

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

THIRD 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)

NOVEMBER 29, 2017

ABBREVIATIONS AND ACRONYMS

BP	Bank Procedures
E&S PoE	Environmental & Social Panel of Experts
GRC	Grievance Redress Committee
INR	Indian Rupee
OP	Operational Policy
PTCUL	Power Transmission Corporation of Uttarakhand Limited
RAP	Resettlement Action Plan
R&R	Resettlement and Rehabilitation
TBM	Tunnel Boring Machine
THDC	THDC India Limited
US\$	United States Dollar
VPHEP	Vishnugad Pipalkoti Hydro Electric Project

INDIA
VISHNUGAD PIPALKOTI HYDRO ELECTRIC PROJECT
(LOAN NO. 8078-IN)
Progress Report No. 3

Implementation of Management Action Plan

CONTENTS

Abbreviations and Acronyms	ii
I. Introduction	1
II. Management Action Plan – Progress to Date	3
III. Additional Issues Tracked under the Management Action Plan	6
IV. Next Steps	9

I. INTRODUCTION

1. This is the third 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.

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; the current closing date is December 31, 2017. About US\$67 million has been disbursed to date.

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. As a result of these delays, the Project’s Closing Date has been extended until June 30, 2019. Project construction is now moving forward, with progress in the upstream diversion works, power station access, and headrace tunnel excavation.]

7. Continued safeguards compliance remains an ongoing focus of the Bank task team supervising the Project, and the team has been strengthened with the addition of environmental and social safeguards consultants to support Bank safeguards monitoring.

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

8. 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.
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 Hatsari (where seventeen families were affected), the Panel found that the Project Resettlement Action Plan (RAP) did not adequately assess the Hatsari reality, in non-compliance with Bank Policy OP/BP 4.12 on Involuntary Resettlement. The Panel recognized, however, Management’s concern for the Hatsari issue and the fact that negotiations were continuing, with a wide range of options on offer to Hatsari residents. ¹

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

Item	Finding
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>

II. MANAGEMENT ACTION PLAN – PROGRESS TO DATE

9. 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.

10. *On the issue of water loss*, the Panel's findings have been addressed through identification of alternative water sources in 2014. The Bank's task team continues to monitor and ensure THDC's readiness to develop alternative water supply schemes should water loss be reported by any village.

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, THDCIL has consistently kept open the offer of resettlement (permanent or temporary) and is in continuing dialogue with the families of Hatsari. As a result of THDCIL's efforts, eleven families have reached an agreement with THDC and six families are still negotiating for compensation package.

11. ***On the issues of resettlement and livelihood restoration for the hamlet of Hatsari***, THDC continues to use its best efforts to implement the recommendations of the Action Plan with respect to the hamlet of Hatsari, by agreeing on resettlement and livelihood restoration compensation packages with the property owners, but has not made further progress over the past year. Of the 17 families of Hatsari, 11 have reached an agreement with THDC regarding relocation, and 6 families remain in discussion with THDC on compensation packages. Negotiations remain ongoing with these remaining six families but no agreement on compensation has been reached. The reasons for lack of progress in this area are not entirely clear, but appear due, in part, to the following factors:

- To date, Project works have not had a direct and significant effect on the villagers of Hatsari (particularly given that only two families remain in residence), and therefore the impetus to agree on compensation has not been strong. However, as works near Hatsari have increased over the past 3-4 months, negotiations have reconvened, facilitated by the District Magistrate.
- Although THDC has offered various compensation packages to the villagers of Hatsari, including temporary relocation, redevelopment of existing housing, and full relocation compensation, it has been difficult to track the evolving response of the villagers to these offers. Several of the remaining villagers have agreed to the packages offered, only to retract this agreement at a later stage, or have requested compensation, but with changing conditions. The Bank team has met with the villagers of Hatsari several times over the past year and has encouraged them to put their requests for compensation in writing. The team has also encouraged affected communities as well as THDC to communicate with each other consistently and often, so that a final resolution on the issue of compensation can be reached.

12. Given the lack of progress regarding resettlement and livelihood restoration for Hatsari, the Bank team has, over the past year, suggested several actions be taken by THDC. These include (i) a community outreach program, which communicates the actions already taken by THDC under its Corporate Social Responsibility (CSR) programs; improves communications with affected communities (including Hatsari); and helps THDC understand and respond to the specific needs and concerns of the community with greater accuracy (underway for the past 6 months); and (ii) the engagement of a specialist firm to work with local communities to develop village-level economic development plans and expanded livelihood opportunities, including for Hatsari (procurement of this firm is close to conclusion).

13. 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
1. Water loss and alternative water sources: The Panel found that Management complied with OP/BP 4.01 by	Completed. Baseline studies to document water sources of all villages along the tunnel alignment routes, and a detailed report documenting alternative or additional water sources were completed in September 2014. THDC

PANEL FINDING	STATUS OF MANAGEMENT ACTION
<p>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>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 Hatsari (where seventeen families were affected), the Panel found that the Project RAP did not adequately assess the Hatsari reality, in non-compliance with Bank Policy OP/BP 4.12 on Involuntary Resettlement. The Panel recognized, however, Management's concern for the Hatsari issue to date and the fact that negotiations were still continuing with a wide range of options on offer to Hatsari residents.</p>	<p><i>Ongoing.</i></p> <p>Given the slow progress of negotiations between the Hatsari community and THDC over the last year, the Bank task team has stepped up support for THDC. The Bank's social team has held discussions with both parties regularly over the past year, and in September engaged a consultant with experience in community engagement and resettlement negotiations who also visits the site regularly. This community engagement specialist is helping THDC launch a fresh round of interactions aimed at supporting the community in negotiating and accepting one of the many options for permanent or temporary relocation available to them. THDC is also consulting with the District Magistrate on an ongoing basis, and seeking the support of this office in resolving compensation for the Hatsari community.</p> <p>At the suggestion of the Bank team, THDC has commenced a community outreach program (COP) in January of this year. This COP builds on the actions already being undertaken under its CSR programs, by regularly visiting individual villages (including Hatsari) to develop an understanding of issues and concerns within the villages, and develop village-specific programmatic action plans to support village development. Under the COP, THDC is establishing Village Development Advisory Committees (VDAC) in each of the affected villages. VDACS will be trained by THDC in development plan preparation. VDACS will submit village level development plans to THDC for implementation. The support for a village development plan is being discussed with Hatsari as part of its overall compensation provisions.</p> <p>In addition, THDC is in the process of hiring a specialized firm to help develop an eco-system approach for development of additional livelihood opportunities in the Project-affected villages, including Hatsari. Terms of Reference for this firm have been developed, and procurement will be completed by December 2017. This firm 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>

PANEL FINDING	STATUS OF MANAGEMENT ACTION
	THDC continues to work to identify land in the vicinity of the Project area and help Hatsari families in negotiation and finalization of land plots. THDC also continues to work with the nongovernmental organization (HERDS) hired to implement the RAP, and with the Environmental and Social Panel of Experts (E&S PoE) to identify other alternatives that would help to achieve agreement with the families.

III.ADDITIONAL ISSUES TRACKED UNDER THE MANAGEMENT ACTION PLAN

14. 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	Continued Compliance
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.	The routing of the evacuation line for transmission of power generated from VPHEP is yet to be finalized by THDC and Power Transmission Company of Uttarakhand (PTCUL). THDC has discussed with PTCUL the issue of environmental and social assessment of the dedicated transmission line from the Project to the transmission pooling station, and has requested that this be designed and constructed in accordance with the Bank’s safeguards requirements. PTCUL intends to use Asian Development Bank (ADB) funding for this transmission line, and to prepare the relevant safeguard documents under the ADB project. This has been informally agreed and safeguards documents would be shared with the Bank.	Yes
Risk relating to Structures, Landslides and Earthquakes	The Panel noted the importance of Management clarifying the issue of slurry disposal.	A slurry disposal plan has been prepared which incorporates testing for and treatment of hazardous substances. The task team will monitor implementation of the slurry disposal plan and muck dumping once TBM operations commence.	Yes
Risk to Aquatic Life and Ecology	The Panel commended Management for advising	The Government of Uttarakhand is now conducting a statewide study on bed-load	Yes

Issue	Panel Findings	Action/Status	Continued Compliance
	<p>Project authorities of the need to specifically study the issue of bed load, but found that the analysis was lacking</p>	<p>movement. THDC had prepared the Terms of Reference for a separate site-specific study, but then entered discussions with the Government of Uttarakhand to see if these could be included within the statewide study. It has now become apparent that the statewide study will not meet the site-specific requirements of THDC. THDC is in the process of procuring a consultant to undertake its site-specific bed-load movement study.</p> <p>A Catchment Area Treatment (CAT) Plan is under implementation to prevent sedimentation movement. An independent Consultant has also undertaken a Glacial Lake Outburst Flood Assessment.</p>	
Gender Impacts	<p>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.</p>	<p>THDC continues to take action in the following areas:</p> <ul style="list-style-type: none"> – <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 women' SHGs. – <i>Monthly Assistance Scheme for Widows Displaced by the Project:</i> THDC has introduced a monthly assistance scheme for widows who were among those who had to relocate as a consequence of the Project. Assistance is being provided on an ongoing basis to identified recipients. – <i>Women Safety and Facilitation Centre:</i> This center continues to function in the village of Haat, where it is managed by two residents of Haat village (one a woman). The center continues to monitor the activities of the labor force employed by the Civil Works Contractor. To date, the center has not received any complaints of harassment of women within the Project area. – <i>Cash assistance for fuel and fodder:</i> To support the local female population (who are primarily engaged in collecting 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 34.43 million to 1,216 households across 16 villages (increased from 884 households the previous year, due to the findings of local administration that some households 	Yes

Issue	Panel Findings	Action/Status	Continued Compliance
		<p>had multiple family cook stoves). In addition, a separate study carried out by THDC at the dam site, advised to include all villages dependent on common forest land as opposed to only those villages those who physically used the acquired forest area. The study established that 1,253 additional households need to be assisted, from 11 newly identified villages. The study found that these villages also depend on the Van Panchayat land transferred to the Project. THDC has increased the annual compensation from INR 10,000 to INR 15,600. THDC has started disbursing the revised amount to the eligible villages.</p> <ul style="list-style-type: none"> - <i>Women's security:</i> Two women guards continue to be employed at select sites to ensure the safety of the local female population. Since it is expected that the Central Industrial Security Force (CISF), a government agency, will take over the security measures from February 2018, THDC has asked that within this support women constables be provided. Management of camp boundaries and the issues of women's safety continued to be reinforced through management instructions. - 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. 	
Local Benefit Sharing	<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. The host community complained of crop raiding by cattle owned by resettled people and use of their water source. THDC has since then (i) fenced the resettlement colony and (ii) water for resettlement colonies is being supplied from different source. There has been no further complaint from the host community.</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>	Yes

Issue	Panel Findings	Action/Status	Continued Compliance
		<p>As part of its local benefit sharing, THDC continues to implement community development activities under its Corporate Social Responsibilities (CSR) program. THDC has thus far invested an amount of INR 45.94 million across 19 villages. The activities undertaken to date include small infrastructure for villages constructed by villagers themselves; an awareness program; distribution of educational material and furniture in schools; and health camps. Under a Corporate Outreach Program commenced in January this year, THDC is now in the process of establishing Village Development Advisory Committees (VDAC) in each of the affected villages. VDACs will be trained by THDC in development plan preparation. VDACs will submit village level development plans to THDC for implementation.</p> <p>In the absence of a GRC chairperson (suitable candidates were not available), no formal GRC meeting was held in the last year, however THDC officials continued to meet Project affected people to resolve any grievances brought to them. A new Chairperson has now been identified and will join by early December 2017.</p> <p>THDC is also hiring a specialized firm that will help communities in the Project area generate additional land and non-land based livelihood options and income restoration. This firm is in addition to the nongovernmental organization hired for implementation of the RAP.</p>	

IV. NEXT STEPS

15. Management will continue to monitor the implementation of the Management Action Plan. Management will also continue to support the ongoing negotiations 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.

16. Next progress report to the Board: The next progress report on the Management Action Plan will be submitted in 12 months' time.