

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

**SEVENTH 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 17, 2022**

## **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. 7**

**Implementation of Management Action Plan**

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## I. INTRODUCTION

1. This is the seventh 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\$152.46 million (34.03 percent) of the loan amount have been disbursed as of January 2022.

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, 2022. Discussions are underway between the Bank and the Department of Economic Affairs, Ministry of Finance, Government of India to extend the Closing Date to December 31, 2023, if a detailed review of Project progress confirms that the implementation milestones are met. The first-generation unit is now estimated to be commissioned by December 31, 2023.

6. Due to various delays, including those resulting from the Covid-19 pandemic, disbursements have remained slow over the past year, reaching 34.03 percent as of January 2022; physical completion is at 26 percent. The PDO remains relevant and achievable and is 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 not resumed full operation but the excavation of the additional bypass tunnel to facilitate this has been completed. The overall works at the dam site are progressing at a good pace, intake tunnel activities are in line with the time schedule and works at the upstream coffer dam have been completed. Once the TBM resumes full operation, 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. Due to the pandemic restrictions, field visits have not taken place since March 2020, and the team continues engaging with stakeholders virtually. Supervision of Project progress is supported by deployment of remote technologies, with updates provided by THDC 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 families<sup>1</sup> 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 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. 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 December 2021. As of December 2021, the Project had not received any grievances related to a loss of village water sources.

9. ***On the issues of Resettlement and Livelihood Restoration for the hamlet of Hatsari.*** ***Background.*** After years of negotiation, a consensus 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 Agreement. The representative of the families committed that the Agreement would be signed by the families, but this did not happen, nor was there an explanation. In December 2019, in a joint meeting between the Hatsari community, THDC, and the local district administration, the Additional District Magistrate (ADM) directed THDC to identify land for relocation of the Hatsari community.

10. 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 Honorable High Court of

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<sup>1</sup> 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.

Uttarakhand, to direct THDC to comply with the directive issued by the ADM in December 2019.<sup>2</sup> 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 honor the Agreement.

11. **Current status.** The six families in Hatsari village have still not accepted compensation and continue to live onsite. Despite the delays in signing a draft compensation Agreement between the remaining six families of Hatsari and THDC, THDC remains willing to reengage with the families on this issue.

12. 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<sup>3</sup>, with a period of three weeks to respond to the offer. THDC has received no response to date.

13. THDC has continued to take actions to strengthen relationships with Project-affected communities as recommended by the Bank. The local economic development consultant, hired in January 2020, has completed the baseline survey in all directly and indirectly affected villages and identified pilot community development projects based on baseline data and community consultations. Of the six families residing in Hatsari, three PAPs are employed with THDC, three with Hindustan Construction Company (HCC, the civil contractor), and the vehicle of one PAP has been contracted for use by THDC.

14. 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.

**Table 1: Implementation of Management Action Plan**

MANAGEMENT ACTION	STATUS OF MANAGEMENT ACTION
<p><b>Water Loss and Alternative Water Sources:</b></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)</p>	<p><b>Completed.</b></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 December 2021. As of December 2021, there has been no report of loss of village water source.</p> <p>In addition, following a meeting between THDC and the Hatsari community in May 2021, THDC responded to a request of the Additional</p>

<sup>2</sup> The 6<sup>th</sup> Progress Report on the Implementation of the Management Action Plan, submitted in February 2021, included a misinterpretation of the court filing. It was a single PAP and not the six families who had filed a case with the Honorable High Court of Uttarakhand.

<sup>3</sup> A special package offered to the Haat community PAPs, which includes compensation, resettlement and rehabilitation assistance, and an additional cash payment.

MANAGEMENT ACTION	STATUS OF MANAGEMENT ACTION
<p>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>District Magistrate (ADM) Chamoli to improve water management in Hatsari by providing a water tank and a water pipeline.</p>
<p><b>Resettlement and Livelihood Restoration:</b></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><b>Ongoing.</b></p> <p><b>Resettlement.</b> Despite several meetings with THDC, the six remaining Hatsari families continue to refuse to sign 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.</p> <p>The Bank team has since held several virtual meetings and discussions with THDC to help resolve this issue. The Bank met virtually with the Hatsari community on January 7, 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"> <li>○ THDC compensates for all the damage caused by the Project since 2004;</li> <li>○ Court cases filed by THDC against the community members are withdrawn;<sup>4</sup></li> <li>○ Shops that were damaged during construction of the approach road to the TBM are renovated;<sup>5</sup> and</li> <li>○ Land that has been transferred to THDC is compensated for.</li> </ul> <p>The Bank will continue the dialogue with the Hatsari community and THDC, seeking to help resolve the outstanding resettlement-related actions.</p> <p><b>Livelihood Restoration.</b> Despite the pandemic, THDC has continued to visit individual villages to keep current with issues and concerns and to develop village-specific programmatic action plans to support local development. Various Community Development activities have been supported by VPHEP to date, amounting to approximately INR 103.3 million (US\$1.39 million), of which INR 14.1 million (US\$0.19 million) was during the reporting period.</p> <p>The activities initiated since the 6<sup>th</sup> Progress Report include:</p> <ul style="list-style-type: none"> <li>○ Construction of a water storage tank and laying of a water supply pipe for Hatsari village;</li> <li>○ Operation of water supply scheme for PAPs in Daswana, Eldana, and Mayapur villages, as well as for PAPs located near Haat bridge;</li> </ul>

<sup>4</sup> 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, which resulted in multiple individuals being charged with contempt of Court, based on the Court's 2016 order.

<sup>5</sup> 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.



MANAGEMENT ACTION	STATUS OF MANAGEMENT ACTION
	<ul style="list-style-type: none"> <li>○ Provision of water supply connection to two PAPs in Mayapur village;</li> <li>○ Payment of streetlighting electricity bills for Daswana and Eldana; and</li> <li>○ Coverage of tent and sound expenses during inauguration and annual function of the State Inter College.</li> </ul> <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, and hill protection works.</p>

### III. ADDITIONAL ISSUES TRACKED UNDER THE MANAGEMENT ACTION PLAN

15. 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><b>Cumulative Impacts</b></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><b>Ongoing.</b> The discussions on the routing of the evacuation line for transmission of power generated from VPHEP are ongoing with Power Transmission Corporation of Uttarakhand Limited, but due to delays in Project implementation, there has been no change since the 6<sup>th</sup> Progress Report.</p>
<p><b>Risk relating to Structures, Landslides and Earthquakes</b></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</p>	<p><b>Completed as of the 6<sup>th</sup> Progress Report.</b></p> <p><b>Ongoing.</b> The excavation of the additional bypass adit to facilitate resumption of TBM operations has been completed. The Bank team will monitor implementation of the slurry disposal plan and muck dumping once</p>

Issue	Action/Status
<p>analyze the composition of the slurry and take appropriate measures to remove harmful particles or substances before disposal.</p>	<p>TBM operations have resumed. THDC will ensure that all the clearances are in place before the TBM resumes operation. Once this happens, the pace of implementation is expected to increase significantly.</p>
<p><b>Risk to Aquatic Life and Ecology</b></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 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><b>Completed as of the 6<sup>th</sup> Progress Report.</b></p> <p><b>Ongoing.</b> Implementation of the study's recommendations by the Government of Uttarakhand is ongoing due to Project implementation delays.</p> <p>The Catchment Area Treatment (CAT) Plan is under implementation, in consultation with the State Forest Department of the Government of Uttarakhand, to prevent sediment movement. The completion of the CAT has now been prioritized by the Forest Department. As of August 2021, an expenditure of INR 231.8 million (US\$3.16 million) was recorded, an increase of INR 60.6 million (US\$0.83 million) comparing to expenditures recorded in April 2020. The total allocated amount, initially deposited within the Forest Department more than 10 years ago for the purpose of CAT implementation, amounts to INR 470 million (US\$6.4 million). The activities initiated under the CAT plan comprise afforestation, nurseries, drainage line treatment, contour trenching, check dam construction and maintenance, ground water recharge structures, and others.</p>
<p><b>Gender Impacts</b></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"> <li>• Contractor will hire women staff as security officers and guards.</li> <li>• Contractor and THDC will conduct regular awareness campaigns in the labor camps about women's safety and to reinforce project boundaries,</li> </ul>	<p><b>Completed as of the 4<sup>th</sup> Progress Report.</b></p>

Issue	Action/Status
<p>with penalties for violation of the same (to be borne by contractors and workers alike) and availability of criminal prosecution.</p> <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><b>Local Benefit Sharing</b></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>Going forward, the following activities will be implemented:</p> <ul style="list-style-type: none"> <li>• THDC will carry out evaluation of host villages (if any, other than Ghedora) by December 31, 2014, to establish baseline.</li> <li>• The end-term evaluation of RAP implementation will also cover the impact evaluation for the host villages.</li> </ul> <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><b>Completed.</b> 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 company had implemented 33 pilot livelihood generation projects in 7 villages, including 11 polytunnels for horticulture, 14 bee-keeping projects, 2 D-hub,<sup>6</sup> 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. In addition, THDC has disbursed INR 104 million (US\$1.42 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. Grievances received during this period have been minor and are addressed by the social department of</p>

<sup>6</sup> Development hubs, or D-hubs, are one-stop centers for all kinds of help that farmers may need, such as government schemes, subsidies, market rates for various products, etc.

Issue	Action/Status
	<p>THDC. The GRC continues to have two female members.</p> <p>The Project continues to maintain two Project Information Centers.</p> <p><b>Outstanding:</b> The end-term evaluation of implementation of the Resettlement Action Plan (RAP) has not yet taken place as the RAP will not be considered complete until the issues in Hatsari have been resolved. In the meantime, the Bank has requested THDC to conduct an independent audit of RAP implementation, to be completed by March 2022.</p>

#### IV. CONSULTATIONS WITH REQUESTERS ON MANAGEMENT ACTION PLAN PROGRESS

16. **Consultations.** The community of Hatsari was invited on December 24, 2021, to attend consultations on the implementation status of the MAP. The consultations were held virtually on January 7, 2022, with the community of Hatsari and participants from the Bank team based in New Delhi, India. A total of 7 community members, representing all six families, participated. There was no limit on the number of participants. The Bank participated with seven Project staff and facilitated the meeting. During the consultations, the status of progress in implementing the MAP actions was presented. Then community members were invited to provide feedback or ask questions. The opportunity to participate was open to every participant without limitation as to time or number of questions. The consultations did not include representatives from the Government, Borrower, or the Implementation Agency.

17. **Feedback.** Community members did not provide specific feedback on the progress of the implementation of the MAP, but mainly expressed concerns about the inconvenience caused by the ongoing construction works. Community members reiterated their wish to negotiate with THDC in the presence of district administration and the World Bank. Such negotiations, however, would be subject to THDC meeting their earlier demands pertaining to compensation for impacts and land acquisition caused by the Project since 2004. THDC has sought to assess and compensate for these impacts but affected community members have rejected the assessment methodology and refused to accept the compensation. The fact that THDC involved the Public Works Department to assess damages to residential buildings, and the Departments of Agriculture and Horticulture to assess damages to crops and trees, has not helped to overcome the impasse. For the land acquired by the Project, the situation is similar: THDC has deposited the compensation for acquired land consistent with Bank Policy requirements with the office of the Special Land Acquisition Officer but to date the affected community members have neither accepted nor collected the compensation amounts, claiming they were inadequate.

## V. NEXT STEPS

18. 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.

19. **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.