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April 5, 2005

FROM: Vice President and Corporate Secretary

**India: Coal Sector Environmental and Social Mitigation Project
Management Report on Status of Outstanding Issues following the
Inspection Panel Investigation Report and Management's Response**

Final Text

1. Attached is a revised version of the document entitled "India: Coal Sector Environmental and Social Mitigation Project (Credit No. 2862-IN) - Management Report on Status of Outstanding Issues following the Inspection Panel Investigation Report and Management's Response" that was discussed at an informal meeting of Executive Directors that was held on March 1, 2005. The document has been revised to take into account comments made by Executive Directors at the informal meeting, prior to it's being made publicly available after April 12, 2005.
2. Questions on this document may be addressed to Ms. Forusz (ext. 33304).

Distribution:

Executive Directors and Alternates
President
Bank Group Senior Management
Vice Presidents, Bank, IFC and MIGA
Directors and Department Heads, Bank, IFC and MIGA

**INDIA
COAL SECTOR ENVIRONMENTAL AND SOCIAL MITIGATION PROJECT
(CREDIT No. 2862-IN)**

**MANAGEMENT REPORT ON STATUS OF OUTSTANDING ISSUES FOLLOWING
THE INSPECTION PANEL INVESTIGATION REPORT No. 24000 AND MANAGEMENT'S
RESPONSE**

INTRODUCTION

1. A Board meeting held on July 22, 2003 discussed the findings of the Inspection Panel's Investigation Report of the India Coal Sector Environmental and Social Mitigation Project (CSESMP). This Report focused exclusively on the Parej East mine, which was one of the 25 mines to receive support under the project. Management's Report and Recommendation in response to the Inspection Panel Investigation Report was submitted on May 6, 2003 and revised on July 25, 2003, following the Board discussion. "The Board endorsed the findings of the Panel, while noting that the project had positively influenced Coal India's policies on environmental and social issues and that nearly 90% of the project affected persons in Parej East mine had improved or restored their incomes at the time of project completion."¹

2. Management indicated in the Report its intention to continue to: "(i) monitor provision of support to communities...including the issuance of land titles/long-term leases to PAPs; (ii) encourage establishment of an Independent Monitoring Panel to support resolution of issues related to subsistence allowances and land titling; and (iii) advise GOI on apparent entitlements for subsistence allowances for 121 eligible families in Parej East."²

3. The Board endorsed Management's action plan to continue to supervise and monitor the project "to ensure that the outstanding issues relating to resettlement and environment are substantially resolved..."³ and to report to the Board on the status of these issues at regular intervals. The specific activities which the Board endorsed Management to continue to supervise and monitor were:

- Economic rehabilitation of 73 project affected persons (PAPs) who experienced a decrease in income during the project period;
- Settlement of claims for PAPs cultivating land under customary tenure;
- Provision of long-term leases to PAFs for their house plots in the resettlement site;
- Disbursement of subsistence allowance fund by GOI;
- Delivery of compensation and relocation entitlements;
- Water quality at the resettlement sites;
- Reclamation of mine land for agricultural use;
- Mechanisms for consultation and dissemination of project related information to PAPs; and
- Possible establishment of an Independent Monitoring Panel (IMP).

4. The purpose of this report is to comply with the Board's request to be periodically updated on the status of issues. It concludes that given the outcome of its ongoing dialogue with GOI and other key

¹ World Bank News Release No:2004/30/SAR. July 25, 2003.

² Management Report and Recommendation. July 25, 2003.

³ Minutes of Meeting of the Executive Directors of the Bank and IDA. July 22, 2003.

stakeholders, as well as the progress made to date in some areas and the varied impact of Bank involvement in others, Management will reassess the extent and nature of its involvement through the end of September 2005, and present its recommendations to Senior Management on the scope and scale of any further Bank involvement.

5. Specifically, in light of the uneven progress made to date, due in part to the level of cooperation of various stakeholders, Management proposes a revised action plan that ends its current supervisory responsibilities for selected issues, yet continues engagement on issues where Bank involvement can still have a beneficial impact.

6. In order to allow the opportunity for two further Bank missions, September 30, 2005 has been set as a target date for reviewing progress, with the understanding that, on issues where the level of stakeholder cooperation is not contributing to progress towards resolution, Bank involvement would either be terminated or modified to providing advice and technical assistance as needed and/or requested. Management's reassessment report will be submitted to the Board by October 30, 2005.

7. The following section provides an overview of the Bank's involvement following the Technical Briefing to members of the Board on September 15, 2004.

BACKGROUND

8. Over the past 19 months, Management has carried out its commitment to the Board to seek substantial resolution to the issues identified in the Board endorsed action plan. Since the Board meeting on July 22, 2003, members of the Bank's supervision team have made five visits to the project area, and the Country Director for India has had three meetings with the Government of India (July 20, 2004, February 17, 2005, and February 25, 2005), to seek their active cooperation in resolving outstanding issues.

9. On September 15, 2004, Management provided a Technical Briefing to members of the Board. During this briefing, Management provided an update on the status of the nine issues it agreed to supervise and monitor, responded to questions from members of the Board, and outlined its monitoring and supervision plan for FY05.

10. During the Technical Briefing, the Government of India also clarified its position on the resolvability of a number of issues. Regarding the provision of long-term leases, GOI stated that existing Indian law (the Coal Bearing Areas Act), precludes the possibility of providing long-term leases to PAPs. However, during recent meetings between the Country Director and GOI, the Department of Economic Affairs (DEA) informed the Bank that Ministry of Coal (MOC) has finalized amendments to the Coal Bearing Areas Act to provide long-term leases to PAPs, and that these amendments have been vetted by the Ministry of Law. DEA also stated that these amendments are proposed to be introduced during the current session of the Parliament. However, once these amendments are introduced, it is unclear how long it will take for them to pass.

11. A letter received in September 2004 from GOI concluded that the additional subsistence allowance for PAFs in Parej East was included in the 1994 Resettlement Action Plan (RAP) by oversight and is not required under the Bank's policy for income restoration. Both CIL and GOI stated that providing an additional subsistence allowance to 121 PAFs would set an unacceptable precedent which would be unsustainable for CIL's 500 mines. However, CCL has indicated that it would be willing to look into alternative options for additional income generation support for entitled families, following the completion of the consultation exercise being undertaken by the Xavier Institute of Social Service (XISS).

12. On February 24, 2005 the Bank received a copy of the XISS interim consultation report, which provided a draft action plan for assistance to the families, who the report identified as eligible for additional assistance. The Bank will review the consultation report and provide inputs to the draft action plan prior to the next mission in May 2005.

13. In its September 2004 letter, GOI also confirmed its view that circumstances on the ground do not warrant the constitution of an Independent Monitoring Panel and that regular Bank supervision missions may suffice to provide the necessary monitoring. The Bank accepts the position of GOI and no further action on this issue is envisaged.

14. Since the Technical Briefing on September 15, 2004, members of the Bank supervision team have made two visits to the project area, and maintained an open dialogue with GOI and Coal India Limited (CIL). The first mission following the Technical Briefing visited CIL headquarters in Kolkata, Central Coalfields Limited (CCL) headquarters in Ranchi, and the Parej East mine in the Hazaribagh area between October 4 and October 12, 2004. The primary purpose of this mission was for the Bank to seek the commitment of key stakeholders – CIL, CCL, Chotanagpur Adivasi Sewa Samiti (CASS), XISS, and the project affected people (PAPs) – to collaborate with one another on the development of an approach to substantially resolve the issues related to economic rehabilitation.

15. During this visit, discussions were held directly with the Chairman of CIL, CCL subsidiary and project officials, the PAPs and CASS at the Pindra resettlement site, as well as a further meeting with the members of CASS at their offices in Village Kasiadih. In addition, the Team Leader conducted an analysis of the issues that were affecting progress, and reviewed the appropriateness of the current Bank team's skill mix to address these issues.

16. The results of this analysis indicated that there were four main challenges that were affecting the Bank's efforts to facilitate resolution of the issues: (i) the difficulty of the key stakeholders to communicate directly with one another; (ii) a misinformation campaign in the village regarding the Panel's findings and the scope of the Bank's continued involvement; (iii) speculative expectations of some of the key stakeholders regarding the benefits that would accrue to them due to the Bank's continued involvement; and (iv) assumptions about the extent of the Bank's influence in a closed project. As a number of the issues affecting the Bank's efforts were related to communication and stakeholder relations, the Team Leader added a Senior External Affairs Officer and an Organizational Effectiveness consultant to the team.

17. From November 30 – December 2, 2004 the Senior External Affairs Officer visited CCL headquarters in Ranchi and the Parej East mine in the Hazaribagh area in order to assist CCL with the development of a communications strategy which would: (i) improve their direct relationship with CASS and the community; and (ii) counteract the misinformation campaign by providing accurate information to the PAPs.

18. On December 17, 2004 CCL's new Area General Manager met with CASS as the first step in what is expected to be an ongoing dialogue between the two parties. A subsequent meeting, which was to take place during February 2005 has not yet been scheduled. Additionally, in an effort to improve its relations with the community, CCL held a meeting with representatives of each of the social groups on February 18, 2005. The Bank is awaiting feedback from CCL on the results of this meeting.

19. The status of issues under the current Board endorsed action plan, are summarized below:

STATUS OF ISSUES

Issue 1: Economic rehabilitation of 73 project affected persons (PAPs) who experienced a decrease in income during the project period

20. As of March/April 2002, data from Parej East indicated that an overwhelming majority (87.1%) of the PAPs have been able to maintain or increase their incomes⁴ during the project period. These data also show that during the period of RAP implementation (from 1997 to 2002) the percentage of female PAPs earning an income increased dramatically, from 4.1% to 57.8%. Among the 270 female PAPs in Parej East, 97.8% have been able to maintain or increase their incomes during the project period. The affected tribal population experienced similar improvements. In Parej East, there were 194 PAPs belonging to one of the Scheduled Tribes who provided income information for both the 1997 and 2002 censuses. Of these, 88.7% maintained or increased their incomes during the project period. In addition, the number of tribal PAPs with above-poverty-line incomes more than doubled during the project period. Of the 73 PAPs in Parej East who reported a decrease in individual incomes, twenty-nine belonged to households whose incomes had increased during the project period.

21. During the November 2003 mission, the Bank and CIL agreed that CCL would investigate the reasons why these PAPs experienced a decrease in income. In Parej East, an initial survey was undertaken by the Community Development/Resettlement and Rehabilitation (CD/R&R) Officer and a further verification survey was to be undertaken by XISS, the former facilitating NGO. The survey was scheduled to be carried out in July/August 2004, the results of which would be used by CCL and CIL, in consultation with the Bank, to determine what additional support, if any, would be made available to those PAPs who experienced a decrease in income.

22. After some initial delays, CIL reported that the survey by XISS began on September 9, 2004. Throughout the course of their work, the staff of XISS have experienced increasing resistance from the PAPs, arising in part from posters in the village which provided misinformation regarding the nature and scope of the Inspection Panel's findings. During an October 2004 visit to the Pindra resettlement site, the frustration of the people over their expectations not being met, was clearly evident. As a result of misinformation, the PAPs are under the impression that the Inspection Panel's findings are legally binding and that the Bank will force the Government of India to implement them. For example, "The World Bank in order to rectify its own mistakes has ordered the Indian Government to pay \$300,000 to the 121 families of Parej East OCP."⁵ The people are also under the impression that this money has already been given to CCL and that it is being withheld from them. The people have been urged to "Wake up for your rights and existence!"⁶

23. The purpose of the XISS survey is to determine which of the 73 PAPs who reported a decrease in income in 2002 were still in need of additional assistance, and to subsequently prepare an action plan based on those findings. During the October 2004 meeting with the PAPs at the Pindra resettlement site, discussions revealed that the very existence of a list of PAPs who reported decreased incomes is highly contentious. There has been a great deal of debate among the people about who should be on the list and why certain people are on the list while others are not. CASS has also raised their objections to the list and stated that they have their own list of 30 individuals who are in need of assistance and should be included in any follow-up activities. The XISS Project Officer in charge of the survey informed the Bank that he has recorded these comments and complaints, and they will be included in the final report.

⁴ All income information has been adjusted for inflation.

⁵ Village poster.

⁶ Ibid.

24. During discussions with the PAPs during the October 2004 visit, coal loading at the Ulhara dump was mentioned by the PAPs as one way to satisfy their interest in a daily wage. However, the PAPs have also complained that since the dump committee and local political leaders have taken control of truck distribution away from CCL, their allotment of trucks has been irregular. In order to address the complaints from the PAPs regarding irregularities in truck distribution, CCL officials held a variety of meetings with PAPs as well as local leaders to devise a more workable approach that would ensure the regular allotment of trucks to PAPs.

25. During these meetings, it was agreed between the Bank, CCL, and the PAPs that regarding coal loading at the Ulhara dump, (i) the PAPs will submit a fresh list of *dangals* (groups) interested in truck loading to CCL; (ii) one person nominated by the PAPs from among these groups will be responsible for distributing the trucks for loading on a rotational basis; (iii) records of truck distribution will be kept in a register; and (iv) the overall process will be reviewed by a CCL supervisor. The distribution system would be recorded in a register, and it is expected that this approach will support more regular allotment of trucks and income for interested PAPs.

26. CCL has informed the Bank in January 2005, that a fresh list of 34 *dangals* (groups)⁷ has been submitted, that a person from each group has been nominated to oversee truck distribution, records are being maintained, and a CCL supervisor is reviewing the functioning of the overall system.

27. The Bank received a copy of the interim survey report on February 24, 2005. The survey indicates that of the 73 PAPs who reported a decrease in income in 2002, 18 persons have been able to increase their incomes beyond pre-project levels, while 38 persons have either retired, received jobs with the company, migrated out of the area, or died. For the 17 persons that the survey indicates require further assistance, Coal India has prepared a draft action plan, which focuses primarily on assisting the PAPs with securing coal loading jobs, as per their request in October 2004. The Bank will review the survey results with XISS, CIL, and CCL, and provide input to the draft action plan prior to the next mission in May 2005.

28. The extent and nature of the Bank's involvement on this issue will be reassessed by September 30, 2005.

Issue 2: Settlement of claims for PAPs cultivating land under customary tenure

29. Consistent with the World Bank's OD 4.30, CIL's R&R Policy states that "tribals cultivating land under traditional rights" should be recognized as entitled to compensation. Under Indian Law, PAPs must establish that they have a valid claim to the land (i.e. that they indeed had traditional rights) before compensation can be paid. Claims for rights to land cultivated under customary tenure – referred to as *Ghair Mazurva Khas* (GMK) land in the Hazaribagh area – are examined on a case-by-case basis by the District authorities. For recognized claims, the compensation amount is calculated in the same manner as for private (or so-called 'tenancy') land. Claims to rights over land are often not accompanied by adequate records of occupancy and the establishment of 'legitimate' claims is open to abuse. The disputes over GMK land stem from the fact that there are ambiguous historical records of occupancy, and thus of tenancy. Occupancy rights need to be verified, which has proven to be a protracted process, before compensation can be paid.

30. A total of 41 claims (26 from Parej village and 15 from Durukasmar village) for land being cultivated under customary tenure have been filed with District and State authorities by families from the

⁷ 10 dangals from Ganju tola, 2 dangals from Sahtola, 5 dangals from Turi/Borwatola, and 17 dangals from Muslim tola.

two villages affected by the expansion of the Parej East mine. Of the 26 claims from Parej village, 13 of the claims have been authenticated in favor of PAFs, and the requisite compensation has been paid to 10 families. For the three remaining authenticated claims, CCL has informed the Bank that the paperwork is being processed for payment on two of the claims, while for the last remaining authenticated claim, the head of household has died and his dependents have been advised to submit the necessary information to the Circular Officer so that compensation can be paid. As yet, the dependents have not come forward.

31. The remaining claims by 13 families have been rejected, an of these, 8 families have filed an appeal with the State Tribunal in which the Union of India/CCL and the State of Jharkhand are also parties. Evidence on behalf of the claimants has been completed. Evidence on behalf of the Union of India/CCL is in progress. Testimony has been heard five times between September 20, 2004 and February 15, 2005. The next hearing date has been scheduled for March 19, 2005.

32. Of the 15 claims from Durukasmar village, 9 of the claims have been authenticated in favor of the PAFs, and compensation has been assessed for 6 families. Clarification regarding the type of land is required from the Forest Department and the Land and Revenue Department before payment can be made. CCL has submitted the request for clarification on September 13, 2004. For the 3 remaining authenticated claims, the land authenticated is not required for mining, the families will not be disturbed, and therefore these claims are no longer applicable. No appeals have thus far been filed with the State Tribunal by the 6 families whose claims have been rejected.

33. In an effort to expedite the process, the Bank met with the Jharkhand State Secretary for Land Revenue, who agreed to actively pursue the District authorities to settle outstanding claims and ensure their timely resolution. The supervision team also met with the District Collector charged with authenticating claims for Parej East, and he assured the mission that he would give priority to outstanding claims. Despite these assurances and the emphasis placed on this issue by the Bank in all its missions, the pace of progress has been slow.

34. The extent and nature of the Bank's involvement on this issue will be reassessed by September 30, 2005.

Issue 3: Provision of long-term leases to PAPs for their house plots in the resettlement site

35. Security of land tenure is viewed by the Bank as a critical aspect of successful resettlement. The Bank first raised this issue with GOI in 1991, during the very early stages of project preparation. By the time the original 1994 RAP for Parej East was prepared, CCL had already acquired the Pindra resettlement site under a law⁸ that does not allow for the provision of land title to the PAFs.

36. In July 1997, GOI agreed in the Minutes of the CSR Negotiations to "take the necessary action to obtain from the relevant authorities written waivers or consent to grant PAPs renewable long-term leases...."⁹ to their house plots. A *patta* (land title) format for long-term renewable leases proposed by CIL was forwarded to the Ministry of Coal (MOC) on March 30, 1999. Regarding the Pindra resettlement site in Parej East, specifically, a draft lease agreement was sent to the Director, Department of Coal in MOC on April 1, 2000. The matter of long-term leases was then referred to the Ministry of Law.

37. The Ministry of Law communicated to CIL that while ownership cannot be transferred to the PAFs, it is willing to consider requests from the subsidiaries to enter into agreements (long-term leases)

⁸ The Coal Bearing Areas Act.

⁹ Minutes of CSR Negotiations, para. 38. July 1997.

with individual PAFs regarding their use of the land. It also indicated that these agreements will be considered by the Ministry of Law on a case-by-case basis. CIL re-submitted individual case applications to the Ministry of Law in May 2001.

38. During the Bank's discussions with GOI during every supervisions mission, regarding the provision of long-term leases, GOI stated that existing Indian law (the Coal Bearing Areas Act), precludes the possibility of providing long-term leases to PAPs. However, during recent meetings between the Country Director and GOI, the Department of Economic Affairs (DEA) informed the Bank that Ministry of Coal (MOC) has finalized amendments to the Coal Bearing Areas Act to provide long-term leases to PAPs, and that these amendments have been vetted by the Ministry of Law. DEA also stated that these amendments are proposed to be introduced during the current session of the Parliament. However, it is unclear whether these amendments will pass, and in what timeframe.

39. The extent and nature of the Bank's involvement on this issue will be reassessed by September 30, 2005.

Issue 4: Disbursement of subsistence allowance fund by GOI

40. Among the provisions of the August 1994 Resettlement Action Plan (RAP) for Parej East, prepared by CIL's Central Mine Planning and Design Institute (CMPDI), Section 3.4.4 refers to a 'subsistence allowance'¹⁰ payable for 20 years to those PAFs who lose their land and do not opt for jobs or do not qualify for a job. None of the RAPs for the other CIL subsidiaries include this type of subsistence allowance, as it is not based on CIL's R&R Policy.

41. A letter received in September 2004 from GOI concluded that the additional subsistence allowance for PAFs in Parej East was included in the 1994 Resettlement Action Plan (RAP) by oversight and is not required under the Bank's policy for income restoration. Both CIL and GOI stated that providing an additional subsistence allowance to 121 PAFs would set an unacceptable precedent which would be unsustainable for CIL's 500 mines. However, CCL has indicated that it would be willing to look into alternative options for additional income generation support for entitled families, following the completion of the consultation exercise being undertaken by the Xavier Institute of Social Service (XISS).

42. CIL hired XISS to undertake the consultation exercise concurrently with the survey (described in Issue 1). After some initial delays, CIL reported that the consultation exercise began on September 9, 2004. Throughout the course of their work, the staff of XISS have experienced increasing resistance from the PAFs, arising in part from incomplete or misinformation posted in the village about the nature and scope of the Inspection Panel's findings, and through posters¹¹ placed in the villages. The completed consultation exercise is expected to be received by February 15, 2005.

43. On February 24, 2005 the Bank received a copy of the XISS interim consultation report, which provided a draft action plan for assistance to the families, who the report identified as eligible for additional assistance. The Bank will review the results of the survey with XISS, CIL, and CCL, and provide input to the draft action plan prior to the next mission in May 2005.

¹⁰ The unit of entitlement for this subsistence allowance, as specified in the 1994 Parej East RAP, is not the individual, but the family. For families losing up to one acre of land, a subsistence allowance "at the rate of Rs.300 per month + an ex-gratia amount of Rs.100 per month" would be provided for twenty years. For families losing more than one acre of land, a subsistence allowance of "Rs.300 per month per acre subject to a maximum of Rs.1,000 per month + an ex-gratia amount of Rs.100 per month" would be provided for 20 years. The 1994 Parej East RAP also indicates that 54 percent of the PAFs there were landless (while another 40 percent owned less than 2.5 acres of land).

¹¹ See Annex 2 for the translation of the village poster.

44. The extent and nature of the Bank's involvement on this issue will be reassessed by September 30, 2005.

Issue 5: Delivery of compensation and relocation entitlements

45. Compensation and relocation entitlements have been paid to all PAFs who have been resettled to date. In June 2004, CCL clarified that of the 110 PAFs that remain to be resettled, 87 PAFs in Durukasmar are being relocated as part of normal mine expansion, not related to the Bank investment, and will not need to relocate until after March 2006. Project related resettlement has been completed on schedule, and compensation and relocation entitlements have been paid to 19 of the 23 PAFs who were to be resettled by December 2004, while payment to the remaining 4 PAFs is in process.

46. A total of 27 PAFs have filed cases with the State Tribunal for increased compensation. The State Tribunal has awarded higher payment to 9 PAFs, and this judgment has been appealed to the High Court by CCL. The last hearing date was scheduled for February 15, 2005, and the next hearing date is scheduled for March 19, 2005. The delivery of compensation and relocation entitlements will continue to be governed by State procedures, and if the PAFs exercise their right to apply to the courts for higher compensation, delays, over which the Bank has no control, are likely to result.

47. As the process for compensation and relocation entitlement are governed by well established State procedures, the Bank concludes its supervisory responsibility, but will continue to monitor this issue through September 30, 2005.

Issue 6: Water quality at the resettlement sites

48. In its Report of July 2003, Management recommended that institutional arrangements be put in place for monthly monitoring of water quality at all resettlement sites together with independent verification, as well as measures to mitigate any results outside the parameters defined by Indian law. During the November 2003 supervision mission CCL agreed to reintroduce coliform bacteria counts (measured by the Maximum Probable Number per 100 ml) into their work order to the CMPDI forthwith.

49. Since November 2003 CCL has comprehensively monitored all necessary drinking water parameters, including coliform. Cleaning of wells and bleaching powder treatment of well water is also being done regularly. The water analysis for May 2004 showed that the coliform count in the drinking water sources at the resettlement sites was nil. During the June 2004 mission, CCL agreed with the Bank that the Central Mine Planning and Design Institute (CMPDI) they will monitor water quality at all water sources on a monthly basis, and this has been done.

50. During the October 2004 visit, the monthly water quality reports were reviewed by the Bank, and all parameters were found to be within permissible Indian limits. Despite this, CASS continues to insist that the drinking water in the resettlement sites is unclean and has suggested that it conduct its own quality tests. The latest water samples were collected on February 22, 2005 and the Bank is awaiting the analysis of results.

51. As water quality monitoring is being satisfactorily addressed by CMPDI, the Bank concludes its supervisory responsibility of this issue.

Issue 7: Reclamation of mine land for agricultural use

52. The provision of replacement land for PAPs through utilization of unused or reclaimed mine land was proposed by the World Bank in late 1997, and pursued in successive supervision missions. During

the wrap-up meeting with MOC in October 2002, the supervision mission was informed that the Ministry of Law had decided that since the land was acquired under the Coal Bearing Areas Act, ownership cannot be transferred to the PAPs, but the subsidiary can enter into an agreement with the PAPs regarding their use of the land. The mission was further informed that such an agreement would now be established. However, to date, there has been no such agreement.

53. When the supervision team raised this issue during the June 2004 mission, CCL stated that in cooperation with the Forest Department, it had hired a number of PAPs over the past year to undertake several tasks, including backfilling in mining areas, the plantation of 17,000 trees of different species in two overburden dump (OB) sites, as well as catchment treatment and development of a drainage system at OB sites. While the Bank is pleased to note CCL's efforts to employ PAPs, this type of employment is sporadic and does not provide the PAPs with a sustainable source of income of the type that would be available to them if they were granted long-term use rights to unused or reclaimed mine land.

54. In discussions with the Bank over the past six months, CCL has indicated that depending on the results of the XISS survey, they may consider the allocation of reclaimed mine land for land-based income generation activities. While the draft action plan submitted in conjunction with the XISS survey reports on February 24, 2005 does not propose land-based income generation activities, the Bank will review these reports and provide inputs to the draft action plans prior to the next mission in May 2005. However, CCL's future need of the land for underground mining, lack of legal clarity regarding use rights, and CCL's obligation to return the land to the State government once mining operations have been completed, further complicate a decision on this matter and makes it an unlikely option.

55. The extent and nature of the Bank's involvement on this issue will be reassessed by September 30, 2005.

Issue 8: Mechanisms for consultation and dissemination of project related information to PAPs

56. As mentioned under Issue 1, the existence of incomplete information and misinformation in Parej East has had a significant impact on the Bank's ability to facilitate a resolution of this issue as well as others. The Bank team has considered ensuring access to accurate information a top priority. A Senior External Affairs Officer from the New Delhi Office visited CCL headquarters in Ranchi and the Parej East mine from November 30 – December 2, 2004 to assist CCL with the development of a communications strategy which would: (i) improve CCL's direct relationship with CASS and the community; and (ii) counteract the misinformation campaign by providing accurate information to the PAPs.

57. As part of the strategy, CCL's new Area General Manager would attempt to engage CASS constructively by inviting them to attend a one-on-one meeting with him. The purpose of this meeting is to provide CASS with an opportunity to air their grievances directly with CCL management, and would constitute the first step in what is expected to be an ongoing dialogue between the two parties. CCL reported that the first meeting between the Area General Manager and CASS took place on December 17, 2004. A subsequent meeting, which was to take place during February 2005 has not yet been scheduled.

58. In addition to the efforts made by CCL to improve their relationship with CASS, CCL would also begin improving their relationship with the community by providing accurate information to the PAPs about the potential benefits and risks of various options for economic rehabilitation. This would be done by inviting three to four credible representatives of each social group in the affected area (Muslims, Ganjus, Turis, Manjhis, Prasads, etc.) who would be identified by CCL and XISS, to a meeting with mine management. CCL held this meeting with representatives of each of the social groups on February 18, 2005, and the Bank is awaiting feedback from CCL on the outcome. At this meeting:

- The community leaders would be invited to raise all their doubts and questions;
- CCL would outline its rehabilitation policies and plans, distributing as much information as possible in writing;
- XISS would explain the purpose, process, and results of the present survey; and
- Following the meeting, the participants would be provided recorded minutes along with any other written material.

59. The extent and nature of the Bank's involvement on this issue will be reassessed by September 30, 2005.

Issue 9: Constitution of an Independent Monitoring Panel (IMP)

60. In its September 2004 letter to the Bank, the GOI has confirmed its view that circumstances on the ground do not warrant the constitution of an independent monitoring panel and that regular Bank supervision missions may suffice to provide the necessary monitoring. Given the limited nature and scope of the issues remaining in Parej East, the Bank has agreed that the constitution of an Independent Monitoring Panel would not be able to further expedite resolution of the issues discussed above.

61. The Bank concludes its supervisory responsibility of this issue.

CONCLUSION

62. While CIL and GOI have indicated their willingness to act on many of the outstanding issues and have promised to resolve a number of them, this willingness has not always resulted in the desired progress on the ground. While there has been progress in some areas, the pace of resolution in others has been affected by the nature and complexity of the issues, the difficulty of delivering implementing agency obligations within the prevailing legal context, and the desire of some stakeholders to expand the role of the Bank.

63. Management has noted diminishing returns regarding its efforts to facilitate desired resolutions, and an increasing risk to its project staff. Although Management is encouraged by the recent intensified efforts of the Government of India to address some of the most challenging issues, Management has also come to realize that no amount of Bank supervision and monitoring will be able to bring about substantial resolution of the remaining issues without the cooperation and a concerted effort by all stakeholders with decision-making authority, including GOI, CIL, CASS, and the people themselves. In an effort to encourage timely solutions which will have a positive impact on the livelihoods of the people of Parej East, Management renews its request to all stakeholders to continue to collaborate with the Bank, and each other.

64. Management will reassess the extent and nature of its involvement by September 30, 2005, and present its recommendations to Senior Management on the scope and scale of any further Bank involvement. Management's reassessment report will be submitted to the Board by October 30, 2005.

Annex 1 CSEMP Status of Issues as of February 28, 2005

| Issues | GOI/CIL Response June - September 2003 | Status in November 2003 | Status in June 2004 | Status in February 2005 | Next Steps |
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| <p>1) Economic rehabilitation of 73 PAPs who have reported a decrease in income during the project period.</p> | <ul style="list-style-type: none"> Out of 73 PAPs in Parej East reporting decrease in income, 29 were members of households whose income has in fact increased (due to reasons like one member having a mine job making it unnecessary for other members of the household, particularly women, to continue working). The remaining 44 (i.e. 73-29) are handicapped, old, or not interested in self employment. PAPs who were not interested in the self-employment training at that time may be consulted again to assess their willingness. Accordingly, training and follow-up measures will be proposed. | <ul style="list-style-type: none"> In Parej East preliminary investigations by the mission with the Community Development (CD)/R&R Officer and the NGO worker indicated that, of the 73 PAPs reporting decreased income, 10 had died, 5 had migrated, 8 had been given jobs, 6 were sick or aged, 9 remained to be shifted and 2 remained to be relocated. Central Coalfields Ltd. (CCL) has agreed to hire the Xavier Institute of Social Service (XISS) to conduct a survey. XISS is the former facilitating NGO and has specific knowledge of the issues, area, and the people. The results of this survey will clarify the scope of the issue and will be used to formulate an action plan of what additional steps, if any, CCL will need to take in order to ensure that rehabilitation of PAPs is complete. The study should be completed prior to the next supervision mission. | <ul style="list-style-type: none"> Due to a variety of delays – contractual, unavailability of staff, unwillingness of the PAPs – the survey work has not yet begun. As a result, an action plan for further assistance has not yet been prepared. | <ul style="list-style-type: none"> On February 24, 2005 the Bank received a copy of the interim survey conducted by XISS. The survey indicates that of the 73 PAPs who reported a decrease in income, 18 persons have been able to increase their incomes beyond pre-project levels, while 38 PAPs have either retired, received jobs with the company, migrated out of the area, or died. For the 17 PAPs that the survey indicates require further assistance, Coal India has prepared a draft action plan. CASS has raised their objections to the original list of 73 PAPs who reported a decrease in income, and state that they have their own list of 30 individuals who should be included in any follow-up activities. | <ul style="list-style-type: none"> The Bank will review the survey results with XISS, CIL, and CCL, and provide input to the draft action plan prior to the next mission in May 2005. Subsequently, a workshop will be held in Parej East, where information will be presented to the PAPs about the various options, including market linkages, and answer any related questions. The extent and nature of the Bank's involvement on this issue will be reassessed by September 30, 2005. |

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| <p>2) Settlement of claims for PAPs cultivating land under customary tenure.</p> | <ul style="list-style-type: none"> State Authorities are responsible for settling claims for land cultivated under customary tenure (GMK land). Once the land is authenticated in the name of PAP by the state authorities, compensation is paid to him by CCL as per government norms. | <ul style="list-style-type: none"> The mission met with the Jharkhand State Secretary for Land Revenue who agreed to actively pursue the district authorities to settle outstanding claims and ensure their timely resolution. CCL has agreed to follow-up with the Land Revenue Department and assist the PAPs in the pursuit of their claims. PAPs from two villages in Parej East (Parej and Durukasmar) have submitted claims regarding GMK land. In Parej village, 26 claims were filed, 13 of which have been authenticated in favor of the PAPs, and 13 of which have been rejected. Compensation for 2 of the 13 PAPs is expected soon. Of the 13 claims which were rejected, 8 PAPs have appealed their cases to the State Tribunal. In Durukasmar, 15 claims were filed, 9 of which have been authenticated in favor of the PAPs, and 6 of which are currently under review. | <ul style="list-style-type: none"> The mission met with the District Collector who assured that priority would be given to outstanding claims. Subsequently a land camp was organized in Durukasmar village for field investigation of 6 outstanding claims and survey reports are being processed for authentication. | <ul style="list-style-type: none"> Of the initial 41 claims filed with Jharkhand State authorities, 22 claims have been authenticated in favor of the PAPs and compensation has been paid, is in process, or awaiting clarification from the District Revenue and Forest Departments. Of the 19 claims which were rejected, 8 families have filed an appeal with the State Tribunal. Evidence on behalf of the claimants has been completed, while evidence on behalf of the Union of India/CCL is in progress. The next hearing date was scheduled for March 19, 2005. | <ul style="list-style-type: none"> Status will be reviewed during the next Bank mission at the end of May 2005. The extent and nature of the Bank's involvement on this issue will be reassessed by September 30, 2005. |

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| <p>3) Provision of long-term leases for house plots in the resettlement site.</p> | <ul style="list-style-type: none"> The matter has been pursued by CIL since 1999 with Ministry of Coal and Mines (MoCM) and Ministry of Law, GOI. As desired by MoCM, CCL submitted a draft lease agreement for the Pindra R&R site in April 2000, and again in March 2002. A response/directive from MoCM/Ministry of Law is awaited. | <ul style="list-style-type: none"> A response from MoCM and Ministry of Law is still pending. The mission reiterated Management's request that GOI furnish documentation that all entitled PAPs have received long-term leases that are recognized under the law. | <ul style="list-style-type: none"> Letters were sent by the different subsidiaries to the Deputy Secretary, MoCM in March 2004. No response has been received. The mission has seen no documentation of correspondence between MoCM and the Ministry of Law. | <ul style="list-style-type: none"> The position of GOI has been that granting long-term leases to PAPs in Parej East would create difficult legal issues, as it is not within the scope of current Indian Law. During meetings with the India Country Director on February 17 and February 25, 2005, DEA informed the Bank that Ministry of Coal has finalized amendments to the Coal Bearing Areas Act to provide long-term leases to PAPs, and that these amendments have been vetted by the Ministry of Law. DEA also stated that these amendments are proposed to be introduced during the current session of the Parliament. However, once these amendments are introduced, it is unclear how it will take for them to pass. | <ul style="list-style-type: none"> Status of the amendments will be reviewed during the next Bank mission at the end of May 2005. The extent and nature of the Bank's involvement on this issue will be reassessed by September 30, 2005. |

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| <p>4) Disbursement of a 'subsistence allowance' to 121 project affected families (PAFs) in Parej East.</p> | <ul style="list-style-type: none"> As per CIL's R&R policy 1994, there was a provision of payment of subsistence allowance to PAFs if no other packages mentioned in CIL's R&R policy could be given to them. Since other packages were made available to the PAFs they are not entitled for package 'D', i.e., payment of subsistence allowance. | <ul style="list-style-type: none"> The original RAP for Parej East contains the provision for a 'subsistence allowance' to be provided to families losing land who do not opt or qualify for jobs. None of the RAPs from the other subsidiaries contained similar provisions. Bank Management has recommended that GOI/CIL make funds available to administer a lump sum payment to the estimated 121 eligible families by March 2004. GOI and CIL are concerned that the payment of such an allowance will create an unacceptable precedent for other mines. The mission explored with CIL other ways in which this entitlement might be realized. They have agreed to hire XISS to conduct a consultation exercise with the eligible families to seek their agreement and preferences for alternative income generation support. | <ul style="list-style-type: none"> Due to a variety of delays – contractual, unavailability of staff, unwillingness of the PAFs – the consultation exercise has not yet begun. As a result, an action plan for further assistance has not yet been prepared. | <ul style="list-style-type: none"> In September 2004, GOI stated that the additional subsistence allowance was included in the 1994 RAP by oversight, and is not required under the Bank's policy for income restoration. GOI is concerned that payment of this allowance in Parej East would set an unacceptable precedent for the other mines. However, CCL has indicated that it would be willing to look into alternative options for additional income generation support for entitled families, following the completion of the consultation exercise being undertaken by XISS. On February 24, 2005 the Bank received a copy of the XISS interim consultation report, which provided a draft action plan for assistance to the families, who the report identified as eligible for additional assistance. | <ul style="list-style-type: none"> The Bank will review the results of the consultation exercise with XISS, CIL, and CCL, and provide input to the draft action plan prior to the next mission in May 2005. Following this review, the Bank will (i) assist CIL/CCL in assessing the nature and scope of support; (ii) review CIL/CCL proposals for supporting the identified families; and (iii) work with CIL/CCL to develop an implementation schedule for this support. The extent and nature of the Bank's involvement on this issue will be reassessed by September 30, 2005. |

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| <p>5) Delivery of compensation and relocation entitlements to all PAFs resettled under the project.</p> | <ul style="list-style-type: none"> PAFs resettled till Aug '03: 287 Balance of PAFs planned to be resettled by March '05: 118 Shifted PAFs have been paid compensation as per entitlements Detailed shifting plan on half yearly basis for the PAFs will be prepared for implementation and monitoring of the resettlement program. | <ul style="list-style-type: none"> All relocated PAFs have received compensation and other entitlements. There are 58 PAFs who remain to be resettled and 10 families who have opted for cash compensation who have not yet been paid. It is not clear whether the 58 PAFs have been affected by the project or are part of normal mine expansion and have been subsequently identified for resettlement. CCL indicated that resettlement will be completed by June 2004 and that resettlement required by mine expansion prior to the project closing date has already been completed. Future mine expansion plans have been revised to minimize the need for further resettlement. | <ul style="list-style-type: none"> CCL clarified that of the 110 PAFs to be resettled, 87 PAFs in Durukasmar are being relocated as part of normal mine expansion, not related to the Bank investment, and will not be relocated until 2006. The 23 PAFs whose relocation is related to the Bank investment are to be resettled by Dec 10, 2004. All entitled PAFs have received cash compensation and relocation entitlements, including the 10 outstanding claims reported in the November 2003 mission. | <ul style="list-style-type: none"> The process of delivery of compensation and relocation entitlements is being implemented. A total of 27 PAFs have filed cases with the State Tribunal for increased compensation. Higher payments have been awarded to 9 PAFs, and this judgment has been appealed to the High Court by CCL. The next hearing date is schedule for March 19, 2005. | <ul style="list-style-type: none"> The delivery of compensation and relocation entitlements will continue to be governed by state procedures, and if the PAFs exercise their right to apply to the courts for higher compensation, delays, over which the Bank has no control, are likely to result. The Bank concludes its supervisory responsibility, but will continue to monitor this issue through September 30, 2005 |
| <p>6) Water quality at the resettlement sites.</p> | <ul style="list-style-type: none"> Periodical examination of water quality was done by the Central Mine Planning and Design Institute (CMPDI) which is an ISO9001 company. The laboratory is approved and certified from the Central Pollution Control Board. The test reports were satisfactory. Monthly water quality monitoring of all water sources will be done and any mitigation measures will be taken up. | <ul style="list-style-type: none"> Water quality monitoring results presented to the mission indicated that all parameters were within prescribed Indian standards, except for residual free chlorine in some of the tap water samples which was slightly lower than the prescribed minimum. The water also appeared to be clear on visual observation. Testing of drinking water samples did not include parameters for coliform bacteria and CCCL has agreed to monitor for coliform on a monthly basis. | <ul style="list-style-type: none"> CCL provided evidence of regular monitoring and of satisfactory monthly water quality from the Pindra and Prem Nagar wells. | <ul style="list-style-type: none"> Since November 2003 CCL has comprehensively monitored all necessary drinking water parameters, including coliform. Cleaning of wells and bleaching powder treatment of well water is also being done regularly. Although monthly water quality monitoring reports indicate that all parameters are within permissible limits, CASS continues to assert that the water is unclear. The latest samples were collected on February 22, 2005 and the analysis of results is awaited. | <ul style="list-style-type: none"> The Bank concludes its supervisory responsibility of this issue, but will review water quality monitoring reports during the next Bank mission at the end of May 2005. |

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| <p>7) Reclamation of mine land.</p> | <ul style="list-style-type: none"> • Reclamation of mine land is being done as per the approved Environmental Management Plan (EMP). • Land-Based Income Generation (LBIG) scheme will be explored subject to availability of unused/vacant land. • There is only one external OB dump in Parej East, which has already been afforested. | <ul style="list-style-type: none"> • Following the results of the proposed survey of those reporting reduced incomes, CCL indicated the possibility that they would be willing to explore opportunities for land-based income generation. • If land next to the Pindra resettlement site that has been earmarked for resettlement but has not yet been allocated, can be released, consideration may be given to developing land-based schemes on this land. | <ul style="list-style-type: none"> • CCL has agreed to consider this as an option. However, any decision awaits the results of the XISS survey and the clarification of certain legal issues. | <ul style="list-style-type: none"> • In discussions with the Bank over the past six months, CCL has indicated that depending on the results of the XISS survey, they may consider the allocation of reclaimed mine land for land-based income generation activities. • However, CCL's future need of the land for underground mining, lack of legal clarity regarding use rights, and CCL's obligation to return the land to the State government once mining operations have been completed, further complicate a decision on this matter. | <ul style="list-style-type: none"> • The Bank will review the results of the survey with XISS, CIL, and CCL. While the draft action plan submitted in conjunction with the XISS survey reports on February 24, 2005 does not propose land-based income generation activities, the Bank will review these reports and provide inputs to the draft action plans prior to the next mission in May 2005. • The extent and nature of the Bank's involvement on this issue will be reassessed by September 30, 2005. |

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| <p>8) Mechanisms for consultation and dissemination of project related information to PAPs.</p> | <ul style="list-style-type: none"> During the project period the mechanism for consultation with PAPs existed in the form of facilitating NGO and CD/ R&R officer, in addition to the Public Information Centres (PIC) in project/area and Monitoring/Coordinating committees. The CD/R&R officer is there to do the job, and the services of a facilitating NGO may be procured if required. | <ul style="list-style-type: none"> No Action Plan was prepared by CIL. The proposed XISS surveys of the PAPs should go some way to ensuring that the views of PAPs are taken into account. CIL recognizes the importance of systematizing such consultations and there is some indication that the draft Community Development Policy will enhance their use as the subsidiaries increasingly recognize the importance of building alliances with the local communities to foster cooperation. | <ul style="list-style-type: none"> CIL states that its Community Development Policy, currently under review, will go some way towards systematizing public consultations. Discussions with the 73 PAPs & 121 PAFs will take place during the course of the surveys by XISS. Their choices, as expressed through these surveys, will be fed into action plans for restoring livelihoods and for dealing with entitlements. | <ul style="list-style-type: none"> The existence of incomplete and misinformation has had a significant impact on the Bank's ability to facilitate resolution on a number of issues. In an effort to counteract the misinformation, the Bank has worked with CCL on the development of a communication strategy which would: (i) improve CCL's direct relationship with CASS and the community; and (ii) provide accurate information to PAPs. On December 17, 2004 CCL's new Area General Manager met with CASS as the first step in what is expected to be an ongoing dialogue between the two parties. A subsequent meeting, which was to take place during February 2005 has not yet been scheduled. In an effort to improve its relations with the community, CCL held a meeting with representatives of each of the social groups on February 18, 2005. The Bank is awaiting feedback from CCL on the outcome of the meeting. | <ul style="list-style-type: none"> The Bank will continue to encourage the ongoing dialogue between CCL, CASS, and the community. The Bank will support a workshop in Parej East where information will be presented to the PAPs about the various options, including market linkages, and answer any related questions. The extent and nature of the Bank's involvement on this issue will be reassessed by September 30, 2005. |

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| <p>9) Constitution of an Independent Monitoring Panel.</p> | <ul style="list-style-type: none"> On June 27, 2003 GOI responded to that suggestion and indicated that "there was no requirement for an IMP to monitor the rehabilitation work of PAPs of East Parej mines. The rehabilitation work of all the mines including that of Parej East is almost completed and CIL is quite competent to handle the remaining rehabilitation work under the supervision of their senior level officer specifically responsible for this task. In view of this, we suggest that CIL can furnish regular reports to the World Bank and the World Bank's supervision mission can monitor the progress." CIL stated that there are 'Institutional Arrangements to monitor the balance Rehabilitation works in Parej East O/C'. These involved monitoring at three levels – at CIL level, at CCL level and at Project level. | <ul style="list-style-type: none"> The mission encountered resistance to the establishment of an Independent Monitoring Panel which would be composed of both international and national experts. CCL/CIL suggested constituting an External Monitoring Panel comprised of only local experts, as the would be familiar with local circumstances and contexts. The mission expressed its concern over whether such a panel would have sufficient authority and the necessary autonomy to provide independent assessments. CIL agreed that they would enter in to discussions with the Indian School of Mines (ISM) to convene such a panel and the Bank provided draft TORs in the middle of December 2003 and agreed to approve a short list for membership. No final agreement was reached between the mission and CIL on the constitution of such a panel. | <ul style="list-style-type: none"> To date, no proposal has been submitted. Initial discussions with ISM were discontinued due to internal disagreement within CIL on ISM's appropriateness. | <ul style="list-style-type: none"> The Government of India has confirmed its view that circumstances on the ground do not warrant the constitution of an independent monitoring panel and that regular Bank supervision missions may suffice to provide the necessary monitoring. | <ul style="list-style-type: none"> No further Bank action is envisaged. The Bank concludes its supervisory responsibility of this issue. |