R&R Policy covering access to livelihood sources, i.e., fuel and fodder, complied with the requirements of OP/BP 4.01 and OP/BP 4.12. The Panel found that insufficient attention had been given to the issue of women's security. A key issue will be regular monitoring of the labor camps with regard to women's security, and of gender differentiated impacts of the Project.
Local Benefit Sharing	<p>The Panel found that important efforts were being made to restore the livelihoods of displaced people in accordance with the provisions of OP/BP 4.12. The Panel noted that Management was responsive to OP 4.12, paragraph 13 (b), which requires that infrastructure and public services are provided as necessary to new resettlement sites and host communities to improve, restore, or maintain accessibility and levels of service for the displaced persons and host communities.</p> <p>The Panel also noted the need for clarity on the use of the royalty payments to the State and benefit sharing with Project affected villages. The Panel further noted the importance of assessing the impact of the Project on host communities at the end of RAP implementation.</p> <p>On the issue relating to community conflicts and the Grievance Redress Mechanism, the Panel found that the requirement of OP/BP 4.12 to establish an appropriate and accessible grievance mechanism had been met. In accordance with the requirement of OP/BP 4.12, the Panel noted the importance of the Project Grievance Redress Committee (GRC) being accessible to host communities so that their concerns can be heard and resolved when appropriate.</p>

¹ *Hatsari* is one of the three hamlets comprising *Haat* village. During the Social Impact Assessment, *Hatsari* was included in the Project affected area as part of *Haat* revenue village. The village of *Haat* is affected due to underground power house, evacuation facility; approach road and surge shaft. Though initially only 17 households were affected, the community demanded for the relocation of the entire village given the disproportional impacts of construction likely to fall on them. Since the entire village was to be displaced, THDC offered a special package to *Haat* (including *Hatsari*) of INR one million over and above compensation and R&R assistance. However, *Hatsari* rejected the package. THDC put forward several enhanced relocation and compensation options, but these too were rejected by all eight *Hatsari* households (17 families). As a consequence, THDC changed the location of the switchyard, the alignment of the adit to the tail race tunnel, and the approach road to the surge shaft so that the *Hatsari* land would not be required for the Project. However, concerned about the impacts of construction nearby, THDC has consistently kept open the offer of resettlement (permanent or temporary) and is in continuing dialogue with the families of *Hatsari*.

II. MANAGEMENT ACTION PLAN – PROGRESS TO DATE

10. Management's Action Plan addressed the two principal findings of non-compliance by the Panel by: (a) proposing to clarify in greater detail how alternative water sources would be supplied if required as part of the mitigation measures; and (b) ensuring a conclusion of the ongoing negotiations with the 17 families of the *Hatsari* hamlet that is compliant with Bank policy. Management also committed to continue to follow up on other issues raised by the Panel, and to ensure that the Project remained in compliance with Bank policies on these issues.

11. ***On the issue of water loss***, the Panel's findings have been addressed (baseline studies documented alternative water sources in 2014), and Project implementation continues to meet Bank safeguard requirements.

12. ***On the issues of Resettlement and Livelihood Restoration for the hamlet of Hatsari***, THDC continues to make every effort to reach agreement on compensation with the remaining families in *Hatsari*, in accordance with the recommendation of the Action Plan with respect to the hamlet of *Hatsari*:

- Of the 17 families in *Hatsari* hamlet, 11 had reached agreement on compensation packages identical to those of the broader *Haat* village, while the six remaining families (of which two are resident in *Hatsari*) continued to negotiate compensation packages with THDC.
- Informal agreement on compensation terms was reached with the remaining families in *Hatsari* in early 2018, facilitated by a Community Engagement Specialist that had been engaged by the World Bank. Under the proposed agreement, the families would be provided with alternate accommodation for the duration of Project construction, and their land would be returned to the families in restored and developed condition, with new irrigation facilities, after the Project construction is complete. Other support, including construction of houses and rental allowance, was also included in the proposed agreement.
- Based on the consensus reached with the six remaining families of *Hatsari* an initial Draft Agreement was documented by THDC, and presented to these families in April 2018. The families suggested some changes to the Draft Agreement, which were progressively addressed by THDC, and a Final Agreement was subsequently approved by the THDC Board in February 2019.
- The Bank has undertaken three missions (in April, October, and November) and the Community Engagement Specialist has made an additional four visits. Since April, a total of five consultations have been held with the *Hatsari* community.
- Despite continued efforts by THDC and the Bank, the families of *Hatsari* have refused to sign the Final Agreement. The Bank team met with the families of *Hatsari* in a mission to *Pipalkoti* on November 4–6, 2019, and encouraged them families to finalize the Agreement with THDC so that they could then be provided with appropriate compensation.

13. At the Bank's suggestion, THDC also implemented several actions to improve relationships with Project-affected people. These include: (i) a community outreach program, which has now been underway for over 30 months; and, (ii) engagement of a specialist Local Economic Development Consultant (LED) to work with local communities to develop village-level economic development plans and expanded livelihood opportunities, including for *Hatsari*. Procurement of this firm took over 18 months due to initial bids being well beyond THDC's budget estimate, resulting in a new procurement exercise having to be undertaken. A contract has now been signed with a LED, which is mobilizing in the Project area.

14. Progress on these actions is described in more detail in Table 2 below. The Bank task team will continue to closely monitor the actions of THDC in respect of Management's Action Plan.

Table 2: Implementation of Management Action Plan

PANEL FINDING	STATUS OF MANAGEMENT ACTION
<p>1. Water loss and alternative water sources: The Panel found that Management complied with OP/BP 4.01 by undertaking the baseline studies to document village water sources along the tunnel alignment routes and ensuring that THDC committed to provide alternative water sources in the event that an existing source was lost. However, the Panel found that the Bank did not identify detailed and adequate mitigation measures that could be operationalized if a water source were lost, in non-compliance with OP/BP 4.01.</p>	<p>Completed. Mitigation measures have been operationalized, with baseline studies to document water sources of all villages along the tunnel alignment routes, and a detailed report documenting alternative or additional water sources being completed in September 2014. THDC continues videography and flow measurement, to monitor water sources on a six-monthly basis, and maintains a state of readiness to develop alternative water supply schemes should water loss be reported by any village.</p>
<p>2. Resettlement and Livelihood Restoration: The Panel understood that resettlement and rehabilitation efforts were underway, and almost half of the eligible families had already received their R&R assistance. However, with respect to <i>Hatsari</i> (where seventeen families were affected), the Panel found that the Project RAP did not adequately assess the <i>Hatsari</i> reality, in non-compliance with Bank Policy OP/BP 4.12 on Involuntary Resettlement. The Panel recognized, however, Management's concern for the <i>Hatsari</i> issue to date and the fact</p>	<p>Ongoing. Of the 17 families in <i>Hatsari</i> hamlet, 11 had reached agreement on compensation packages identical to those of the broader <i>Haat</i> village, while the six remaining families (of which two are resident in <i>Hatsari</i>) continued to negotiate compensation packages with THDC; Informal agreement on compensation terms was reached in early 2018, facilitated by a Community Engagement Specialist that had been engaged by the World Bank. Under the proposed agreement, the families would be provided with alternate accommodation for the duration of Project construction, and their land would be returned to the families in restored and developed condition, with new irrigation facilities, after the Project construction is complete. Other support, including construction of houses and rental allowance, is also included in the proposed agreement. Based on the consensus reached with the families of <i>Hatsari</i> an initial Draft Agreement was documented by THDC, and presented to the families of <i>Hatsari</i> in April 2018. The families suggested some changes to the</p>

PANEL FINDING	STATUS OF MANAGEMENT ACTION
<p>that negotiations were still continuing with a wide range of options on offer to <i>Hatsari</i> residents.</p>	<p>Draft Agreement, which were progressively addressed by THDC, and a Final Agreement was subsequently approved by the THDC Board in February 2019.</p> <p>Despite continued efforts by THDC and the Bank appointed Community Engagement Specialist, the families of <i>Hatsari</i> have refused to sign the Final Agreement.</p> <p>The Bank continues to engage the Community Engagement Specialist to facilitate communications between both the families and THDC. The Bank team also continues to hold discussions with the families of <i>Hatsari</i> to seek a final resolution of this issue; the team again met with the families of <i>Hatsari</i> in a mission to <i>Pipalkoti</i> on November 4–6, 2019, and encouraged these families to finalize the agreement with THDC so that they could then be provided with appropriate compensation.</p> <p>In addition to its corporate social responsibility programs, THDC began a community outreach program (COP) in January of 2017, which continues to routinely reach out to each of the project affected villages. Under this COP, THDC continues to visit individual villages (including <i>Hatsari</i>) to keep current with issues and concerns within the villages, and develop village-specific programmatic action plans to support village development. Under the COP, THDC established Village Development Advisory Committees (VDACs) in each of the affected villages. VDACs have been trained by THDC in development plan preparation. Sixteen VDACs have been formed and are now implementing village development plans with THDC’s assistance.</p> <p>In addition, with the Bank’s support, THDC has now hired a specialized Local Economic Development Consultant to help put in place an ecosystem approach for development of additional livelihood opportunities in the Project-affected villages, including <i>Hatsari</i>. Procurement of this agency was substantially delayed after initial bids were well in excess of THDC’s budget estimate. THDC sought and received Board approval to increase the budgetary allocation for appointment of this agency, and in October 2019 completed a second procurement round. The selected agency is now mobilizing at the Project site. This agency will use a participatory approach to the identification of livelihood generation activities in various villages, impart the required skills to the villagers, as well as set up forward market linkages in areas of economic activity where livelihoods could be generated.</p>

III. ADDITIONAL ISSUES TRACKED UNDER THE MANAGEMENT ACTION PLAN

15. While the Panel investigation found the Bank to be in non-compliance only with regard to the two issues described above, Management had acknowledged the need to closely monitor a range of additional issues to ensure that they would continue to be in compliance with the Bank’s policies. The issues were included in the Management Action Plan in response to the Panel’s

Investigation Report and have been tracked in the Progress Reports. These are described below in Table 3.

Table 3: Status of Additional Issues

Issue	Panel Findings	Action/Status
Cumulative Impacts	The Panel found that Management complied with the provisions of OP/BP 4.01 by, inter alia, ensuring the preparation of a cumulative impact assessment for the Project and by incorporating the recommended increased minimum environmental flow (e-flow) into the Project to mitigate cultural, religious and biodiversity impacts. The Panel noted that Project documents did not sufficiently address the proposed transmission line.	Broad delays in Project implementation mean that no further progress has been made on the routing of the evacuation line for transmission of power generated from VPHEP. THDC and Power Transmission Corporation of Uttarakhand Limited have agreed that the dedicated transmission line from the Project to the transmission pooling station will be designed and constructed in accordance with the Bank's safeguard policies.
Risk relating to Structures, Landslides and Earthquakes	The Panel noted the importance of Management clarifying the issue of slurry disposal.	A slurry disposal plan was prepared which incorporates testing for and treatment of hazardous substances. The Bank team will monitor implementation of the slurry disposal plan and muck dumping once TBM operations commence. After significant delays due to the poor performance of the civil works contractor, the TBM has now been assembled and will be operational from December 2019 onwards.
Risk to Aquatic Life and Ecology	The Panel commended Management for advising Project authorities of the need to specifically study the issue of bed load, but found that the analysis was lacking	In association with the Government of Uttarakhand, which completed a river development study under the Bank-funded Disaster Management Project, THDC has completed analysis of bed-load movement. Implementation of the Government of Uttarakhand's river development study is now underway and will mitigate the risk from future natural disasters. A Catchment Area Treatment Plan is under implementation to prevent sedimentation movement. An independent Consultant has also undertaken a Glacial Lake Outburst Flood Assessment.
Gender Impacts	The Panel found that insufficient attention had been given to the issue of women's security. A key issue will be regular monitoring of the labor	THDC continues to take action in the following areas: <i>Formation of SHGs:</i> The Project has formed self-help groups (SHGs) to build skills that could help to augment existing incomes. These include three "all

Issue	Panel Findings	Action/Status
	<p>camps with regard to women's security, and of gender differentiated impacts of the Project.</p>	<p>women" SHGs with a total membership of 43 women, and a mixed SHG with 16 members, half of whom are women. To date, 546 women have benefited from these SHGs, through the establishment of micro-businesses such as dairy, poultry, tailoring, agriculture, bee keeping etc.</p> <p><i>Monthly Assistance Scheme for Widows Displaced by the Project:</i> THDC's scheme for widows who had to relocate because of the Project provides assistance on an ongoing basis to 22 widows.</p> <p><i>Women Safety and Facilitation Centre:</i> This center continues to function in the village of <i>Haat</i>. To date, the center has not received any complaints of harassment of women within the Project area.</p> <p><i>Cash assistance for fuel and fodder:</i> To support local women (who gather fuel and fodder for their families), the Project offered cash compensation for five years to mitigate the temporary loss of access to community forest or Van Panchayat land. To date the Project has disbursed INR 84.34 million to almost 2,600 households across more than 17 villages.</p> <p><i>Women's security:</i> Women guards continue to be employed at select sites to ensure the safety of local women.</p> <p>The GRC continues to constitute the required female membership and undertake training in gender issues. Female social mobilizers (including within THDC's own social management unit) continue to interact with all affected villages on an ongoing basis.</p>
<p>Local Benefit Sharing</p>	<p>The Panel further noted the importance of assessing the impact of the Project on host communities at the end of RAP implementation.</p> <p>On the issue relating to community conflicts and the Grievance Redress Mechanism, the Panel found that the requirement of OP/BP 4.12 to establish an appropriate and accessible grievance mechanism had been met.</p>	<p>While the RAP is still under implementation, THDC has already undertaken a preliminary assessment of the impact of resettlement on local communities.</p> <p>THDC management, its social management unit, and the Bank task team meet regularly with local communities to ensure accessibility, and to communicate Project benefits.</p> <p>As part of its local benefit sharing, THDC has implemented community development activities under its corporate social responsibility program. These activities continue to be well planned, with the involvement of local communities and are being regularly implemented. THDC has thus far invested INR 75.71 million in the activities, which include small infrastructure for villages; distribution of educational material and furniture in schools, and construction of additional classrooms.</p> <p>Meetings of the GRC continue to take place at locations incorporating affected villages. The GRC continues to have two female members.</p>

Issue	Panel Findings	Action/Status
		The Project continues to maintain two Project Information Centers – one of which also functions as a computer training center for Project-affected youth.

IV. NEXT STEPS

16. Management will continue to monitor the implementation of the Management Action Plan. Management will also continue to support finalization of agreements between THDC and the village of *Hatsari*, and to the best of its ability, seek a satisfactory conclusion on the issue of compensation for resettlement and livelihood restoration.

17. Next progress report to the Board: The next progress report on the Management Action Plan will be submitted in 12 months' time, or when the affected families have agreed on a compensation package, whichever comes first.