

**The World Bank's renewed interest in funding large hydro in India CAS 2005-8:  
Neither just, nor justified**

1. The World Bank, through various ways has shown interest in renewing funding to large hydropower projects in India. The Bank has shown this through press statements, through the Water Resources Sector Strategy of 2002, through the draft India Country Assistance Strategy for 2005-8 circulated through comments in June-July 2004 and through personal meetings with WB staff by some of the signatories of this memorandum in February 2004, March 2004 and again in August 2004.

2. The Bank has not sanctioned any new loan for large hydro in India since March 1988, when it sanctioned the loan for the 1500 MW Nathpa Jhakri Hydropower Project on Sutlej River in Himachal Pradesh in North India. That loan was terminated in March 2002 before the project was completed. The project Implementation Completion Report dated Sept 2002 described the project as "Unsatisfactory" quality at entry, poor appraisal, resettlement component inadequately identified till five years into the project, no environmental appraisal or management plan till nine years into the project, "no noticeable progress in implementing the EMP" till Sept 2002, safety record being "less than satisfactory", cost escalation to the tune of 233% over the appraisal rupee costs, time overrun by over 8 years. Before that the Bank had to pull out of the controversial Sardar Sarovar Project in 1993 amidst agitation, independent review and far from satisfactory social and environmental performances.

3. And yet the draft CAS says (para 109), "While for many years the hydropower business in India had a poor reputation, some major actors (including the NHPC) have started to improve their environmental and social safeguards practices." (NHPC: National Hydroelectric Power Corporation, a Govt of India organisation) Note that this statement talks about some major actors like NHPC having started to improve their environmental and social practices, and not any sector wide changes in environmental governance that may have happened in the meantime. At a meeting in August 2004, when asked to give an instance where NHPC has shown improved practices on social and environmental front, the bank staff could not show any such instance. On the contrary, when evidence was given to show how bad the performance of projects where NHPC was having full or majority stake, the Bank staff could not counter with any response.

4. An example is what is happening in Indira Sagar Project in Madhya Pradesh, where over 30 000 families, over 200 000 people are facing submergence and displacement in monsoon of 2004 without resettlement and rehabilitation as is required under Madhya Pradesh policies and as per Narmada Water Disputes Tribunal Award. NHPC has majority (51%) stake in this project. Without bothering about the implications on the people residing in the submergence area, without bothering about the legal violations and without thinking about violation of stipulations in environmental clearance letter, NHPC went on increasing the height of the dam. When confronted with questions, it called such concerns as irrelevant. It is clear that NHPC acts in this project are criminal and are leading to disaster for so many of the poorest people (there are so many reports of this, but see the cover story in India's OUTLOOK magazine dated July 26, 2004, <http://www.outlookindia.com/full.asp?fodname=20040726&fname=Cover+Story+%28F%29&sid=1>) for a comprehensive narration of what is happening in ISP.

5. In fact NHPC has had very poor track record on displacement issues (e.g. see its performance in case of 540 MW Chamera I and 300 MW Chamera II projects on Ravi

river in Himachal Pradesh, 90 MW Loktak project in Manipur, 1000 MW Indira Sagar and 520 MW Omkareshwar projects in Madhya Pradesh). NHPC's track record on human rights issues is equally unacceptable (e.g. see its performance in case of Indira Sagar and Omkareshwar Projects in Madhya Pradesh, Koel Karo Project in Jharkhand Jharkhand, where nine tribal protesters were killed by police firing in February 2001, Chamera projects in Himachal Pradesh). In Omkareshwar, adivasi and other people of Panthiaji village near the dam site were asked under the threat of bulldozers to overnight vacate the village without any offer of alternative sites in August 2003. The people displaced by Loktak project over two decades ago are still fighting for the promised resettlement in High Court. In case of Chamera I project, affected people had to literally flee when the reservoir was filled up. Even though the Chamera project was commissioned in 1995, the resettlement plan of the 192 officially displaced families was still being discussed in 2002 and is yet to be completely implemented today.

6. NHPC has been known to manipulate environmental impact assessments (e.g. in case of Lower Subansiri project in Arunachal Pradesh, Teesta Low Dam stage III project in North Bengal) and violate public hearing norms (e.g. Middle Siang Project and 2000 MW Lower Subansiri projects in Arunachal Pradesh, Chamera III, Parbati II and III projects in Himachal Pradesh and Teesta Low Dam Stage III and IV projects in W Bengal). There are several instances where NHPC is known to have not implemented the project environmental management plans (e.g. in case of Indira Sagar and Omkareshwar Project in Madhya Pradesh, Chamera projects in Himachal Pradesh, Loktak project in Manipur, Salal and Uri projects in Jammu & Kashmir). On top of all this, NHPC has been known to consider environmental clearances as "hurdles" and has been pushing for speedier clearance processes. NHPC has also been active opponent of WCD report and its recommendations and NHPC chair is known to have boasted that he (along with another person) were able to stall WCD process in India.

7. NHPC has had huge cost and time overruns (e.g. in case of Dul Hasti Project in Jammu & Kashmir, Baira Saul Project in Himachal Pradesh and Tanakpur and Dhauliganga projects in Uttaranchal, Rangit project in Sikkim). As noted by India's Comptroller and Auditor General in its report for 1997, in case of the under construction Dul Hasti Project, "Besides, as a result of delays, cost of the project has increased from Rs 3.24 crores (US \$ 0.704 Million<sup>1</sup>) per MW, as originally envisaged, to Rs. 9.13 crores (US \$ 1.985 Million) per MW as per the revised cost estimates." That translates into cost escalation to the tune of 182%. That project is still incomplete and the costs have gone up further since then. In case of Chamera Stage I project, the Comptroller and Auditor General noted in its report of 1995, "Chamera Hydroelectric Project (State-I) sanctioned by Government of India in April, 1984 at an estimated cost of Rs 809.29 crores (US \$ 19.41 Million) was originally scheduled to be commissioned by March 1990. However, this was revised to March 1994". In 1987, CIDA (which part funded the project) described Chamera as "the most cost effective hydro project in India." By 1994, a memo from the Canadian High Commission in New Delhi to CIDA headquarters in Hull, reported that NHPC has indicated that the "cost of producing hydroelectric power at Chamera will be more costly than any other hydroelectric plant in India."

8. Several NHPC projects are known to have experienced project construction related disasters (e.g. in Chamera I project in Himachal Pradesh, Loktak project in Manipur, Teesta V project in Sikkim). As noted by Comptroller and Auditor General Of India for

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<sup>1</sup> At current exchange rate of Rs 46 per US \$

the year 1999, Failure of the Company to enforce the contract provisions for supervision of work in Baira Saul Project in Himachal Pradesh resulted in indiscreet unloading of counterweight by the labourers thereby causing a bridge under construction to collapse. The accident resulted in the death of 16 labourers and additional expenditure of Rs 2.24 crore (US \$ 0.487 million) on its re-erection and strengthening.

About the Chamera I project, the official Project Monitors note in 1997 about the repeated problems at the project, "One such incident in the life of a hydroelectric project, RSW explains may be dismissed as a highly unusual event. The second incident brought us considerable cause for concern and now the third similar incident has increased that level of concern to the point where we believe that CIDA should be advised in writing of the potential dangers." "We, as Project Monitor, are of the opinion that the continued operation of this power plant by subjecting the units to such abuse amounts to dereliction of duty by NHPC towards the public that entrusted the operation and maintenance of this facility to it." NHPC has never shared with the public the state of this project and its unsafe operations.

9. When Bank staff were asked about the basis for the statement in para 109 of draft CAS, as quoted above in para 4, only thing they have said is that since 1994, there has been a change in environmental sanction regime in India that now mandates compulsory preparation of Environmental Impact Assessment reports and public hearings at the project sites before projects are granted environmental clearance. That change, however, is not same as saying that some specific organisations like NHPC has improved social and environmental standards. Hence this cannot be a good defence for such a statement as in para 109 of draft India CAS.

10. In fact if we look at the performance of some recent hydropower projects that have been proposed to the World Bank group for funding, we see that performance of these projects is far from satisfactory. One such instance is the Allain Duhangan HEP in Himachal Pradesh, that has been proposed for funding to IFC and IFC is still considering funding the project. However, the local people have opposed the projects and listed some 32 fundamental inadequacies of the Environment and Social Impact Assessment. In that project, in fact IFC was planning to go to the Board without even so much as sharing basic project information with the local people and without having any public consultation. The affected people and NGOs have exposed this and IFC had to hold several rounds of public consultations.

11. Moreover, such a defence ignores the actual implementation of the new environmental norms in terms of quality of EIAs, fact that there is no independent oversight or accountability mechanism for unacceptable EIAs, that the EIAs are not even available to local people in Hindi and that in several occasions the opinion of the local people have been ignored while giving sanctions to the projects and that local people in most cases do not even know about the public hearings in their areas. The performance of NHPC has in fact been worst in this respect as instances listed above show. We are ready to substantiate the instances we have listed above.

12. We have since learnt from the World Bank staff that the Bank has received request from government of India for funding of the 1000 MW Middle Siang Hydropower Project in Arunachal Pradesh, to be taken by NHPC. The Bank staff also informed us that the Bank is considering the request. We find this very disturbing and do not find such a consideration just or justified. Middle Siang project is still at an early stage of

development and has yet to get clearance from the Union Ministry of Environment and Forests. The project comes up in mountainous North East region of India, submerging over 2600 Ha of biodiversity rich area and seriously affecting the indigenous community residing in the area.

13. The Middle Siang Project already boasts of several violations on social and environmental process. The First Public Hearing on the project was held on June 29, 2004, which involved fundamental violations as pointed out by the people and had to be postponed to August 3, 2004. The Second Public hearing was held on August 3, 2004, and even the people present were not allowed to say what they wanted to say. The local people did not have the Environment Impact Assessment report or its executive summary in local language. This was not only a violation of the legal EIA norms in India, but this also meant that people did not know the contents of the only document that would have informed them about the project and its impacts. The EIA is known to be fundamentally incomplete as it does not include impacts due to all the project components (e.g. roads impacts is not included) nor all the projects impacts (e.g. downstream impacts were not included). This further shows that the project involves violations of even current Indian Environment norms.

14. Moreover, as we pointed out earlier, NHPC has had poor track record in its projects even till date in all the important aspects. Under the circumstances, considering projects where NHPC and such other organisations are involved would be in clear violation of Bank's own norms. As a matter of fact the statement in para 109 of draft India CAS as quoted in para 4 above is clearly unfounded and wrong and should be withdrawn forthwith as it is tantamount to giving NHPC a certificate that it clearly does not deserve.

15. It is shocking to note that draft India CAS does not even mention renewables (including small and micro hydro for which partially assessed potential is over 15 000 MW) and demand side management (for which the potential, as per India's Power Ministry is over 25 000 MW) as among the options to meet the supply demand gap for energy in India.

16. Under the circumstances, the Bank should thus refrain from funding any large hydro projects in India, as this is not even shown to be part of the least cost additional generation project and as Bank's claim of improved social and environmental performance does not have any foundation, the evidence in fact is to the contrary.

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