Early Warning System

IFC-32057

OCL India Limited II

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Quick Facts

Countries	India
Financial Institutions	International Finance Corporation (IFC)
Status	Active
Bank Risk Rating	A
Voting Date	2013-02-06
Borrower	O C L India Limited
Sectors	Industry and Trade
Potential Rights Impacts	Cultural Rights, Healthy Environment, Housing & Property, Indigenous Peoples, Labor & Livelihood, Marginalized Groups, Right to Health, Right to Water
Investment Type(s)	Loan
Investment Amount (USD)	$ 40.00 million

Project Description

IFC is considering providing an "A" loan to OCL, an existing IFC client formerly known as Orissa Cement Limited, to partly finance establishment of a 1.35 million tons per annum stand alone cement grinding plant at Kulapachuria village, Salboni Block, West Medinipur in the Indian State of West Bengal.

Early Warning System Project Analysis

RISK CATEGORIZATION

[IFC documentation states that The Project has been categorized as A given it may result in significant adverse environmental and social risks and impacts that are diverse and irreversible which are associated with various applicable Performance Standards. More specifically, these relate to; i) land acquisition of 154 acres (62 ha apprx) with the resulting economic displacement affecting 321 households; (ii) economic displacement of 113 Scheduled Tribe (ST) households that are defined as Indigenous People (IP) as per PS 7; and (iii) potential impacts on communities immediately neighboring the Project site due to an increase in traffic, an influx of labor and emissions and noise during construction and operations.]

APPLICABLE SOCIAL AND ENVIRONMENTAL STANDARDS

According to the IFC, the following Performance standards are triggered:

PS 1 Assessment and Management of Environmental and Social Risks and Impacts
PS 2 - Labor and Working Conditions
PS 3 - Resource Efficiency and Pollution Prevention
PS 4 Community Health, Safety and Security
PS 5 Land Acquisition and Involuntary Resettlement
PS 7 Indigenous People
PS 8 Cultural Heritage

IFC documentation states the 154-acre (approximately 62 hectares) project site is largely barren with some parcels of cultivated land and includes scattered parcels of forest land that total 4 hectares and therefore will not have adverse impacts on Biodiversity and Natural Resources.

People Affected By This Project

ENVIRONMENTAL AND HUMAN RIGHTS RISK ASSESSMENT

The following analysis is based on a Rapid Environmental Impact Assessment study that was commissioned by OCL in order to assess the likely impacts that would result from the proposed project. The two-part assessment was conducted by Envirotec East (P), Ltd., Kolkata and can be accessed on the IFC's website.

LABOR RIGHTS

IFC states that OCL plans to employ 175 persons permanently, of which about 130 will be workers. The IFC's Environmental and Social Review for the project further states that OCL has Human Resource Policies and Practices that are generally consistent with IFC Performance Standards but does not provide details. Importantly, this documents notes that these policies apply to employees only and states The Company will develop, for this plant, additional policies compliant with PS 2 provisions particularly related to contract workers.

The environmental impact assessment states that [r]isks to human health in the first place arise from major accidents. As such, IFC pledges that [p]lant safety measures would form an integral part of the environment protection plan of the proposed plant. Worker's safety would be of the highest degree of concern so as to avoid any personal injury or untoward accident. In-built safety features of the plant and machinery would be made adequate in order to avoid hazardous events causing damage to life and property.

Additionally, IFC states that, there are also potential risks related to labor influx into the project site during construction, which may put pressure on local resources such as water, health and sanitation facilities and fuel wood availability. During construction, up to 500 workers are expected to be located at the construction site. In mitigation, IFC maintains that OCL will thus develop a Labor Influx Management plan to manage associated impacts including measures to minimize the risk of community exposure to disease due to influx of laborers. IFC states the OCL will ensure that appropriate amenities/facilities for contract labor and employees are provided during both the construction and operational phases. This will include the requirement for: appropriate facilities and amenities including housing, toilets, washing and cleaning water of appropriate quality, potable drinking water and cooking fuel; treated sanitary waste water to meet the World Bank Group's environmental healthy safety guidelines prior to discharge; and assess potential host community impacts on account of an influx of labor, and implement mitigation measures.

The following questions may be relevant to determining whether you or your community's labor rights have been adversely affected by the investment project:

- Can all members of your community apply for jobs in the context of the investment project
- Are your wages sufficient to meet your basic needs and those of your family?
- Have you been forced to work against your will or without adequate compensation?
- Are your working conditions safe and healthy?
- Are there children under the age of 15 working on any aspect of this development project?
- What opportunities (legal or other) are available if you consider that your working conditions are not just and favorable?
- Has OCL provided adequate housing, toilets, water and cooking fuel for workers in the project during its construction?
- What opportunities (legal or otherwise) are available if workers brought in the project site during construction put pressure on local resources such as water, health and sanitation facilities and fuel wood availability?

RIGHT TO WATER

According to the 2012 Human Rights in India Status Report, the combined effects of inadequate sanitation, unsafe water supply and poor personal hygiene are responsible for 88% of childhood deaths from diarrhea. Additionally, 21% of the

Investment Description

- International Finance Corporation (IFC)

IFC is evaluating partial A-Loan of US$ 40 million to finance the project. The total project cost is estimated at US$102 million. The balance of the funding requirement will be met through rupee debt and internal accruals. An "A" loan for IFC's own account means the IFC provides a direct loan for the project from its own funds, and keeps that debt on its books until the sponsoring company repays in full, again directly to IFC.]

Private Actors Description

India with a capacity of 3.8 million tons per annum (MTPA). The Company, formerly known as Orissa Cement Limited, started manufacturing cement in 1952 and also manufactures refractories.

OCL is a part of the Dalmia Group and is publicly traded on the Bombay Stock Exchange and the National Stock Exchange. Dalmia Cement (Bharat) Limited, the flagship company of the Dalmia Group, is the largest shareholder in OCL with a 45% stake. The Dalmia family collectively controls 70% in OCL. The remaining 30% is owned by the general public and institutional investors.

PAST BANK FUNDING

OCL is an existing IFC client, having received a USD$ 50 million 'A' loan from IFC's own account in 2006 for a USD$170 million clinkerisation unit at the OCL cement works at Rajgangpur in district Sundergarh of Orissa. That project was rated an environmental and social category 'B."

PAST ENVIRONMENTAL COMPLAINTS

According to a November 2012 article by the New Indian Express, aggrieved community members in the village of Lanjiberna and the nearby Kutra block of Orissa raised complaints against OCL India Ltd. for environmental pollution, claiming exposure to "health hazards due to flying dust" resulting from the company's mining operations was affecting over 10,000 people. These villagers subsequently sought relief from the Indian National Human Rights Commission alleging, among other things, that "with scant regard to the norms, the crusher is located at a stone's throw from Lanjiberna and frequent blasts lead to sound pollution and mud houses developed cracks" and that "[t]he groundwater table receded to unprecedented levels and in summer people faced water crisis."

PAST HUMAN RIGHTS ABUSES

No complaints have been filed to the IFC Compliance Advisor/Ombudsman.

However, in an external study done on land acquisition for an industrial zone to be built by OCL in West Bengal in 2007, researchers undertook "fieldworks in the villages of Kulipara, Kulapachuriya, Kamarmuri, Beucha, Kuchakola, and Panthorchati to study the impact of land acquisition for OCL." Their findings suggest that "almost all the villagers are engaged in agriculture full-time or part-time. But after losing their land to OCL many of these villagers have become daily wage labourer[s] or contract labourer[s]."

Furthermore, the report states that local villagers "were verbally promised by the OCL management during their negotiation process a permanent job for one member from each of these families' a promise that was endorsed by the government officials and local political leaders during that time" but which was never realized. The report goes on to state that "[a]ccording to the villagers there were a large number of landowners who were either reluctant or unwilling to give up their lands in exchange of money. Those people were persuaded and sometime coerced to sell their land to the company. In the end, all the landowners had sold their lands to the OCL."

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	Dalmia Cement (Bharat) Limited	Undisclosed	-
-	-	-	-	Dalmia Group	Parent Company	-
-	-	-	-	OCL India Limited	Client	-

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CONSULTATIONS

IFC documentation states that OCL, along with the District Administration, "initially conducted several informal discussions with the affected communities after the land was identified for acquisition in 2009." IFC states that "during the course of the land acquisition process and in accordance with the applicable regulations, affected households were informed of the land acquisition and offered opportunities to lodge concerns." IFC notes that "there were multiple visits by Government Officials. A few Gram Sabha (village assembly) meetings were organized by the Government in 2008-09, and by OCL in 2009-10. A follow-up Gram Sabha meeting was organized in April 2012." IFC states that the feedback from these meetings was appropriately incorporated by OCL in environmental and social management plans.

IFC states that "[s]ubsequently, OCL's social impact consultants conducted additional stakeholder engagement activities at 4 mouzas/villages as part of the public consultation related to the social impact assessment study conducted in April 2012. The social impact assessment consultant conducted a series of stakeholder engagement activities including focused group discussions, participatory rapid appraisal and social mapping to identify impacts and community development needs. IFC states that altogether four focused group discussions were held from April 9-14, 2012 at the respective villages. These consultations were conducted in the local language in different hamlets in the affected villages. The consultant conducted these meetings in the presence of OCL representatives."

IFC further states that "the Participatory Rural Appraisal techniques utilized in these meetings provided an understanding of the needs of the communities. The social impact assessment has determined that OCL informed the affected villages about the proposed Project and OCL's plan with respect to corporate social responsibility activities. During the process of land acquisition, OCL also obtained the required No Objection Certificates from the relevant Gram Panchayats and Medinipur-Kharagpur Development Authority. A 'No Objection Certificate' is a certificate issued by a government agency or authority that states that there has been no objection to the covenants within. In India, No Objection Certificates are mandatory in order to obtain clearance from a local authority before construction can begin on in project in its jurisdiction. As a result, IFC states that the social impact assessment has identified the key primary and secondary stakeholders and potential impacts on the affected community." However, the social impact survey covered only 188 of the 321 affected Households because more than 100 households were not available in the village at the time of the survey.

IFC also states that the social impact assessment "provides a description of the Stakeholder Engagement Framework and the Community Grievance Redress Framework. The Grievance Redress Framework recommends creation of a grievance redress cell, comprised of representatives from the affected community, local elected body, OCL's representatives, NGOs and the local government." IFC further states that "OCL has prepared and locally disclosed a mitigation and community development framework that addresses the key concerns and expectations of the affected communities including the social impact assessment, the entitlement matrix, the community development plan and the environment and social action plan. Subsequent to the local disclosure of social and environmental information, OCL has engaged, consulted with, and raised the awareness of the affected communities about the Project's impacts and benefits." Additionally, IFC documentation states that "OCL representatives continue to: undertake additional consultations with the affected communities; document the

Bank Documents

- Community Development Plan.pdf
- EIA part 1.pdf
- EIA part 2.pdf
- ESAP October 18 2012.pdf
- OCL Social Impact assessment.pdf

Campaign Documents

- Dalmia Cement, Swiss Re & Helvetia pledge to use 100% renewable energy & increase energy productivit