

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

EIGHTH 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 20, 2023

ABBREVIATIONS AND ACRONYMS

ADM	Additional District Magistrate
CAT	Catchment Area Treatment
GRC	Grievance Redress Committee
HCC	Hindustan Construction Company
INR	Indian Rupee
PAP	Project-affected People
PDO	Project Development Objectives
RAP	Resettlement Action Plan
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. 8

Implementation of Management Action Plan

CONTENTS

Abbreviations and Acronyms	ii
I. Introduction.....	1
II. Management Action Plan – Progress to Date	2
III. Additional Issues Tracked Under the Management Action Plan.....	5
IV. Consultations with Requesters on Management Action Plan Progress	8
V. Next Steps	9

I. INTRODUCTION

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

2. On August 3, 2012, the Inspection Panel (the 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.

3. **Project Objectives.** The VPHEP is a 444 megawatt, run-of-river hydropower scheme which will generate an estimated 1,665 gigawatt-hours (or million kilowatt-hours) of electricity in an average year. The Project infrastructure includes a 65-meter high diversion dam to create a small reservoir in the Alaknanda River. A 13.4 kilometers (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.

4. The Project Development Objectives (PDO) are to: (a) 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 India Ltd. (THDC), the Project implementing agency. The Bank-funded components of the Project are: (a) construction of the VPHEP (originally US\$638 million Bank-funded portion; US\$100 million cancellation in June 2019, US\$100 million cancellation in June 2021); and (b) 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. About US\$187.87 million (41.9 percent) of the loan amount have been disbursed as of January 2023.

5. **Project Status.** The original Project Closing Date was December 31, 2017. Project implementation has faced significant delays, causing the VPHEP to be restructured several times and the associated loan to be partially cancelled. The Project Closing Date has been extended until June 30, 2023. Discussions are underway between the Bank and the Department of Economic Affairs, Ministry of Finance, Government of India to further extend the Closing Date taking into account the timeline that would be required for the implementation of key milestones. The first-generation unit is now estimated to be commissioned by October 31, 2024.

6. Due to various delays, including those resulting from the Covid-19 pandemic, disbursements have remained slow but have increased over the past twelve months; physical completion is at about 41 percent. The PDO remain relevant and achievable and are rated Moderately Unsatisfactory. Implementation progress is rated Moderately Satisfactory since THDC has achieved several implementation milestones over the last year related to overall progress on

the Project. The tunnel boring machine (TBM) has yet to resume full operations, but after more than two years since the onset of geological issues, THDC appears to have resolved them. The pace of works at the dam site has increased, the activities at the desilting chambers are progressing well, and intake tunnel activities are in line with the time schedule. Once the TBM resumes full operations in early 2023, the pace of implementation is expected to increase significantly. THDC is continuing to implement several risk mitigation strategies, including ring-fencing of payments to the civil contractor, involvement of a Project Review Panel and a Strategic Advisory Team, and engagement of a local economic development consultant. Following pandemic-related restrictions, the Bank has resumed physical missions, completing several site visits in 2022. Supervision of Project progress is supported by deployment of technologies for remote monitoring, with updates provided by THDC to the Bank on a regular basis.

II. MANAGEMENT ACTION PLAN – PROGRESS TO DATE

7. The MAP addresses 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) supporting a conclusion of the ongoing negotiations with the 17 families¹ of the Hatsari hamlet. Management is also committed to following up on other issues raised by the Panel, and to ensuring that the Project remains in compliance with Bank policies on these issues.

8. ***On the issue of water source losses.*** The Panel’s findings have been addressed (baseline studies documented alternative water sources in 2014), and Project implementation continues to meet Bank safeguard requirements. THDC continues to monitor water sources at six-month intervals, as part of its videography and flow management efforts. The latest measurement was carried out in June 2022. As of that time, there had been no report of loss of village water sources nor had the Project received any related grievances.

9. ***On the issues of Resettlement and Livelihood Restoration for the hamlet of Hatsari.*** The six families in Hatsari village have still not accepted compensation and continue to live on site. Despite the delays in negotiating and signing the compensation Agreement between the remaining six families of Hatsari and THDC, THDC remains willing to engage with the families on this issue. As explained below, the six families have made additional demands, although THDC remains willing to engage with the families on the issues so as to arrive at a mutually agreed resolution.

10. ***Background.*** After years of negotiation, an agreement had been reached between THDC and the six remaining families of Hatsari in February 2019. In November 2019, the representative of these families met THDC officials along with Bank staff, and further demands were agreed upon, including specific language proposed in the draft compensation Agreement. The representative of the families committed to the signing of the Agreement by the families, but this has not yet occurred, nor has there been an explanation provided. In December 2019, in a joint meeting between the Hatsari community, THDC, and the local district administration, the

¹ Originally, there were 17 affected families in the village of Hatsari. Eleven families accepted the package and relocated. Negotiations continue with the remaining six families, who in this report are also referred to as the *Hatsari community*.

Additional District Magistrate (ADM) directed THDC to identify land for relocation of the Hatsari community.

11. Following the first Covid-19 lockdown, THDC met the six families again in June 2020, at which time the families communicated additional concerns about the Agreement, and THDC confirmed its willingness to address them once the Agreement was signed. In August 2020, one of the Project-affected People (PAP) filed a public interest case with the High Court of Uttarakhand, to direct THDC to comply with the directive issued by the ADM in December 2019. The High Court has yet to return a decision on this case. THDC met the six families again in December 2020. In the meantime, the families continued to refuse to sign the Agreement. In May 2021, following a directive by the Chief Secretary of the Government of Uttarakhand, the District Administration held another meeting with the families of Hatsari. During this meeting, the families were once again offered a package composed of a lease agreement and a Haat Special Package,² with a period of three weeks to respond to the offer. THDC has received no response to date.

12. **Current status.** In September 2022, as per the Hatsari community's request, the Bank team met two of their representatives in Delhi. The community representatives indicated that the community was willing to come to an agreement with THDC, provided compensation for crops and structures affected by construction works is paid. Subsequently, as part of regular, annual community consultations, a meeting with the Hatsari community was scheduled for November 24, 2022, at the Project site. However, only one representative from the community actually attended the meeting. Among the demands from the community, the representative presented a new precondition to the communities' acceptance of the draft Agreement, to the effect that one member of each of the remaining six families of Haat should be provided a permanent job with THDC. While this is not a condition THDC can meet, the company remains willing to stay in dialogue with the Hatsari families based on the earlier agreed draft Agreement. However, since the six families jointly own the land, the consent of all six families is required for the Agreement to be signed. This is still outstanding and no progress has been achieved so far. Management understands that there is no agreement among the six families.

13. Progress on the actions is described in more detail in Table 1 below. The Bank team will continue to follow up with THDC on the actions in the MAP and the court case regarding the six remaining families in Hatsari.

² A special package offered to the Haat community PAPs, which includes compensation, resettlement and rehabilitation assistance, and an additional cash payment.

Table 1: Implementation of Management Action Plan

MANAGEMENT ACTION	STATUS OF MANAGEMENT ACTION
<p>Water Loss and Alternative Water Sources:</p> <p>THDC conducts regular monitoring surveys of the 66 water sources, using both videography and flow measurement. If a water source dries up, THDC will design a replacement, in coordination with the affected villages, based on options including the following: (i) new gravity-fed water supply systems; (ii) reservoirs or cisterns for village bulk supply, filled either by diverting flow from a nearby stream, by pumping water from another source or by water trucks; or (iii) rechanneling the water source.</p> <p>Management will monitor the evolution of the water sources, and, if a water source dries up, assess the proposed replacement option, and supervise the implementation of works. The team will include water and sanitation specialists.</p>	<p>Completed.</p> <p>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. The last measurement was carried out by THDC in June 2022. As of June 2022, there has been no report of loss of village water source.</p> <p>As requested by the ADM and the Hatsari community, a new tank with pipeline to supply water in Hatsari has been constructed by THDCIL.</p>
<p>Resettlement and Livelihood Restoration:</p> <p>THDC has put in place a plan to address the issue of the Hatsari families. Two safeguard-compliant options (one for temporary relocation and the other option for permanent relocation) are available to the Project affected families. THDC is waiting to see which option the families choose. Every three months, THDC will meet with the Hatsari families to review their selection. If selection is made, THDC will work with the family to implement it.</p> <p>Management will monitor if the Hatsari families have made a selection. If a selection has been made, Management will review the implementation of the resettlement option.</p>	<p>Ongoing.</p> <p>Resettlement. Despite several meetings with THDC, the six remaining Hatsari families declined to accept the lease agreement and Haat special package offered to them in May 2021 and continue to refuse to accept the November 2019 Agreement. In addition, one of the PAPs filed a petition with the High Court in August 2020, aimed at directing THDC to comply with the directions of the ADM from December 2019. The High Court has yet arrive at its decision on the matter.</p> <p>The Bank team has continued to support THDC in resolving this issue. The Bank met with the representatives of Hatsari community on September 27, 2022, and again on November 24, 2022, to discuss the progress on the MAP. The community agreed to renegotiate with THDC provided their following, earlier demands are met:</p> <ul style="list-style-type: none"> ○ THDC compensates for all the damage caused by the Project since 2004; ○ Court cases filed by THDC are withdrawn;³ ○ Shops that were damaged during construction of the approach road to the TBM are renovated;⁴ and ○ 24 nali⁵ of land that has been transferred to THDC is compensated for.

³ In 2015, THDC submitted a writ at the civil Court in Chamoli District against the residents in the Project area who had been frequently disrupting the works at the Project site. Subsequently, in 2016, the Court ordered all such residents to stop disrupting the works. Members of four Hatsari families continued disrupting the works at the Project site by attempting to physically stop workers to carry out work. These activities resulted in multiple individuals being charged with contempt of Court, based on the Court's 2016 order.

⁴ This issue was brought to Bank's attention in January 2022, during consultations with the Hatsari community. The damage assessment is yet to be completed and the Bank has advised THDC to address the matter.

⁵ One nali is equivalent to 200 m².

MANAGEMENT ACTION	STATUS OF MANAGEMENT ACTION
	<p>During the meeting in November 2022, the community added new requests, as follows:</p> <ul style="list-style-type: none"> ○ THDC should provide identity cards to the Hatsari residents so that their movement in the Project area is not restricted; ○ THDC and the community should mutually agree upon the crop compensation since 2004; ○ At least one member from each of the six families should be provided a permanent job in THDC. <p>The Bank apprised the THDC Project Director of the demands raised by the community. The Project Director expressed THDC's inability to agree to the demand of one job per family. However, he agreed to examine the issue of paying crop compensation before the signing of the Agreement. The Bank will continue the dialogue with the Hatsari community and THDC, seeking to help resolve the outstanding resettlement-related actions.</p> <p>Livelihood Restoration. THDC has implemented community development activities for a total of INR 94.268 million (USD 1.18 million) as part of its local benefit sharing mechanism. Since April 1, 2022, INR 2.01 million (USD 0.025 million) has been spent on community development works.</p> <p>Additional activities initiated since the 7th Progress Report include:</p> <ul style="list-style-type: none"> ○ Installation of 240 solar lights in Project-affected villages; ○ Repair of school in Mayapur village; ○ Repair of internal pathways in Eldana and Daswana resettlement colonies. <p>This is in addition to earlier completed activities at various locations, which include construction of concrete pathways, construction of a gabion wall, repair of ten high-pressure water supply pumps, construction of a culvert, construction of a boundary wall of a primary school, supply of submersible copper cable, renovation of State Inter College building, construction of a marriage hall, bus stop shelters, logistics support for community functions (Gaucher Band Mela), nala (drainage) protection works, procurement of furniture and sport kits, and hill protection works.</p>

III. ADDITIONAL ISSUES TRACKED UNDER THE MANAGEMENT ACTION PLAN

14. While the Panel investigation found the Bank to be only in non-compliance with the two issues described above, Management had also 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 MAP in response to the Panel's Investigation Report and have been tracked in the progress reports. Further details are provided below, in Table 2.

Table 2: Status of Additional Issues

Issue	Action/Status
<p>Cumulative Impacts</p> <p>Management will continue to pursue policy dialogue on river basin management issues with the Government of India and with concerned States.</p> <p>During regular supervision missions, Management will review progress on planning, construction, and commissioning of the transmission line. Management will also coordinate with THDC, POWERGRID, and CEA to ensure that the transmission line impacts are adequately mitigated.</p>	<p>Completed.</p>
<p>Risk relating to Structures, Landslides and Earthquakes</p> <p>Under the adaptive management approach adopted by VPHEP, the selected civil works contractor has agreed to establish a systematic protocol, under the supervision of THDC and independent Third Party Monitoring Consultants, to regularly test slurry to identify any heavy metal or hazardous substances and to treat the slurry as needed before disposal.</p> <p>During the regular supervision missions, Management will ensure that THDC and the civil works contractor will analyze the composition of the slurry and take appropriate measures to remove harmful particles or substances before disposal.</p>	<p>Completed as of the 6th Progress Report.</p>
<p>Risk to Aquatic Life and Ecology</p> <p>To assess bedload movement, THDC has conducted thorough silt management studies and has designed a silt management system. In addition, a real time flood forecasting system is planned to be installed in the catchment area of VPHEP. Finally, a [Catchment Area Treatment (CAT)] plan will be implemented over the next 5 years in the catchment of the river up to the Project area, with the objective of preventing sediment generation. In the event of a major bedload movement, several physical measures are in place to limit its impact on the VPHEP as detailed in paras 37-40 of the management response. During plant operation, THDC plans to carry out reservoir flushing about four times per year to increase reservoir storage capacity.</p> <p>Management is recruiting an independent expert to conduct a Remote Sensing review of the upper catchment of the Alaknanda River to assess risk of Glacial Lake Outburst Floods. Once completed, the study will further inform the assessment of VPHEP preparedness for such extreme events as well as the preparation of the dam and plant operations manual.</p>	<p>Completed as of the 6th Progress Report.</p>

Issue	Action/Status
<p>Gender Impacts</p> <p>With regard to women’s security, the civil works contractor is contractually obligated to undertake measures aimed at securing the safety of women living in villages around the labor camps. The contractor will house workers in two fenced camps to minimize their impacts on local resources and communities. The contract contains specific clauses so as to ensure that these camps have facilities for water supply, liquefied petroleum gas for cooking, toilets, and solid and liquid waste management. The labor force will not be allowed to access community forests to ensure the safety of local women collecting fuel and fodder there.</p> <p>The following actions have been agreed by the civil works contractor and will be monitored (gender-differentiated monitoring) during Project implementation:</p> <ul style="list-style-type: none"> • Contractor will hire women staff as security officers and guards. • Contractor and THDC will conduct regular awareness campaigns in the labor camps about women’s safety and to reinforce Project boundaries, with penalties for violation of the same (to be borne by contractors and workers alike) and availability of criminal prosecution. <p>THDC will deploy women social mobilizers in each of the affected villages throughout the construction period.</p> <p>The GRM will be gender-sensitive (at least a third of the members will be women and THDC will provide the GRM members specific training on gender issues). THDC will conduct a campaign to let women know that there are dedicated conduits to file complaints about workers’ behaviors and other possible threats.</p> <p>During the regular supervision missions, Management will review the performance of THDC, and of the contractors, on gender issues. Management team will include gender specialists.</p>	<p>Completed as of the 4th Progress Report.</p>
<p>Local Benefit Sharing</p> <p>The developer provides 12 percent free power to the host State, and the revenue generated from this power will be used for host state development. An additional 1 percent of revenue collected will go directly to the Project area, following the guidelines issued by the Ministry of Power in October 2013. The money will be directly deposited by the developer in the LADF and a 1 percent matching grant will be provided by the state government. The State of Uttarakhand will determine the details of the mechanism that will govern the use of these funds.</p>	<p>Completed. THDC undertook a preliminary assessment of the impact of resettlement on local communities in January 2019.</p> <p>THDC, along with HCC, continues to provide employment to PAPs either directly or indirectly. THDC and HCC have employed 892 individuals on the Project, of which 440 are PAPs.</p> <p>In January 2020, THDC also retained an agency to support Local Economic Development in the Project-affected villages by generating additional livelihood opportunities through the private sector. By the end of December 2021, in Phase I of this engagement, the</p>

Issue	Action/Status
<p>Going forward, the following activities will be implemented:</p> <ul style="list-style-type: none"> • THDC will carry out evaluation of host villages (if any, other than Ghedora) by December 31, 2014, to establish baseline. • The end-term evaluation of RAP implementation will also cover the impact evaluation for the host villages. <p>The GRC will be made more accessible by holding GRC meetings in each of the affected villages, whenever possible.</p> <p>During the regular supervision missions, Management will review the performance of THDC, and of the GRC. Management team is adequately staffed with social development specialists.</p>	<p>company had implemented 33 pilot livelihood generation projects in 7 villages, including 11 polytunnels for horticulture, 14 bee-keeping projects, 2 D-hub, 1 sewing/knitting center, 4 onion cultivation pilots and 1 farm machinery bank. Phase II works are in progress in 20 villages, with distribution of pilot project information dockets completed, and 194 expressions of interest for various pilots received from PAPs of which 62 pilots are under implementation. In addition, THDC has disbursed INR 122.786 million (US\$1.51 million) to date as compensation for loss of community access to forests for gathering fuel and fodder.</p> <p>No Grievance Redress Committee (GRC) meeting has been held since November 2019. The GRC chairperson resigned and THDC is in the process of appointing a new one. The GRM continues to be managed by THDC's Additional General Manager (S&E), supported by a Manager and two Social Officers. To the extent possible, the grievances are heard in the villages in the presence of the village head.</p> <p>Ongoing. The interim end-term evaluation of implementation of the Resettlement Action Plan (RAP) has been completed. Another end-term evaluation is planned to be carried out since the livelihood restoration plan is still under implementation and the Hatsari issue remains outstanding. The consultant for monitoring and end-term evaluation is being hired.</p>

IV. CONSULTATIONS WITH REQUESTERS ON MANAGEMENT ACTION PLAN PROGRESS

15. **Consultations.** Two representatives of the community met with the Bank team on September 27, 2022, in the World Bank's New Delhi office (as per their request). They reiterated the earlier demands to be met before signing the Agreement with THDC. They also agreed to discuss the way forward with the remaining members of the community and revert to the Bank. As part of regular, annual community consultations, the community of Hatsari was invited for a discussion on November 24, 2022. The consultation meeting was planned as both a physical and a virtual session, to allow those who are settled outside the Hatsari village to also attend. Though initially most community members had confirmed their attendance, only one person eventually participated. The Bank participated with three Project staff and facilitated the meeting. During the consultations, the status of progress in implementing the MAP actions was presented. Subsequently, the community representative was invited to provide feedback or ask questions, without limiting the time or number of questions.

16. **Feedback.** The community member did not provide any feedback on the progress of the implementation of the MAP, but mainly expressed concerns about the inconvenience caused by the ongoing construction works and the fact that the community had not been compensated for

crop damages. The representative also stated that the families requested permanent jobs with THDC for at least one person from each of the six families, which is a new demand. The community representative reiterated the wish to negotiate with THDC in the presence of the District Administration and the World Bank. Such negotiations, however, would be subject to THDC meeting the families' earlier demands pertaining to compensation for impacts and land acquisition caused by the Project since 2004. THDC had earlier sought to have the impacts evaluated by the competent government agencies⁶ – a pre-requisite for assessing and confirming any compensation amount – but the community members had rejected the assessment methodology and refused to accept the compensation. The community representative suggested that THDC and the community should mutually agree upon the crop damage amount. For the land acquired by the Project, THDC has deposited the compensation with the office of the Special Land Acquisition Officer, consistent with Bank policy requirements, but, to date, the affected community members have neither accepted nor collected the compensation amounts, claiming they were inadequate.

V. NEXT STEPS

17. Management will continue to monitor the implementation of the MAP. Management will also continue to support the finalization of the Agreement between THDC and the six remaining families of Hatsari, to help in reaching a satisfactory conclusion on the issue of compensation for resettlement and livelihood restoration.

18. ***Next progress report to the Board.*** The next progress report on the MAP will be submitted in 12 months' time, or once all items in the MAP are completed, whichever comes first.

⁶ The Public Works Department to assess damages to residential buildings, and the Departments of Agriculture and Horticulture to assess damages to crops and trees.