



**Forest Peoples
Programme**

**Liam Taylor and
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September 2008

Sustainable development or business as usual?

**A critical evaluation of the IFC-funded
Lanco Amarkantak Thermal Power Station
Project in Chhattisgarh (India)**



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Lanco Amarkantak Thermal Power Station Project
in Chhattisgarh (India)**

**A preliminary assessment of impacts on affected indigenous peoples
and local communities and compliance with some key IFC
Performance Standards**

**Liam Taylor and
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Cover photograph: 'Prohibited Area' reads the sign at the entrance to the
Lanco Group's construction site for a coal-fired
thermal power station in Chhattisgarh – sited on the
former agricultural land of local communities
without consultation or compensation.

Photo credits: Liam Taylor

Executive Summary

This study is an analysis of the social impacts and community engagement process for an IFC-supported project in Chhattisgarh, India together with an assessment of the application of IFC Performance Standard 7 (Indigenous Peoples) and related IFC standards and due diligence requirements. The study is thus undertaken in the context of the IFC's new Policy on Social and Environmental Sustainability, introduced in May 2006. It is based on a detailed reading of project documents, interviews and correspondence with relevant officials, and five days of fieldwork conducted in the affected communities in March 2008. It is part of a wider FPP review of projects where Performance Standard 7 (Indigenous Peoples) has been applied.

The project involves the construction, maintenance and operation of a 2 x 300 MW coal-fired thermal power station by Lanco Amarkantak Private Power Limited, a member of the Lanco Group. Clearance for the project was obtained in 2004, and construction work began in November 2005. The IFC board approved an \$8 million equity investment in the project on 1 June 2007. Lanco has recently announced the planned expansion of the project to double the total capacity of the plant.

The project has significant adverse impacts on affected communities. These include the acquisition of agricultural land leading to economic displacement and loss of livelihood and air, water and noise pollution. Lanco has undertaken a Comprehensive Social Impact Assessment, publicly disclosed in November 2007, which includes plans for public consultation and disclosure, community development, and livelihood restoration.

This FPP study found a number of concerns about the social impacts of the project and the community engagement process. These include:

- *Inadequate information disclosure.* Affected persons report that they have not been properly informed about the project at any stage. They have not seen the social impact assessments for the project, nor have they seen the IFC's social and environmental review summary.
- *Misinformation.* Affected persons state that false promises were made to win their support for the project. For example, they were given the impression that they would receive compensation of Rs 500,000 per acre; actual levels of compensation, determined by the government, averaged Rs 174,845 per acre (including interest and a solatium). Similarly, affected persons were led to believe that they would receive jobs with the company soon after losing this land; this has not occurred. Promised Community Development Activities have also so far failed to materialize.
- *Lack of effective consultation.* Community engagement prior to IFC involvement did not meet the IFC's standards for free, prior and informed consultation. Gram Sabha meetings to obtain No Objection Certificates were poorly attended; some villagers allege that community leaders were bribed. Although Lanco claims to have now established an ongoing consultation process, affected persons state that they have not been adequately consulted about the project at any stage. They do not feel that the company listens to their concerns.
- *Failure to apply good faith negotiation standard.* The project has negative impacts on Adivasi households and their customary lands under use. Their spiritual ties to the land were ignored in the land acquisition process. This case study exposes some apparent degree of IFC confusion about the applicability of the 'special requirements', including good faith

negotiation, listed under PS7 for projects affecting the traditional or customary lands of indigenous peoples; it seems that these requirements are *not* being applied in this case, despite indications that Adivasi people have lost land of spiritual significance.

- *Low level of community support.* This study found general disillusionment with the project in 2008; even those who once supported the project say that they would now oppose it. Frustration about employment provision has also led to protests and petitions against the company. In 2008, FPP finds no evidence of genuine broad community support for the project.
- *Defective Community Development.* Lanco has developed a Community Development Plan but the implementation of the planned activities has been slow. Some persons report that the company is claiming credit for schemes carried out under the auspices of other agencies and authorities.

This study raises serious questions about the effective application of the IFC's Performance Standards in IFC loan operations, particularly the requirements for information disclosure, free, prior and informed consultation, broad community support, good faith negotiation and informed participation under PS1, PS5 and Ps7.

Contents

Executive Summary	i
Acronyms	iv
Section 1: Background to this study	1
Methodology of this study	1
Scope and limitations of this study	2
Format of this Study	2
Section 2: Background to the Lanco project	3
Introduction.....	3
Lanco Amarkantak Private Power Limited.....	4
IFC involvement in the project.....	6
Overview of project documentation and the social assessment process	7
Section 3: A critical analysis of social impacts and community engagement	9
The affected communities	9
Site selection, project design, and the beginning of the project	10
The land acquisition process and broad community support	10
Compensation.....	12
Jobs	15
The impact of land acquisition	17
Impacts on adivasi communities and good faith negotiation issues.....	18
Community Development Plan	19
Ongoing consultation	21
General level of community support for the project.....	22
Section 4: Compliance with IFC Policies and Performance Standards	23
Applicable Standards.....	23
Scope of the IFC policies	23
Compliance with IFC requirements	24
Conclusions	27
Appendix Detailed Comparison of the Lanco Project with the requirements of IFC Performance Standards 1, 5 and 7	29

Acronyms

BCS	Broad Community Support
CAO	Compliance Advisor / Ombudsman
CEIA	Comprehensive Environmental Impact Assessment
CSIA	Comprehensive Social Impact Assessment
CSIDC	Chhattisgarh State Industrial Development Corporation
ESRS	Environmental and Social Review Summary
FPP	Forest Peoples Programme
IFC	International Finance Corporation
LAPPL	Lanco Amarkantak
LITL	Lanco Infratech Limited
PS	IFC Performance Standard
PSES	IFC Policy of Social and Environmental Sustainability
RAP	Rehabilitation Action Plan
RSIA	Rapid Social Impact Assessment
SECL	South East Coalfields Limited
SPI	Summary of Proposed Investment

Section 1 Background to this study

Forest Peoples Programme (FPP) is an international NGO founded in 1990 to promote forest peoples' rights. It supports indigenous and forest peoples to secure and sustainably manage their forests, lands and livelihoods. As part of its work, FPP runs a Responsible Finance Programme to monitor the impact of international finance institutions on indigenous and other forest peoples and to provide practical and technical support to communities affected by multilateral projects.

This study fits into a broader FPP review of projects supported by the International Finance Corporation (IFC), the private-sector lending arm of the World Bank. In May 2006, the IFC introduced a new Policy on Social and Environmental Sustainability to regulate and monitor the impacts of its investments on local communities and environments. This was accompanied by a new Disclosure Policy and updated Environmental and Social Review Procedures. The IFC also introduced a set of eight Performance Standards, which define clients' roles and responsibilities for managing their projects and the requirements for receiving and retaining IFC support.

In July 2007, Forest Peoples Programme conducted a desk-based review of IFC projects which had been approved since the introduction of the new policies, with a particular focus on projects where Performance Standard 7 (Indigenous Peoples) had been triggered. This review involved analysis of project documents, online research, and correspondence with the IFC and its clients.

IFC Project 24880, 'Lanco Amarkantak Thermal Power Station', is among the IFC projects reviewed by FPP. A close reading of project documents in 2007 suggested potential problems with the way that large-scale impacts of this project were being managed. FPP has therefore conducted further research, including a field investigation, to provide an independent assessment of the project and its compliance with the IFC Performance Standards.

Methodology of this study

This initial stage of the study involved a detailed analysis of relevant project documents, particularly the Summary of Proposed Investment, Environmental and Social Review Summary, Rapid Social Impact Assessment, and Comprehensive Social Impact Assessment. This was supplemented by other information available in the public domain, including websites and newspaper reports.

A field investigation was conducted over five days between 21 March and 28 March 2008. The investigation was undertaken in collaboration with Chhattisgarhi activists who provided linguistic, logistical and technical support. Before commencing the field study, a set of translatable questions was developed with a particular focus on the requirements of the IFC Performance Standards. These questions were used to conduct semi-structured interviews with a range of people. Interviews included:

- Interviews with the Sarpanch in Saragbundia and Patadi villages
- Interviews with ordinary community members affected by the project
- Interviews with social activists in the affected communities
- Interviews with leaders of the union that is present on the project site
- Consultation meetings in all four affected villages, each attended by between 20 and 60 people

On 19 July 2007, FPP sent a letter to K Raja Gopal, Director and CEO of Lanco Amarkantak Private Power Limited, querying the social aspects of the project. A response was received on

27 August 2007. On 27 March 2008, during the field investigation, a 90-minute interview was conducted with staff at the plant in Korba and also via teleconferencing facilities with staff at Lanco headquarters in Hyderabad. Lanco officials present at this discussion were: Mr Pattabi Raman, Project Executive Director (for the first 20 minutes only); Mr Prasad, General Manager; Mr Minz, Social Development Officer; and, from Hyderabad, Mr K G Prasad, Vice-President (Technical).

FPP also made an enquiry to the IFC about the process of verifying free, prior and informed consultation and broad community support for the Lanco project. This enquiry was submitted via the IFC website on 24 July 2007. A response was received on 10 October 2007.

In March 2008, FPP sent an information request to the IFC via its website asking for contact details of the IFC project manager for the Lanco Project. On 22 April 2008 the IFC sent a reply advising that any project information requested must be provided via the IFC 'Communications Officer', and not through direct correspondence with the IFC project team.

FPP subsequently contacted the relevant Communications Officer with a number of queries related to the project. A response was received on 20 May 2008. However, FPP was not satisfied with the IFC's response on key issues such as good faith negotiation and social assessments of the project expansion. Further queries will therefore be submitted in due course.

Scope and limitations of this study

The primary focus of this study is to investigate the application of the IFC Performance Standards and to identify any potential cases of non-compliance. The 2008 field investigation was conducted over just five days and so an in-depth assessment of compliance with IFC's policies was not possible. Nonetheless, field work in the project area of influence and scrutiny of project-related documentation point to apparent gaps in implementation and potentially serious compliance problems which are worthy of further investigation by the IFC and its client. FPP considers that the problems are of a sufficient scale that affected communities have worthwhile grounds for a complaint to the IFC CAO office.

The field investigation aimed to capture a wide range of views and perspectives, involving ordinary community members as well as individual leaders. However, for logistical reasons it was not possible to advertise meetings widely beforehand. Discussions in the communities were open and informal. As a result, marginalized or vulnerable sections of the community may be under-represented in this study. In this context, it is important to note that only in Pahanda did women attend the meeting in significant numbers; though in that case they made a vocal contribution to discussions. This study therefore makes no claims to be fully exhaustive in its coverage; but FPP is confident that the findings presented here do document a significant sample of the opinions and concerns that are prevalent in the affected communities in early 2008.

Format of this Study

The rest of this study is presented in three sections. Section 2 provides background information on the Lanco project, setting it within its regional and corporate context, and an overview of the IFC's involvement in the project. Section 3 is a detailed analysis of the social impacts of the project, based on project documents and interviews with Lanco officials and affected communities. Section 4 compares the community engagement process to the requirements of the IFC Performance Standards. Finally, some brief conclusions are sketched at the end of the report. A detailed matrix assessing compliance with the IFC Performance Standards is included as an appendix.

Section 2 Background to the Lanco project

Introduction

Driving down the road towards Patadi the two chimneys of the Lanco Amarkantak Thermal Power Plant become visible from several kilometres away. They dominate the skyline, towering 220 metres over a flat landscape; one painted in the red and white of warning, the other a more sombre shade of grey. Large trucks rumble past, ferrying materials to the 500-acre construction site where cranes and scaffolding cluster around the steel skeletons of buildings. This was once the land of farmers from the surrounding villages of Patadi, Saragbundia, Khoddle and Pahanda. These 'affected villages' are listed on a sign that stands next to the road, along with the company's fire logo and the slogan 'Lanco: Inspiring Growth'. Another sign, in front of the perimeter fence, states simply in foot-high letters: 'Prohibited Area'. On a grassy verge beside the main road, flowers spell out the name 'Lanco Amarkantak', with unintended irony: 'Amarkantak' is the name of a place in Chhattisgarh renowned for its beauty.



The twin chimneys of the Lanco plant tower over nearby Khoddle

The Lanco project is situated in the Korba district of Chhattisgarh, a central Indian state formed in 2000 by the secession of 16 southeastern districts from Madhya Pradesh. Traditionally neglected by the Madhya Pradesh state government, it is one of the poorer states in India despite possessing vast mineral deposits. The Lanco project is part of the Chhattisgarhi government's focus on industrial and infrastructure development to mobilize these resources and make Chhattisgarh 'the Power Hub of India'¹. The state government estimates that Chhattisgarh has the capacity to produce up to 50,000 MW of power – enough to cover half the demand-supply gap in the entire country. Korba district is at the centre of this strategy: the official district website describes it as 'the power capital of Chhattisgarh' with the strapline 'land of black diamond, Kosa silk and thermal power'². The Korba

¹ The Official Website of the Chhattisgarh State Government, www.chhattisgarh.nic.in

² www.korba.nic.in

landscape is straddled by pylons carrying surplus electricity from its four thermal power plants, fuelled by coal from the mines of South Eastern Coalfields Limited (SECL). The state is also home to the Bharat Aluminium Company Limited (BALCO) and a number of other industrial enterprises. The Lanco plant therefore follows numerous precedents for large-scale projects in the district.

The plant is also tied into economic planning at the national policy level. As the Indian economy grows at a rate of 9% per year, rising demand for electricity has led to energy and peak power shortages of 8% and 12% respectively. The Government of India's National Electricity Policy is targeted to provide 'Power for All' by 2011–2012. The Lanco Amarkantak plant is one of several projects identified by the 11th five-year plan for accelerated financial closure, a process facilitated by the creation in 2004 of an Inter-Institutional Group of lenders within the Ministry of Power. The construction of the plant is thus correlated with strategic policy-making at the district, state and national levels.

But in the drive towards economic growth, the rights and needs of people are frequently disregarded or only given superficial treatment by officials, development agencies and the private sector. Nearly 80% of Chhattisgarh's 20.8 million people live in rural areas, including 32% who are 'Scheduled Tribes' under India's constitution. Large-scale industrial development has imposed itself upon tribal and agricultural communities, sometimes with disastrous social and environmental consequences. The acquisition of land under draconian national laws has caused the physical and economic displacement of thousands of people who are forced into dependence on wage labour as a result. Projects are developed with little consultation and often against public protests. For example, the National Thermal Power Corporation acquired land in 1998 for a thermal power plant in the Sipat area of Bilaspur district; affected communities are yet to receive adequate compensation or jobs in the plant, and several people have been killed by police firing on demonstrations. Few of the benefits of India's booming economy are felt by the dispossessed.

In many respects, the Lanco Amarkantak Thermal Power Plant fits into this established pattern. On paper, the project seems to be a model of socially responsible development, with comprehensive social assessments, detailed consultation plans, and a Rs 5 million (\$125,000) community development plan. These include provisions for free, prior and informed consultation and the informed participation of local communities as required by the IFC's 2006 Performance Standards. Lanco officials insist that compensation is 'fair', consultation is 'systematic' and that the company has developed 'a rapport' with the villagers affected by the project. However, interviews and discussions with people in the four surrounding villages suggest serious shortcomings in the community engagement process, which they report to be sporadic, inadequate, and based on limited or false information. The documented proposals for community development, they state, are '98% false'. This study reveals a general discontent with the project and raises major question marks about the level of 'broad community support' – an essential precondition of the IFC loan. At the very least, it highlights a need for closer IFC and public scrutiny of the way the IFC's standards are being applied in its projects coupled with the need for timely measures to strengthen implementation and compliance with the PPS in IFC loans.

Lanco Amarkantak Private Power Limited

Lanco Amarkantak Private Power Limited (LAPPL) is part of Lanco Infratech Limited (LITL), an Indian infrastructure development company with interests in power, construction and property development. It currently has six operational power plants with nine further projects under implementation, giving it a presence in 10 different states; from a current total of 518

MW, it plans a 22-fold expansion in its energy portfolio to more than 11,000 MW by 2013. For the year ending March 31 2007, LITL had a total income of Rs 16,473 (about \$412 million) and an annual profit of Rs 1,879 (about \$47 million), representing an 11-fold increase on the year before. These results make it one of the fastest growing companies in India.



'Prohibited Area' reads the sign at the entrance to the Lanco construction site

LAPPL was created as a special purpose company to construct, operate and maintain a coal-fired power station near Patadi, Korba. The majority shareholder is LITL; the KVK Group, an Andhra Pradesh-based power generation company is a minority shareholder in the project. Shares are also held by DEG, a subsidiary of the German state-owned company KfW Bankengruppe.

In its initial stage, the project involves the construction of two coal-fired units, each with a capacity of 300 MW. The first unit is on track to be commissioned in September 2008, and the second unit should become operational a year later. In addition, the project involves the construction of a switchyard and a 32 km-long 400kV transmission line; a 1.75 km railway siding for the transport of coal; and intake tunnels and a pump house to draw water from the River Hasdeo, connected to the plant by a 5 km buried pipeline. The land acquisition process began at the end of 2004 and construction work started in November 2005. The total cost of the project is estimated at around \$578 million.

In the first phase of land acquisition, 506 acres of land was acquired from the four surrounding villages. This process is now complete and the second phase of land acquisition is currently being undertaken to bring the total land required for the two units to 730 acres.

Recently, Lanco has decided to expand the project. Plans are being developed to construct a third unit of 600 MW, doubling the total capacity of the plant to 1,200 MW. Lanco officials estimate that this will require acquisition of a further 300–400 acres of land, and the surveying process is currently underway. In March 2008, Lanco officials stated that work on the social assessment for the project expansion was anticipated to begin by late April; they were working to an accelerated schedule under which land acquisition was expected to commence in June or July. But an e-mail from the IFC in June 2008 indicates that at that point the social assessment had still not started, and indeed was not scheduled to commence until mid-July³.

IFC involvement in the project

In October/November 2006 an IFC team appraised the technical, environmental and social aspects of the project, based on documents and interviews provided by Lanco. The IFC appraisal also included a visit to the project site and 'interactions with representatives of affected communities' – though it is unclear what these interactions involved. A Summary of Proposed Investment (SPI) and Environmental and Social Review Summary (ESRS) were publicly disclosed on 16 March 2007, and on 1 June the IFC board approved an \$8 million equity investment in the project. The investment took place on 29 November 2007.

The IFC investment constitutes only a small proportion of the total project costs. However, the support of the IFC has a disproportionate impact on the project in terms of enhanced prestige and the increased creditworthiness of its clients. Welcoming the investment of the IFC and the German-owned DEG in June 2007, Lanco Group Chairman L Madhusudhan Rao said, 'This is the first project of Lanco Group with IFC and DEG as equity partners. This is a clear demonstration of the confidence of multilateral financing agencies in Lanco's projects. This would definitely pave the way for more such partnerships in other projects of Lanco.'⁴

Indeed, the IFC is currently considering a further \$100 million investment in Lanco, in the form of \$80 million debt and \$20 million equity. This support would be provided to Lanco Infratech at the corporate level and would be used to partly finance its ambitious growth plans. The IFC and Lanco are therefore looking towards a long-term partnership which will have impacts on communities affected by Lanco's power and infrastructure projects across India. Although it is currently unclear how this money would be spent, it is possible that a proportion of the funds would be directed towards the expansion of the Lanco Amarkantak plant in Korba. In this context, the IFC's role in the Korba project – including any potential violations of its Policy on Social and Environmental Sustainability – assumes a much wider significance, especially in relation to IFC due diligence in assessing downstream social and environmental impacts related to equity and corporate loans.

In addition, there are several points to note about the timing of the IFC's involvement in the project. Firstly, the IFC decided to invest in Lanco only in June 2007, *after* the first phase of land acquisition was complete. During this initial stage of the project, therefore, the requirements of the IFC Performance Standards were not fully applied – indeed, the ESRS for the project notes that, with regards to free, prior and informed consultation, 'there were likely some inconsistencies between the approach adhered to and the IFC Performance Standards'.

³ Correspondence from IFC, 17 June 2008

⁴ Lanco Press Release, 6 June 2007, available at www.lancogroup.com

Secondly, the IFC's decision to invest in Lanco was made *before* the company published plans to expand the project with the addition of third unit. The IFC's social and environmental review does *not* take into account the potential impacts of this expansion – even though it must have been under consideration at the time. Although Lanco was discussing the proposed expansion from at least October 2007⁵, a revised version of the ESRS, published on 19 November, makes no mention of it. This is despite the requirement in Performance Standard 1 that risks and impacts are analysed to include 'cumulative impacts from further planned development' and 'impacts from unplanned but predictable development'. At present it is unclear how the requirement to address 'further planned development' is being met in IFC loan operations.

Overview of project documentation and the social assessment process

In the early stages of the project, Lanco undertook a Rapid Environmental Impact Assessment. This was consolidated by a Comprehensive Environmental Impact Assessment (CEIA) produced by BS Envi-Tech and covering a full year from March 2004 to February 2005.

After initial screening, the IFC gave the project a 'Category A' rating. This categorization indicates that the project has 'potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented'⁶. The category A rating imposes a strict set of requirements on Lanco; notably the need for 'free, prior and informed consultation' and the 'informed participation' of affected communities (for more information about IFC requirements, see Section 4 of this report). It also requires that Lanco complete a comprehensive social and environment assessment of the project. For its part, under Category A projects, the IFC must ensure that Broad Community Support exists before approving the project and where a project may affect the customary lands of indigenous peoples, it must also ensure prior good faith negotiation with affected people and it must document the successful outcome of such negotiation in order to proceed with project financing (PS7).

Lanco commissioned a third party consultant – M/s Development Management Consultants, Kolkata (DMC) – to conduct the required social assessment. The assessment process took place in two stages:

1. *Rapid Social Impact Assessment (RSIA)*. Carried out between December 2006 and February 2007, to identify key project impacts and develop interim mitigation measures. Involved collection of baseline data and some consultations with affected communities. A 62-page report was published in March 2007 and disclosed on the IFC website.
2. *Comprehensive Social Impact Assessment (CSIA)*. Carried out between April and June 2007. Involved detailed surveys, collection of socio-economic data, and consultation through Focus Group Discussions and Participatory Rural Appraisal. A draft version of this document was scheduled for the date of IFC Board Approval in June 2007, but it is unclear whether this was prepared in time. The final 196-page report was not disclosed until November 2007. It includes a Public Consultation and Disclosure Plan (PCDP), Rehabilitation Action Plan (RAP), and a Community Development Plan (CDP). However, the scope of the assessment is limited to the first 506 acres of land acquisition; it does not include the additional land of about 200 acres required for the second unit (currently under processing by the government), nor does it even mention the 300–400 acres that will be acquired for the third unit.

⁵ See, for instance, 'Transcript of Conference Call, October 29 2007', available on the Lanco website at <http://www.lancogroup.com/presentationtranscripts.html>

⁶ IFC Policy on Social and Environmental Sustainability, para. 18

Lanco has also prepared an Environmental and Social Action Plan (ESAP), disclosed on the IFC website in March 2007⁷.

In addition to Lanco's assessment process, the IFC has undertaken its own appraisal of the project, described in the following documents:

- (i) *Summary of Proposed Investment (SPI)*. Disclosed on the IFC website on 16 March 2007.
- (ii) *Environmental and Social Review Summary (ESRS)*. Disclosed on the IFC website on 16 March 2007. A revised version of the ESRS was published on 19 November 2007.

⁷ www.ifc.org

Section 3 A critical analysis of social impacts and community engagement

The affected communities

The plant is being constructed adjacent to the State Highway connecting Korba and Champa, in a plains area of Korba district. A number of villages surround the project site. The villages of Patadi and Darrabhantha are both within 300 metres of the plant; Khoddle (500 metres), Pahanda (1km) and Saragbundia (1.3 km) are also significantly affected.

The total population of the four project-affected villages is 5,565 persons, living in 1,175 different households. In Khoddle, 94% of the population are 'Scheduled Castes'; in the other villages, scheduled castes make up about a third of the total. There are also significant adivasi (tribal) populations, amounting to 42% in Pahanda, 43% in Patadi, and 29% in Saragbundia. The main basis for livelihoods is small-scale agriculture, with significant numbers also employed in agricultural or wage labour.



Villagers in Pahanda, one of the four affected villages

In the first phase of the project, a total of 469 acres of private land was acquired from 302 families. In proportional terms, Saragbundia was the village most significantly affected, losing 73% of its land; overall, about a third of land from the four villages was acquired. In absolute terms, Khoddle was the most significantly affected, with 110 families losing 188 acres of land. Pahanda was the least affected of the four villages. Detailed statistics are not available for subsequent phases of land acquisition, but a local activist reports that 140 acres of government land and 260 acres of private land are to be acquired.

Discussions with activists, community leaders, union organizers and ordinary people in the four villages indicate disillusionment and discontent with the Lanco project. This section will provide a summary analysis of the project and highlight some community and local concerns.

Site selection, project design, and the beginning of the project

The initial scoping of the project was undertaken without a detailed social analysis or consultation process. The Comprehensive Environmental Impact Assessment indicates that a number of alternative locations were considered before the present site was chosen. The main factors that were considered in site selection were proximity to resource inputs – primarily coal and water – and proximity to existing infrastructure, particularly railways and transmission grids. The absence of forest land and avoidance of physical resettlement were also considered as relevant factors. However, the weighting given to social factors in the site selection process is unclear. According to the RSIA, the choice of location was based predominantly on technical and environmental considerations: ‘no specific social aspects and indicators, barring a few general considerations such as land use pattern and avoidance of physical resettlement, were considered during [the] period of the assessment of the sites’ (p 12).

According to project documents, a public hearing for the proposed project was held in August 2004 after completion of a Rapid Environmental Impact Assessment. In the following months, a No Objection Certificate was obtained from the Chhattisgarh Environment Conservation Board (CECB) and Environmental Clearance was obtained from the Ministry of Environment and Forests. At the same time, consultations were organized with Gram Sabhas as part of the land acquisition process (see below). However, people in affected communities report that at this stage they were given little information about the nature, scale or duration of the project, nor were they fully informed about its potential impacts.

The land acquisition process and broad community support

Land for industrial and power projects in Chhattisgarh is allocated by the state Government, acting through the Chhattisgarh State Industrial Development Corporation (CSIDC). The 506 acres required for the first phase of the project was acquired by CSIDC and transferred to Lanco in late 2005 on a 99-year lease. Lanco is therefore not directly responsible for the process by which land is acquired for the plant. In this way, the process of general consultation about the project and its impacts is separated from the process of land acquisition – Lanco being primarily responsible for the former, and the Government for the latter. Although the company and district officials work closely together, this conceptual division of labour has contributed to a general air of confusion and misinformation which surrounds the land acquisition process.

Initial surveys were conducted by Revenue Department officials in 2004. At the same time, according to the CSIA, ‘every affected family or household was informed and notified by the District Collector and a hearing was conducted’. However, several villagers testified that the first time they heard about the project was when their land was being surveyed. In Khoddle, for example, villagers complain that surveying began before they were even notified about the proposed power plant.

In October 2004, Gram Sabha meetings were held in the project-affected villages to discuss land acquisition. Gram Sabhas are constitutionally-recognised meetings which all villagers of voting age are invited to attend. In this instance, the principal function of the meetings was to authorize the Gram Panchayats (village-level administrations) to sign No Objection Certificates for the project. These certificates are of crucial importance; not only are they a legal requirement of the land acquisition process in 5th schedule (tribal) areas, but they are also considered by the IFC as evidence that ‘good faith negotiation’ has taken place with local communities⁸.

⁸ Correspondence from IFC, 10 October 2007

Box: Land acquisition in India

Land acquisition in India is conducted according to the Land Acquisition Act (1894). This is a draconian piece of legislation that was first drawn up during the colonial era and has been little changed in the intervening century. Human rights organisations such as the Asian Centre for Human Rights (ACHR) have called for its repeal, noting that 'unless the State recognizes the rights of individuals/groups over their lands, protests against acquisition of lands for so-called development purposes will intensify'. The Act is currently under revision by the Government of India. In a recent statement to accompany the proposed amendment, the Minister of Rural Development recognizes that the present Act has failed to protect peoples' rights:

Often, [involuntary acquisition of private land and property] leads to displacement of people, depriving them of their livelihood and shelter, restricting access to their traditional resource base, and uprooting them from their socio-cultural environment. These have traumatic, psychological and socio-cultural consequences for the affected population.

Underlying the Land Acquisition Act is the concept of 'eminent domain', by which the State retains the right to forcibly expropriate private land for 'public purposes'. The definition of 'public purpose' is vague, and the concept has been invoked to justify State-sponsored land grabs for industrial development across India. In many instances, expropriation has been enforced by state violence.

However, as far as FPP is able to tell these meetings were not documented in any detail. They were attended by only 10–15% of the eligible population in the villages. According to the CSIA, 'in some villages, the mere presence of 1/10th of adult villagers at Gram Sabhas was taken to be an indication of acceptance of the project and land acquisition' (p 77). Furthermore, 'some villagers were of the opinion that a full-fledged Gram Sabha was not held' (p 77). Indeed, interviews for this study reveal that affected persons knew little about the process by which the No Objection Certificates were obtained. Those who attended the meetings state that they were asked to sign their names on a blank sheet of paper, which they thought was an attendance register; it was subsequently used as 'evidence' of their consent to the project. Villagers in Patadi and Pahanda both allege that the Sarpanch (village head) had signed the certificates without consulting the communities; they also suggest that the Sarpanch had been bribed by Lanco officials. Others – including the Sarpanch of Saragbundia – state that they only supported the project because they were misled about the jobs and compensation that would be provided to land losers (see below).

The Sarpanch in Patadi states that he signed the certificate because he thought at the time that it would bring benefits to the people. When the promised benefits failed to materialize, he began to protest. He was subsequently suspended from his duties by the sub-divisional magistrate, on the spurious charge of having a false tribal certificate. The aim, it is alleged, was to harass and demoralize him. The Sarpanch appealed successfully to the High Court and was reinstated after four months – but during that time, his protest against the project had been stalled. He now says:

Not even one per cent of our community supports the project. If the IFC or the government were to come again we would oppose the project.

The No Objection Certificates, therefore, should not be taken at face value; they do not necessarily represent 'no objection' from the affected communities. Nonetheless, the signing of the certificates in late 2004 allowed the land acquisition process to move forward. This included the invocation of Section 17(1) of the Land Acquisition Act, which grants 'special powers' to the Collector in cases of 'urgency' – overriding Section 5 of the Act which allows for the hearing of objections. This contradicts the recommendation of the 2006 draft National Relief and

Rehabilitation Policy that 'emergency provisions under section 17 of the Land Acquisition Act, 1894, should be used rarely' (it should be noted that this clause was removed from subsequent, less progressive, drafts.).

In April 2005, meetings were held by the District Collector to enable affected persons to register their complaints. Not all affected persons attended these meetings, but it was assumed that silence equals consent. According to the CSIA, 'it was presumed that [absentees] did not have any objections or issues of contention ... it was taken for granted that they have consented to give their land and accept whatever was offered in lieu' (p 76). Subsequent protests (see below) suggest otherwise.

Compensation

The issue of compensation is particularly contentious. Only monetary compensation was provided as no land was available nearby. The rate of compensation was calculated using two methods, and the higher value was awarded in each case. The first method was based on average price or 'Bikri Chant', and considered the average selling price of land over the course of a year prior to the announcement of land acquisition; the second method, the 'Misal based approach', employed a complex formula which relied heavily on the 1929 land tax assessment carried out by the British – some villagers complain that this does not take account of shifting land values and the present status of cultivability of land (including improved irrigation). The average level of compensation awarded during the first phase of land acquisition was Rs 117,076 per acre; when the legally-required solatium and interest payments are taken into account, this figure rises to Rs 174,845 per acre⁹. Compensation was paid by the Revenue Department.

A few villagers seem to be aware of the methods used for calculating compensation, but others are completely unaware of how the rate has been determined – even though Lanco officials insist that 'all the people are more or less clear about the rate of compensation'. All the people interviewed for this study say that they were promised compensation of at least Rs 400,000 per acre; most people quoted Rs 500,000 as the promised figure. These promises, they allege, were made verbally by Lanco officials and also printed in local newspaper articles. It was only after land acquisition had taken place that they were told compensation would be paid according to government rates; land losers in Patadi and Khoddle report that they only found out about the amount of compensation when they were given their cheques. Compensation, they say, is not enough to buy equivalent land in the area. They also point out that calculations based on the value of recorded transactions are erroneous because sale prices are frequently underreported for tax avoidance purposes. Furthermore, the overall average is brought down by transactions involving adivasi lands, which can only be sold to other adivasis and are consequently undervalued. The real land rate in the surrounding area has also gone up since the calculations were made.

There is a widespread feeling in the affected communities that they were misled about the rate of compensation they would receive. One local activist reports that:

Nobody is happy with the compensation levels.

According to the CSIA, 30 of the 84 titleholders in Patadi accepted compensation only under protest; a further seven had not accepted compensation at the time of writing. Four people in Saragbundia also refused compensation. Along with one man from Khoddle, they filed a complaint in the civil court in July 2005; but it took more than six months for the District

⁹ Calculations based on Table 6.1 in the CSIA, p.98

Collector to provide the relevant papers so that the case could be heard. The five complainants took their case to the High Court, accusing the Collector of contempt of order; only this month did a hearing take place. Another man says that he has taken two years for his case to be processed, in which time Lanco has begun construction on his land – any future enquiry will be able to offer only scant after-the-fact consolation.

Others say that they accepted the compensation offered only because they were told that the cheque would be sent back to the treasury if they did not, which indicates some degree of indirect pressure on affected families to accept the project. Some state that they accepted compensation only because everybody else did. This testimony is backed up by evidence from the official CSIA, which records that 45% of people are unhappy with the compensation they received. Of these, 57% took compensation because others did; 22% because they thought they had no other option; and 21% took it out of the belief that 'something is better than nothing'.

The above evidence of community grievances contradicts the statements of Lanco officials, in an interview conducted for this study, that: 'We are of the opinion that this is a fair dispensation, even on [the communities'] own expectations'. To be fair to the company, the land acquisition and compensation process is the legal responsibility of the government, not Lanco. However, it seems that at the very least Lanco failed to properly inform villagers about the compensation procedure, and several sources suggest that the company may have even deliberately misinformed people. Lanco officials vigorously deny these accusations, asserting simply that 'land is an emotive issue' and that 'any number can be thought' when 'feeling and sentiment' are involved.

Despite the concerns of affected communities, the land acquisition process continues for the second and third phases of the project. Villagers in Patadi complain that a water pipeline is being constructed through their land and that no compensation will be paid; although the pipeline will be laid close to ground level, affecting the production of crops, official documents state simply that the right of way was provided by the Chhattisgarh government and no land acquisition is involved¹⁰. In Saragbundia, villagers say that they were not properly consulted about the construction of the 1.75 km railway siding; they were each given Rs 1000 as a 'Diwali gift' and the next day they discovered that work on the railway had begun. There are also reports that a number of families living without title on government land in Saragbundia will be removed from their homes for the next phase of the project, without due compensation for lost assets. In both Khoddle and Saragbundia, people report that they use government land for grazing, but because the land officially belongs to the government, it can be acquired without compensation. One man in Pahanda reports that his mother has lost land to SECL – the company providing coal for the Lanco plant – and has still not received compensation 18 years later; he fears he will meet the same fate.

It is unclear how the problems of confusion and misinformation will be corrected in future, given that Lanco officials do not intend to undertake any special consultations for the next phase of land acquisition, which they say will be discussed as part of their 'regular consultation process'. Villagers in Pahanda report that they only found out about the third unit extension when it was reported in the local newspaper six months ago; they heard nothing more until government surveyors came eight days prior to the interview for this study. In Saragbundia, people say that they have heard rumours about the next stage of land acquisition, but have been given no information in writing. However, local people say that the experience of the first phase of land acquisition has made them more wary about promises made in future. Fifty-one villagers have signed a petition saying that they will block work on the water pipeline unless they receive

¹⁰ CSIA, p.17

adequate compensation; they have already delayed the process for a month. Meanwhile petitions and protests against the railway siding have led to a temporary halt in construction.



Villagers in Khoddle report that this stream is being polluted by effluents from the site

Furthermore, the wider environmental impacts of the project do not seem to have been adequately integrated into the compensation package. Several individuals complain that water levels are receding; one man states that his field is less than half as productive as before due to lack of water. No compensation has been paid to take account of these lower yields. Several people complain that land next to the boundary wall is uncultivable, and others argue that rivers used by people as a source of water have been polluted by effluents. In Khoddle, villagers point to large cracks in their houses which, they claim, were caused by tremors from blasting on the project site. When asked about blasting impacts, Lanco officials responded that the complaint had been investigated by the Social Development Officer in conjunction with a Safety Engineer; the impacts were considered to be minor, and the cause uncertain, so no compensation was paid. Lanco is also creating a green belt around the plant which they say will reduce its environmental impacts.

Alongside compensation, Lanco plans to develop income generating programmes as part of its Rehabilitation Action Plan (RAP). However, there is little sign that these programmes are being implemented, and even Lanco officials admit that 'to be frank with you, we are lagging on [the RAP]'.



Villagers in Khoddle say that these cracks have been caused by blasting in the project site. Lanco says that the cracks are minor and may have been caused by other factors; no compensation has been provided.

Jobs

Alongside compensation, one of the most controversial aspects of the project is the provision of jobs for affected persons. Lanco has pledged to provide permanent employment to one family member from each household that has lost land, ensuring that the monthly income is equal or more than the statutory 'Minimum Wage'. It has also suggested that affected titleholders will be given priority in the provision of temporary employment on the project site. Lanco officials stress that the provision of employment is a major plank in their Rehabilitation Action Plan and point out that training is being provided for future employees in a technical college in Korba.

However, people who have lost land to the Lanco project report that the employment process has so far been limited, and that jobs have only been provided after considerable pressure from below. For two years after land acquisition, none of the affected families was given permanent jobs in the project. Local activists say that the provision of jobs was a legal requirement at the time that the compensation award was made, but that Lanco tried to avoid the issue under a November 2005 redrafting of state law which removed the job requirement (the requirement has since been reinstated by a 2007 amendment). Frustrated by the lack of progress, affected persons formulated a 20-point demand in August 2007, with employment as a central issue. On 23 August, they handed the demand in to Lanco, threatening to organize protests if the company did not issue a response within 15 days. After more than a month they had received no response from Lanco officials, and on 28 September there was a public protest against the Lanco plant. It was only at this stage that persons from land losing families were provided with jobs in the plant. Lanco officials attest that, as a result of the strike, the process of nomination for employment was streamlined and mistakes were rectified.



Activists, union leaders and Panchayat members in Patadi

Even then, however, the company dragged its feet. Jobs were provided to only 104 people from the 302 affected families; two-thirds were still left jobless. Further protests and strikes were organized, including a 4–5 day protest in November/December 2007. A trade union was formed

as an outgrowth of these protests, representing both displaced persons and outsiders who are working inside the plant; it has been given the name 'Lanco Kangmar Sangh', or 'Lanco Workers' Union'. The union's president says that, after the initial strikes, Lanco promised to meet with union officials every month; six months later, no such meetings have taken place.

Jobs were promised for the remaining affected households by 29 February. On 1 March, when that promise had still not been fulfilled, one man threatened to go on hunger strike and fast until death unless jobs were provided. On 7 March, he began his hunger strike. The following day, it was announced that the process of recruitment would begin by the end of the month for all the remaining households. The deadline given for the completion of this procedure by Lanco was 15 April. In an interview with Lanco officials conducted on 27 March, they stated that employment nomination forms would be collected by the District Collector within 15 days; and that, once the forms had been forwarded to Lanco for processing, the recruitment process would be completed within 25 days. As the fieldwork for this study was completed before this process got underway, it is difficult to assess the extent to which these promises have been kept. However, union leaders say that future protests will be organized if they are not provided with jobs as promised.

Lanco officials state that the offer of employment will be extended to families affected by future phases of land acquisition. They point out that recruitment in the initial stages has been slow because 'a lot of time, effort and patience' has been required to obtain necessary documentation from affected persons, some of whom do not even know their date of birth – one official likened this procedure to a 'Herculean task'. Furthermore, they observe, Lanco cannot take charge of the rehabilitation process on a stand-alone basis, but must work closely with district authorities and other relevant actors. Lanco officials hope that, with the experience gained from the first phase, the gap between land acquisition and employment can be compressed in future. Whether this will be the case remains to be seen.

Even when jobs are provided, there will be a lingering dissatisfaction with the rationale that has been used to offer employment. In accordance with state law, Lanco has committed itself only to one job per affected titleholder. But in some cases, proper division of the title within joint families has not been done, and several people may share land under a single title. Thus, a large number of people may be made dependent on income from a single wage-earner. One man, for instance, says that the title to his land is shared between four brothers – what, he asks, is to happen to those brothers who do not get jobs? Where title to land is shared, disputes have arisen between brothers; one individual says that the land acquisition process has not allowed enough time for these disputes to be resolved. Some people suggest that the number of jobs provided should correspond to the size of the affected household. Others raise issues about the process of nomination, by which one member from each household is chosen for employment; one man says that even after giving an affidavit to nominate his son-in-law, the government did not recognize his eligibility on the grounds that he is not dependent on the titleholder. The process of recruitment can thus be divisive both within and between families.

Those who have been given jobs say that the details of their contract are unclear. In particular, they say that the procedure for fixing salaries has not been properly explained. For instance, they have been provided with a stipend during the training period, but were subsequently told that money for the provident fund was being deducted even from the stipend amount.

Meanwhile, temporary employment on the construction site has been provided to some of the affected persons. According to the RSIA, temporary employment has been found for 785 persons from the affected villages, of which 545 belong to affected households. However, temporary employment is provided by site contractors and is not the direct responsibility of

Lanco. Affected persons complain that most of the jobs – 70% by some estimates – are being given to people brought in from other states. Local people are only being given jobs at the lowest level, and employment is insecure and sporadic. Local suppliers and mini-contractors say that they are yet to receive payment for work completed, and that back payments of wages can stretch to three or four months. Furthermore, people complain that they are only given information about jobs in English – which most cannot read – and so they have little idea about their contract or the benefits to which they are entitled.

Union officials also raised serious concerns about working conditions on the construction site which raise questions over compliance with IFC Performance Standard 2 (Labour and Working Conditions). They say that water and sanitation facilities are inadequate and health and safety standards are low. There have been several deaths, they claim, as a result of people falling from scaffolding. Lanco officials would only confirm that one man had died and another had lost an arm in an accident; in both cases, they say, full safety precautions were in place and an inquiry and compensation were provided in the proper manner. Interviewed for this study, the man who had lost an arm – a resident of Pahanda village – said that he had so far received no compensation for his injury. A hearing for this matter was conducted on 28 March by the Assistant Labour Commissioner for Korba; due compensation will reportedly be awarded at a future date. In addition, a report in a local newspaper describes the death of a '21-year old' woman, whom locals claim was actually a 14-year-old girl; one of many child labourers that they allege are employed on the construction site under false birth certificates by Sapoorji Pallonji Company. Lanco officials made no mention of this incident.



This man lost an arm on the construction site. He has yet to receive compensation, but it has now been promised for a future date.

The impact of land acquisition

Land acquisition has had a significant impact on local livelihoods; as one adivasi man says, 'it has changed our culture'. Subsistence livelihoods have been undermined and communities have been drawn into greater dependence on waged labour as a source of income. As a result of land acquisition, 98 households have been rendered landless, and another 10 have been left with unviable portions of land. According to the CSIA, the proportion of families dependent on labour (including agricultural labour) as their primary source of income has risen from 34% to 47%, while the number who make a living from agriculture on their own land has fallen from 54% to 39%. As the land acquisition process continues, and the number of jobs available in the plant increases, this trend towards proletarianization will likely be exacerbated. In addition, villagers in Khoddle report that they have been forced to sell all their animals because the acquisition of government land has left them with no space for grazing – they have received no compensation for the loss of grazing land. In Saragbundia, land traditionally used for cremation

ceremonies has been acquired; one man sardonically remarked that cremation would now have to take place in the furnaces of Lanco. As one local activist points out: 'We have not a single piece of land left for community development. All land has been acquired by the company'.



Villagers in Saragbundia

Shifting livelihoods bring some benefits, and young people in particular have been able to purchase goods such as motorcycles with money from compensation and wages. However, many villagers interviewed for this study estimate that, on balance, they are worse off as a result of the land acquisition process. A lack of baseline data makes it difficult to assess the impact on income levels, but based on subjective evaluations the CSIA estimates that only 31% have benefited from increased income post-land acquisition, compared to 60% who have suffered from income loss. Lanco has commissioned a professional statistician to conduct an analysis of income from agriculture and wages; a report will be published in September 2008. But despite Lanco's promises, people say that it has so far proved difficult to get jobs with the company; furthermore, as one person pointed out, their freedom to protest against the project is indirectly constrained because they need jobs from Lanco in order to earn a livelihood. Another man observed that land provides a secure inheritance for future generations – what guarantees are there that jobs will similarly be passed on to his children?

Impacts on adivasi communities and good faith negotiation issues

Adivasi people constitute a significant proportion of the population in three of the affected villages. In the first phase of land acquisition, 36 adivasi households lost land; in total, adivasis make up 12% of the project-affected households. Adivasis affected by the project are predominantly Gonds, Korwas and Kanwar.

According to the CSIA, adivasis in the area have been integrated into the community over generations and no longer retain a separate social or cultural identity. They have consequently been 'mainstreamed' into the consultation process and no separate Indigenous Peoples Development Plan has been prepared. While many of the tribal customs and practices have been lost in the project area of influence it is far from certain that adivasi families have been fully

'mainstreamed' into local and national society. In fact, there are indications that adivasi households and settlement groups maintain a degree of distinct identity based on religious and ceremonial practices and their particular ancestral beliefs, among other cultural attributes (see below).

The project may therefore have differential impacts on adivasi communities. It is important to note that, under Indian law, land may not be transferred from tribal to non-tribal ownership. Acquisition of land for public purposes under the Land Acquisition Act is an exception to this rule and has proved to be a powerful state instrument for the expropriation of adivasi lands. The impact of the project on adivasi land is therefore significant, particularly in the context of IFC Performance Standard 7, which mandates the client to fulfill 'special requirements' for projects that impact 'traditional or customary lands under use'.

There is a lack of clarity in the project documents about the status of adivasi land. The ESRS and RSIA, by invoking the requirement of 'good faith negotiation', both imply that the project has impacts on traditional or customary lands. This view is supported by the Director and CEO of Lanco Amarkantak Power Private Limited, who states in a letter of 27 August 2007 that 'the project does impact traditional/customary lands as the project falls within an area designated as 'Tribal' (Scheduled Area) as per Indian laws'. An identical statement is made by the IFC in a letter dated 10 October 2007.

However, these statements are contradicted by the CSIA, which states categorically that adivasis in the area are not tied to traditional or customary lands, and that 'usage of land owned by them has no linkage with their distinct cultural, ceremonial, or spiritual identity' (p 29). It seems that Lanco is now following this interpretation of adivasi land use. In an interview with Lanco officials on 27 March 2008, they asserted that adivasi people in the area 'are not, in the strict sense, indigenous people' and that there are no specific ceremonies, festivals or poojas tied to their land. As a result, the special requirements of Performance Standard 7 – including good faith negotiation and expert analysis of adivasi land tenure – are not being applied.

Interviews with local adivasis suggest that, contrary to this latest interpretation, they *do* have cultural and spiritual ties to their land. Within Patadi village, there is a hamlet called Darrabhantha that is overwhelmingly populated by adivasi people (despite claims in the CSIA that 'there is no demarcation of hamlets or colonies within the village settlement specifically for tribals' – p 34). Adivasis here say that they believe local deities live in their land. They believe that a ceremony should have been conducted before the land was acquired – but no such ceremony was performed. Lanco officials say that they are unaware of any such beliefs or customs in the area.

This study thus finds serious shortcomings in the CSIA and its evaluation of the social and cultural situation in the project area of influence, which in turn has seemingly generated the flawed application of safeguard measures under the PPS in this instance. This case demonstrates the vital need for robust and credible social assessments that must go through independent scrutiny by affected communities and qualified third parties *before* they are accepted by the IFC as final documents.

Community Development Plan

Alongside the provision of jobs and compensation, Lanco has also pledged to improve local livelihoods through the implementation of a Community Development Plan. This plan, they claim, was developed in a participatory fashion through a series of Focus Group Discussions conducted between 10 April and 18 April 2007. These consultations were conducted by Development Management Consultants in the presence of Lanco's Social Development Officer.

According to the CSIA, the timing of these meetings was selected to ensure maximum participation and meetings were widely advertised beforehand. Lanco officials state that 'needs assessment has come from the local community' and 'a great deal of time and energy' has been invested in order to identify their needs. A table in the CSIA lists the community development activities that have been planned for completion by March 2008 (pp 189-190). The total budget for these activities is about Rs 5 million (roughly \$125,000).

Lanco officials state that the budget has been transparently shared with local communities and that details of the plans have been widely disseminated. However, people interviewed for this study had little or no knowledge about the community development proposals. When we provided them with a Hindi translation of the relevant table, many said that it was the first time they had ever been given this information. They assert that many proposed community development activities have not been done, or have been undertaken by the government or other agencies. For example, the road connecting Khoddle to the state highway was constructed under a government scheme – but Lanco claims credit for it in the CSIA. In Patadi, the Sarpanch



A water pump has been installed in Patadi but has yet to be wired up and so cannot be used

showed us the new water pump installed by the village pond; it is poorly situated, he says, and in any event it does not function because it has yet to be wired up and no water tank has been built. The school in Saragbundia has been provided with funds for sports events, playground leveling, and a Rs 100,000 scholarship fund; but the promised computer training centre is yet to materialize. In Khoddle, meanwhile, villagers state that the only infrastructure work which has been done is the construction of a small culvert – and that occurred

only after they protested to the company. Some people even allege that the photographs in the CSIA, purporting to show consultation meetings about the plan, in fact show meetings about something else altogether – such as a ceremony for the opening of a new bus shelter.

Villagers in Pahanda showed us a list of demands they submitted to the Land Acquisition officer in April 2005, including Rs 500,000 per acre compensation, the long-term provision of jobs, free medical treatment, clean drinking water, and road improvements; so far, they say, none of their demands have been met. People also state that there have been accidents caused by trucks driving to the project site in the night. Four months previously the District Collector had ordered the company to provide street lighting along the main highway, but there were no signs of this work at the time of our field study.

The general opinion on the Community Development Plan is summed up by one man in Patadi, who states: 'Two per cent of the document is true; ninety-eight per cent is false'. For their part, Lanco officials admit that financial issues have caused some delays in the implementation of proposed activities, but nonetheless assert that 'ninety per cent' of the Rs 5 million budget has been spent. This came as a surprise to women in Pahanda, who have asked unsuccessfully for

assistance for their self-help group, receiving only one sewing machine and one embroidery machine. 'Where is the work of 50 lakhs rupees?' one asked rhetorically.

Ongoing consultation

The ESRS admits that 'there were likely some inconsistencies between the approach adhered to and the IFC Performance Standards' with regards to free, prior and informed consultation in the early stages of the project. However, the CSIA insists that Lanco has since 'developed two way channels of communication, in the local language, with project-affected groups and other relevant stakeholders'. Lanco officials claim that there is 'a large amount of interaction' between the company and the local community based on the full disclosure of relevant information. A team of five or six senior-level managers in the company has been assigned to consultation with affected communities; a senior manager visits each of the villages once a month to listen to people's concerns. They have been trained in the provisions of government policy and the commitments of the Social Impact Assessment and are 'well-versed in social issues'. In addition, a Social Development Officer has been appointed to take charge of the Community Development Plan and act as a point of contact for the redressal of grievances. As the community engagement process has evolved, consultation 'has been made systematic' and Lanco has developed 'a rapport' with people affected by the project.



Villagers in Khoddle

Such is the official version of the consultation process. It is roundly contradicted by the testimony of people in the affected villages, who state that they have not been provided with information about the project and that consultations have occurred infrequently, if at all. For instance, Lanco asserts that a Hindi translation of the Social Impact Assessment has been disclosed to affected communities; local people say that they have seen no such document, nor are they even aware that it exists. The Sarpanch in Patadi says that he was given a copy of the 196-page document, in English, and allowed one day to look at it before Lanco officials came to take the document back. Similarly, he says that the IFC's Summary of Proposed Investment and Environmental and Social Review Summary were not translated, nor were copies of these documents disclosed in the Panchayat Office in Patadi. Most people we spoke to were not even

aware that the IFC was investing in the project. When we provided them with a Hindi summary of the project documents, many said that it was the first time any such information had been provided to them. Indeed, data from the CSIA indicates that as recently as January 2007 significant numbers of people did not know what the project was about – as many as 39% of affected persons in Pahanda village, for example.

According to affected communities, consultation and community engagement have been inadequate throughout the duration of the project – even in the period since the IFC's investment. Affected persons in all four villages state that Lanco officials do not consult with the people and that monthly consultations are a fiction created to receive IFC funding. Some allege bribery by Lanco to divide communities and suppress protests. They also say that the District Collector does not listen to their concerns and that government officials 'are working as agents of the company'. In Dharrabhanta, adivasis say that government officials have threatened to imprison them if they protest.

In response to one of the key findings of the RSIA, Lanco has established a grievance redressal mechanism for the project. Lanco officials state that 'we are moving towards a more structured, more transparent, more formal regime'. A full-time Social Development Officer acts as a point of contact for the local community and any grievances raised will be addressed promptly. However, many people say that they are not aware of the grievance mechanism, nor do they feel that it is easy to raise complaints. Some say that they are not allowed inside the Lanco premises to protest, and that low-level staff have blocked their access to senior officials. Many are too afraid to complain to the company or the government.

General level of community support for the project

This study has found little evidence of 'broad community support' for the project in 2008. Project-affected community members report that process by which No Objection Certificates were obtained was flawed and unrepresentative; it was also based on false expectations about the benefits of the project. As construction proceeds and promises fail to materialize, there have been widespread protests against the Lanco company. Many people – including the Sarpanch of Patadi village who signed the initial No Objection Certificate – have changed their minds about the project as frustration has grown.

People say that they are desperate, but that nobody is listening to their views. When asked how many people in the community support the project, they typically estimate one per cent. The general mood is summed up by one man in Saragbundia, who made various complaints about the process of consultation, land acquisition and employment provision: 'We will say the same thing to anyone who comes, because our pains are coming from our hearts'.



The twin chimneys
of the Lanco plant at dusk

Section 4 Compliance with IFC Policies and Performance Standards

Applicable Standards

The IFC appraisal determined that the following Performance Standards are applicable to the project:

- PS1: Social and Environmental Assessment and Management System
- PS2: Labour and Working Conditions
- PS3: Pollution Prevention and Abatement
- PS4: Community Health, Safety and Security
- PS5: Land Acquisition and Involuntary Resettlement
- PS7: Indigenous Peoples

The project is a Category A project and the IFC considers that it may have significant adverse impacts which are diverse, irreversible, and not limited to the project site. Consequently the highest social and environmental standards are applied, including the need for Free, Prior and Informed Consultation with all affected communities in order to ensure their informed participation in the project.

In addition to the obligations of the client, where projects may have significant adverse impacts on affected communities the IFC itself must verify that the prior consultation process has led to Broad Community Support for the project before the project is approved. Where indigenous peoples' customary lands are adversely affected (to any degree – including *minor* adverse impacts), the IFC must ensure the client carries out a process of good faith negotiation with the affected communities and document the successful outcome of said negotiations as a precondition for project approval under PS7.

Scope of the IFC policies

The IFC policies apply to all developments within the project's area of influence, including associated facilities which are not directly funded as part of the project.

It is important to note that IFC appraisal did not take place until October/November 2006 and that the investment was only approved on 1 June 2007 – more than three years after the project began, and 18 months after the first phase of land acquisition was complete. As a result, the early stages of the project were not fully compliant with the IFC's Performance Standards, particularly the requirement for Free, Prior and Informed Consultation. However, as part of its overall due diligence the IFC should review the historical social or environmental impacts associated with the project and work with Lanco to determine possible remediation measures (PSES, 13). In addition, under PS1 (paragraph 8) in cases (like the current Lanco case) where the IFC plans to provide project finance after a project has already commenced, then social and/or environmental audits 'may need to be performed to determine any areas of concern with existing business activities'.

The IFC review should also include an analysis of 'cumulative impacts from further planned development' and 'impacts from unplanned but predictable development'. The planned construction of a third unit, adding a further 600 MW of capacity, should therefore be considered by the IFC review. But although Lanco was discussing the proposed expansion from

at least October 2007, a revised version of the ESRS, published on 19 November 2007, makes no mention of it.

Compliance with IFC requirements

It is not possible to fully verify the application of all of the IFC's social and environmental policies on the basis of five days' field investigation. However, as the analysis in Section 3 makes clear, there are serious concerns about the social impacts of the project and the community engagement process. At the very least, these raise question marks about the project's compliance with the IFC Performance Standards. The foregoing findings confirm problems with the quality of safeguard implementation and indicate some apparent potentially serious violations of several provisions of PS1 and PS7 (particularly in relation to Good Faith Negotiation), and possibly also with the IFC's own sustainability policy (in relation to BCS).

Further examination of key PPS requirements and a summary assessment of compliance issues are provided below. For a more detailed comparison of the project with the requirements of Performance Standards 1, 5 and 7, refer to the table in the appendix.

- **Social and Environmental Assessment**

Under PS1, Lanco must commission independent experts to undertake a comprehensive social impact assessment. This should be done at an early stage of the project using appropriate baseline data. Such an assessment was prepared, but because of the IFC's late entry into the project, the assessment process did not begin until December 2006, and the final CSIA was not published until October 2007 – almost two years after project construction started, and more than three years after the land acquisition process began. Robust baseline data was not collected, and consultants only completed a detailed survey of affected households 18 months *after* the cut-off date for land acquisition. Nor has any assessment yet been prepared for subsequent phases of the acquisition process. According to recent correspondence with the IFC, it has an agreement with the company that 'an additional CSIA, in accordance with IFC's Performance Standards, will be undertaken by the company prior to further expansion, land acquisition and development', and was due to start in mid-July – though it remains to be seen how this timetable fits with Lanco's plans for accelerated expansion¹¹.

- **Information Disclosure.**

Under PS1, Lanco is required to disclose information to local communities about the purpose, nature and scale of the project, the duration of proposed project activities, and potential risks and impacts. Disclosure should take place early in the assessment process in a form accessible to affected communities. The social assessment document should also be disclosed upon completion. However, communities affected by the Lanco project report that they have been given very little information by the company. They have not seen a Hindi version of the CSIA, nor has the English version of the document been properly disclosed. Future plans for the project are unclear.

In addition, the IFC's Policy on Social and Environmental Sustainability requires that the IFC itself disclose a Summary of Proposed Investment and Environmental and Social Review Summary to affected communities. The IFC states that these documents have been disclosed in the Patadi Panchayat office, but the Patadi Sarpanch says that he has not been given them.

¹¹ Correspondence from IFC, 17 June 2008

- **Free, Prior and Informed Consultation**

For projects with significant adverse impacts, the client is required under PS1 to conduct a process of 'free, prior and informed consultation' with *all* communities affected by the project and facilitate their informed participation. Lanco claims that systematic consultation is in place and that senior level managers engage in regular meetings with affected communities. However, the early stages of the consultation process have not been documented and participatory rural appraisal was only conducted as part of the social assessment, a year *after* construction work began. Affected persons state that the consultation process has been inadequate, that regular meetings are not held and that the company does not listen to their concerns. 'No Objection Certificates' for the project were obtained from Gram Sabha meetings at which only a small proportion of the community was present. Furthermore, affected persons say that false promises were made about compensation levels and employment provision; consultation was therefore based on misinformation. Some people also allege that threats and bribes have been used by company and government officials to divide the community and distort the consultation process.

- **Land Acquisition**

Under PS5, the client is required to avoid or at least minimize displacement that occurs as a result of the project, and to mitigate any impacts that do occur. Compensation should be at full replacement cost, and targeted assistance and transitional support should ensure that livelihoods are improved or at least restored. Apart from a few families living without title on government land, there is no physical displacement in the Lanco project; the company also insists that economic displacement has been minimized. Land acquisition has been undertaken by the government; the first five hundred acres were acquired prior to the IFC investment. Although Lanco has promised jobs to affected families, villagers report that these jobs have been slow to materialize and have only been provided after protests; many report that they are worse off than they were prior to land acquisition, and although a Rehabilitation Action Plan has been developed, it remains to be seen whether this will restore livelihoods to previous levels.

- **Special Requirements for Projects affecting Traditional or Customary Lands under Use**

Under PS7 (paras 11-15), a set of 'special requirements' apply for projects that have impacts on 'traditional or customary lands under use', including lands that support the livelihoods of Indigenous Peoples or have 'cultural, ceremonial, or spiritual purposes that define their identity and community'. These special requirements include, *inter alia*, the expert documentation of indigenous land use, the dissemination of information about rights under national law, and 'good faith negotiation' with affected communities of indigenous peoples.

It is extremely unclear whether the special requirements have been properly applied in the case of the Lanco project. Early project documentation, including the RSIA and the ESRS, indicates that both Lanco and the IFC judged that the project *does* have impacts on traditional or customary lands under use. This interpretation is explicitly confirmed in letters received from the Lanco Director/CEO (27/08/07) and the IFC (10/10/07). However, the recent CSIA states that adivasis in the area are *not* 'tied to traditional or customary lands and natural resources on these lands, nor is the usage of the land owned by them has any linkage with their distinct cultural, ceremonial, or spiritual identity [sic]' (p.34). In an interview with Lanco officials on 27 March 2008, they stated categorically that they no longer consider the project to have impacts on traditional or customary lands. Similarly, in an e-mail received on 17 June 2008 the IFC state that land acquired from adivasi communities 'does not meet PS7's definition of customary/traditional land since the land is individually owned by the affected ST households'. As a result, the special requirements are not considered applicable in this case. Indeed, this study has not found any firm evidence

that the special requirements, including good faith negotiation, have been applied.

As far as this study was able to establish, the adivasi people who were interviewed during fieldwork no longer have common lands that are regulated by distinctive customary practices; nor is there any forest area nearby. However, Performance Standard 7 makes no mention of individual or collective titling; rather, customary lands are defined according to their cultural or spiritual significance, regardless of formal ownership. This study found that adivasi individuals, families and settlement groups *do* retain some collective cultural or spiritual links to their lands. Adivasis in Darrabhantha (Patadi village), for example, state that they believe deities live in the land. They think a special ceremony should have been done before land acquisition, but no such ceremony took place. This evidence indicates that the special requirements may be applicable in this case and they should indeed have been triggered under the Performance Standards.

- **Broad Community Support**

As part of its environmental and social review procedure, the IFC is required to verify Broad Community Support for the project. Broad Community Support is 'a collection of expressions by the affected communities, through individuals or their recognized representatives, in support of the project'. The IFC states that BCS was verified in several meetings with elected representatives of affected villages as well as project affected households. However, very few people interviewed for this study show any support for the project. They estimate that the overall level of current support for the project in the affected villages is 'about one per cent'. There have also been active protests against Lanco over issues such as jobs and compensation. Many people state that their initial support was based on false promises made by Lanco officials and that they have since changed their minds about the project. None of the village representatives interviewed for this study expressed support for the project. The Sarpanch of Patadi village, for example, says that he only supported the project at the beginning because he thought it would bring benefits to the people; he now says that: 'Not even one per cent of our community supports the project. If the IFC or the government were to come again we would oppose the project'.

In response to FPP queries on these issues, the IFC has recognized that there are 'opportunities for improvement', particularly in the following areas: 'the pace of the implementation of the [Rehabilitation Action Plan] and alternative livelihood related work; the widening and deepening of community engagement; management of some environment, health and safety impacts associated with construction; and addressing individual/small group grievances/concerns and overall project impacts'¹².

¹² Correspondence from IFC, 17 June 2008

Conclusions

The Lanco Amarkantak Thermal Power Plant project in the Korba district of Chhattisgarh has significant adverse impacts on local communities. In the first phase, the project acquired 506 acres of land, including 469 acres of private land from 302 affected persons. The second phase will require a further two hundred acres of land, and a recently announced expansion of the plant will take an additional 300–400 acres. Land acquisition results in the economic displacement of affected persons, undermining their livelihoods and, in some cases, forcing them into dependence on wage labour. Among those affected are adivasi communities who have lost lands of spiritual significance. The new power plant will also create noise, air and water pollution.

The project was developed without proper consultation with affected communities and the first phase of land acquisition was deeply flawed. Communities report that they were not given adequate information about the project proposals and that they were misled about the rate of compensation they would receive. They also state that promises made about jobs at the time of land acquisition were not kept. 'No Objection Certificates', purporting to show community consent for the project, were obtained from poorly attended meetings at which false promises were made. Community leaders report that they regret signing these certificates, and would not now give their consent to the project.

Despite these serious concerns about the development of the project – many of which are documented in the social assessment documents – the International Finance Corporation decided on 1 June 2007 to approve an \$8 million equity investment in the project. Since that date, there have been a number of protests against the plant by project affected persons, principally around the issue of jobs. Although Lanco claims to have strengthened its community engagement process to meet the IFC's requirements, including free, prior and informed consultation, affected persons report an ongoing failure to consult with local communities and address their concerns. There is also mounting frustration about the slow implementation of the Community Development Plan.

The findings of this study raise serious questions about the project's compliance with the IFC's Policy on Environmental and Social Sustainability. Concerns include: the requirements for information disclosure and free, prior and informed consultation under Performance Standard 1; the requirement for livelihood restoration under Performance Standard 5; and the 'special requirements', including good faith negotiation, under Performance Standard 7 for projects that affect the traditional or customary lands of indigenous peoples. There are also strong indications that the project is not meeting the IFC's requirement for broad community support.

It is not clear how the IFC will undertake ongoing social and environmental monitoring of the Lanco project, nor is it clear how the IFC's investment relates to the new project expansion. While this rapid study cannot claim to be a comprehensive analysis of the Lanco project, it does raise questions about the IFC's social and environmental review process prior to presentation of projects to the IFC Board and likewise raises due diligence issues where the IFC funds existing business activities that are already underway – as in this case. It also indicates the importance of careful and continuous monitoring in large-scale projects of this kind. The IFC's Policy on Environmental and Social Sustainability and at least some Performance Standard Provisions are strong on paper, but it is essential that its provisions are fully implemented on the ground to respect community rights and avoid or minimise harm consistent with IFC commitments on sustainable development.

Appendix Detailed Comparison of the Lanco Project with the requirements of IFC Performance Standards 1, 5 and 7

Key Requirements	Comments of Lanco and the IFC	Comments
Performance Standard 1: Social and Environmental Assessment and Management Systems		
'The client will conduct a process of Social and Environmental Assessment' (para 4)	A Rapid Social Impact Assessment was completed in March 2007; a Comprehensive Social Impact Assessment was completed in October 2007.	Although the assessment was done in line with the IFC's appraisal, no social assessment was conducted for the initial phase of the project (prior to IFC's decision to invest).
'The Assessment process will be based on current information, including an accurate project description, and appropriate social and environmental baseline data' (para 4)	As far as possible, the assessment has complied with this requirement.	The assessment was conducted 18 months after the cut-off date for land acquisition, and baseline data is consequently lacking. There are also few documented records of consultations carried out by Lanco and the government in the early stages of the project.
'Risks and impacts will be identified in the context of the project's areas of influence, including... areas potentially impacted by cumulative impacts from further planned developments' (para 5)	A social assessment is planned for the project extension, and consultants will begin collecting baseline data in late April 2008.	There is no mention of the proposed expansion in the revised ESRS (19/11/07), even though it was already under consideration by Lanco.
'In projects with significant adverse impacts or where technically complex issues are involved, clients may be required to retain external experts to assist in the Assessment process' (para 7)	Development Management Consultants, Kolkata, were commissioned as an independent third party to undertake the social assessment.	The social assessment contains apparent serious omissions and incomplete analysis and does not appear to have been fully verified by affected communities and their advisors prior to its finalisation, meaning incorrect or questionable analysis were not corrected
'Projects with potentially significant adverse impacts that are diverse, irreversible, or unprecedented will have comprehensive social and environmental impact assessments' (para 9)	A Comprehensive Social Impact Assessment was prepared as a condition of approval by the IFC Board	The CSIA has apparent serious shortcomings in its treatment of indigenous issues like those relating to customary lands and indigenous livelihoods and identity

Key Requirements	Comments of Lanco and the IFC	Comments
Performance Standard 1: Social and Environmental Assessment and Management Systems		
'This assessment will include an examination of technically and financially feasible alternatives to the source of such impacts, and documentation of the rationale for selecting the particular course of action proposed' (para 9)	The CSIA contains no alternatives analysis as it was prepared after construction had begun. A brief analysis of alternatives, including the rationale for site selection, is included in the Comprehensive Environmental Impact Assessment.	According to the RSIA, 'no specific social aspects and indicators, barring a few general considerations such as land use pattern and avoidance of physical resettlement, were considered during [the] period of the assessment of sites (p.12)
'As part of the Assessment, the client will identify individuals and groups that may be differentially or disproportionately affected by the project because of their disadvantaged or vulnerable status. Where groups are identified as disadvantaged or vulnerable, the client will propose and implement differentiated measures' (para 12)	The entitlement package includes special measures for vulnerable groups. These are defined as Scheduled Tribes; persons rendered 'below poverty line' as a result of land acquisition; and aged persons staying on their own without any next of kin. Women have also been taken up as a specific category, through the consultants 'do not classify them exactly as vulnerable' in this case (CSIA, p.156)	The particular needs of Adivasi groups and project impacts on them have not been adequately addressed (e.g., cultural impacts)
'The client will establish and manage a program of mitigation and performance improvement measures and actions that address the identified social and environmental risks and impacts' (para 13)	Mitigation and performance improvement measures are detailed in the CSIA.	Mitigation measures have reportedly been late or of low quality in some cases.
'The client will prepare an Action Plan' detailing mitigation measures and actions that 'reflect the outcome of consultation' (para 16)	An Action Plan was developed and disclosed in March 2007, following an RSIA that included community consultation.	Affected communities say that at no stage have they been properly consulted about the project and mitigation measures.
The Action Plan will be 'disclosed to the affected communities' (para 16)	The Action Plan has been disclosed in the Gram Panchayat Office in Patadi.	The Sarpanch of Patadi says that this has not been done. None of the affected persons have been made aware of the existence of the Action Plan, let alone been shown a Hindi translation.
'The client will train employees and contractors with direct responsibility for activities relevant to the project's social and environmental performance so that they have the knowledge and skill to perform their work' (para 18)	Lanco has provided training to its senior level managers in the relevant government provisions and the commitments of the social impact assessment.	While Lanco staff have been trained, it is not clear that such training has so far improved implementation of mitigation measures

Key Requirements	Comments of Lanco and the IFC	Comments
Performance Standard 1: Social and Environmental Assessment and Management Systems		
<p>'Where the client has undertaken a process of Social and Environment Assessment, the client will publicly disclose the Assessment document'. Disclosure of information about the purpose, nature and scale of the project, the duration of proposed project activities, and potential risks and impacts should occur 'early in the Social and Environmental Assessment process and in any event before the project construction commences, and on an ongoing basis' (para 20)</p>	<p>Both the RSIA and the CSIA have been publicly disclosed, in Hindi, at the Gram Panchayat office in Patadi. Affected communities are kept informed about the project through an ongoing process of community engagement.</p>	<p>The Sarpanch in Patadi says that he was given a copy of the social assessment for one day only – the following day, Lanco officials came to take it back. He says that no copies of the document have been left in the Panchayat office. Very few people in the community have seen the document or are aware of its existence. None have seen a Hindi translation. Affected persons complain that they have been given no written information about the project at any stage.</p>
<p>'For projects with significant adverse impacts on affected communities, the consultation process will ensure their free, prior and informed consultation' (para 22). This is defined as consultation that: is free of intimidation or coercion; provides timely disclosure of information; and is relevant, understandable and accessible.</p> <p>The consultation process will facilitate the 'informed participation' of affected communities. This 'involves organized and iterative consultation, leading to the client's incorporating into their decision-making process the views of the affected communities on matters that affect them directly, such as proposed mitigation measures, the sharing of development benefits, and implementation issues' (para 22)</p>	<p>Although early consultations were loosely structured and ill-documented, Lanco has subsequently developed a 'systematic' consultation procedure that meets the IFC's requirements for free, prior and informed consultation. In late 2004, No Objection Certificates were obtained from affected communities after Gram Sabha meetings. The social assessment process and development of the community development plan involved consultative techniques such as participatory rural appraisal and focus group discussions. Senior level managers within Lanco have been assigned to the affected villages and engage in monthly consultations; the Social Development Officer also undertakes regular and ongoing consultation. A Public Consultation and Disclosure Plan was disclosed in November 2007.</p>	<p>Affected persons state that they have not been properly consulted at any stage about any aspects of the project. Gram Sabha meetings were poorly attended and did not reflect the will of the community. Senior managers never come to meet with local people and do not listen to their concerns. Early consultations about the project were distorted by confusion about levels of compensation and employment provision; affected persons allege that false promises were made by Lanco officials. There has been no timely disclosure of information; people are not aware of the social assessments or of the Social Development Officer. Some allege that bribes and threats have been used by Lanco and government officials to influence the consultation process.</p>

Key Requirements	Comments of Lanco and the IFC	Comments
Performance Standard 1: Social and Environmental Assessment and Management Systems		
<p>‘The client will establish a grievance mechanism to receive and facilitate resolution of the affected communities’ concerns and grievances about the client’s environmental and social performance... It should address concerns promptly, using an understandable and transparent process that is culturally appropriate and readily accessible to all segments of the affected communities, and at no cost and without retribution’ (para 23)</p> <p>‘The client will inform the affected communities about the [grievance] mechanism in the course of its community engagement process’ (para 23)</p>	<p>A structured grievance redressal mechanism was not in place in the early stages of the project, but has since been developed as per IFC requirements and the recommendations of the RSIA. A full-time Social Development Officer has been employed since February 2007 to act as a point of contact between communities and the company. The grievance mechanism is accessible and issues are dealt with promptly.</p>	<p>Few people in the affected communities were aware of the grievance mechanism or the Social Development Officer. They say that Lanco officials ignore their complaints. Some people state that they are prevented from accessing senior managers by lower-level Lanco officials.</p>
<p>‘The client will establish procedures to monitor and measure the effectiveness of its management program... For projects with impacts that are diverse, irreversible, or unprecedented, the client will retain qualified and experienced external experts to verify its monitoring information’ (para 24)</p>	<p>Monitoring takes place on an ongoing basis and external consultants will be brought in to undertake periodic monitoring.</p>	<p>No comment</p>
<p>‘The client will provide periodic reports that describe progress with implementation of the Action Plan’. If changes are made, ‘updated mitigation measures or actions will also be disclosed’. Disclosure will take place in a format ‘accessible to the affected communities’ (para 26)</p>	<p>An updated Action Plan has been prepared to incorporate plans for the extension of the project. This was publicly disclosed in February 2008.</p>	<p>No updated Action Plan has been disclosed on the IFC website (as of 01/04/08). Nor are communities aware of any such document. There is no evidence that any reports have been produced to describe progress with implementation of the Action Plan.</p>

Key Requirements	Comments of Lanco and the IFC	Comments
Performance Standard 5: Land Acquisition and Involuntary Resettlement		
‘The client will consider feasible alternative project designs to avoid or at least minimize physical or economic displacement’ (para 7)	The site was chosen to avoid physical resettlement and minimize economic displacement. By continuing expansion at the current site, Lanco can make use of economies of scale to maximize power output per acre of land required.	According to the RSIA, ‘no specific social aspects and indicators, barring a few general considerations such as land use pattern and avoidance of physical resettlement, were considered during [the] period of the assessment of the sites’.
‘The client will offer displaced person and communities compensation for loss of assets at full replacement cost and other assistance to help them improve or at least restore their livelihoods’ (para 8)	Land acquisition has been undertaken by the government and compensation is calculated according to market rates. Lanco will provide jobs and income generating programmes to help affected persons improve or at least restore their livelihoods.	Local people report that the compensation they have received is not enough to buy equivalent land in the area. Jobs have so far been provided to only one third of the affected households, and then only after protests. Income generating activities have not been implemented. Most villagers report that their standard of living has declined as a result of land acquisition.
‘Standards for compensation will be transparent and consistent’ (para 8)	All of the affected persons are aware of the methods for calculating compensation.	A considerable number of people are unaware of how compensation has been calculated.
‘Where livelihoods of displaced persons are land-based... the client will offer land-based compensation, where feasible’ (para 8)	There is no land available in the area so monetary compensation has been offered.	-
‘Where involuntary resettlement is unavoidable, the client will carry out a census with appropriate socio-economic baseline data’ (para 11)	Baseline data collected before the first phase of land acquisition was inadequate. A complete baseline survey will begin in late April prior to the next phase of land acquisition.	Baseline data collected before the first phase of land acquisition was inadequate.

Key Requirements	Comments of Lanco and the IFC	Comments
Performance Standard 5: Land Acquisition and Involuntary Resettlement		
<p>'In the case of Type I transactions (acquisition of land rights through the exercise of eminent domain)... the client will develop a resettlement action plan... designed to mitigate the negative impacts of displacement, identify development opportunities, and establish the entitlements of all categories of affected persons' (para 12)</p>	<p>A Rehabilitation Action Plan has been developed and was disclosed in October 2007. This clearly identifies impacts, entitlements and opportunities. A Community Development Plan has also been prepared and, by March 2008, 90% of the Rs 5 million budget had been spent.</p>	<p>The RAP was not completed until more than two years after the first phase of land acquisition. Implementation has been slow, and even Lanco officials admit that the process has been 'lagging'. Affected persons say that very few community development activities have been done and that Lanco has taken credit for projects completed by others.</p>
<p>Persons with no legal right or claim to land who are physically displaced by the project will be offered 'a choice of options for adequate housing with security of tenure' and compensated for 'loss of assets other than land... at full replacement cost' (para 18)</p>	<p>Even if dwellings are unauthorized, compensation will be provided.</p>	<p>Families living on government land in Saragbundia have been resettled by the project. Local activists say that these people have received no compensation for lost assets.</p>
<p>'If land acquisition for the project causes loss of income or livelihood... the client will:</p> <ul style="list-style-type: none"> - promptly compensate economically displaced persons for loss of assets or access of assets at full replacement cost... - provide replacement property... of equal or greater value, or cash compensation at full replacement cost where appropriate... - provide additional targeted assistance... and opportunities to improve or at least restore their income-earning capacity, production levels, and standards of living to economically displaced persons... - provide transitional support to economically displaced persons, as necessary, based on a reasonable estimate of the time required to restore their income-earning capacity, production levels, and standards of living'. 	<p>Compensation has been calculated by the government and is based upon market rates. Compensation has been provided for land and loss of assets, including trees and temporary crop damage. Transitional support will be provided for vulnerable persons, including income generating schemes, technical training, and the provision of temporary jobs on the construction site. Income-earning capacities will be restored.</p>	<p>Affected persons state that compensation is inadequate, does not reflect market prices, and is considerably less than was promised. In some cases, they say that proper compensation has not been provided e.g. land acquired for the pipeline and the railway siding. Compensation does not take account of wider impacts such as damage from blasting or falling water levels. Few income generating programmes have so far been provided and temporary jobs have been sporadic. Most people say that their income has been lowered as a result of land acquisition.</p>

Key Requirements	Comments of Lanco and the IFC	Comments
Performance Standard 7: Indigenous Peoples		
The client will identify communities of Indigenous Peoples that may be affected by the project and avoid adverse impacts where feasible (para 7)	The project is in a 5 th schedule (tribal) area and Scheduled Tribes have been identified as Indigenous Peoples by the social assessment. They constitute 12% of affected persons in the first phase of land acquisition. The project was designed to minimize land acquisition.	In an interview, one Lanco official commented that adivasi communities in the area are 'not in the strict sense indigenous people'.
'The client will minimize, mitigate or compensate for these impacts in a culturally appropriate manner. The client's proposed action will be developed with the informed participation of affected Indigenous Peoples and contained in a time-bound plan, such as an Indigenous Peoples Development Plan, or a broader community development plan with separate components for Indigenous Peoples' (para 8)	Adivasis have been integrated into the community over generations and no longer retain a distinct identity. They do not live in demarcated areas within the village, nor do they suffer from restricted opportunities. As a result, adivasis have been 'mainstreamed' into project design and no separate IPDP has been prepared. They are identified as one of the 'vulnerable groups' to receive special measures under the rehabilitation plan.	It is true that adivasis in the area have lost many of their customs and have been largely integrated with the surrounding community. However, in Patadi village there is a hamlet called Darrabhantha which is populated overwhelmingly by adivasi people – suggesting that they do live in distinct areas of the village.
The client will engage in a process of free, prior and informed consultation with affected communities of Indigenous Peoples and facilitate their informed participation. The process will: involve indigenous representative bodies; be inclusive of men and women of various age groups in a culturally appropriate manner; provide sufficient time for collective decision-making processes; facilitate the Indigenous Peoples' expression of their views, concerns, and proposals in the language of their choice, without external manipulation, interference, or coercion, and without intimidation; ensure that the grievance mechanism is culturally appropriate (para 9).	There has been free, prior and informed consultation with adivasis as with the rest of the affected communities (see PS1 above). Adivasis in the area do not have a distinct language and are culturally integrated into the surrounding community, so no special measures were required.	There are serious concerns with the overall process of free, prior and informed consultation for the project (see PS1 above). Adivasis report that they have not been properly consulted at any stage about the project or its ongoing developments.

Key Requirements	Comments of Lanco and the IFC	Comments
Performance Standard 7: Indigenous Peoples		
<p>Through consultation with affected Indigenous Peoples, the client will identify 'opportunities for culturally appropriate development benefits'. These will be provided in a 'timely and equitable manner' (para 10).</p>	<p>A Community Development Plan was developed after participatory consultations in the affected communities, and adivasis were involved in this process. Ninety per cent of the CDP budget for the financial year ending March 2008 has been spent.</p>	<p>Adivasis, like other persons affected by the project, report that very few community development activities have been done. Lanco has also sought to claim credit for projects carried out by other agencies.</p>
<p>Where Indigenous Peoples use their traditional or customary lands for 'their livelihoods, or cultural, ceremonial, or spiritual purposes', a set of special requirements apply. These include: documentation of land use by external experts in collaboration with the affected communities; dissemination of information about rights under national law; and good faith negotiation with the affected communities of Indigenous Peoples.</p>	<p>Adivasis in the area are 'not tied to traditional or customary lands and natural resources on these lands, nor is the usage of land owned by them has any linkage with [sic] their distinct cultural, ceremonial, or spiritual identity' (CSIA, p.34). The special requirements of PS7 are not therefore applicable in this case.</p>	<p>According to earlier project documents, including the ESRS and the RSIA, the project <i>does</i> affect traditional or customary lands. Letters from Lanco (27/08/07) and the IFC (10/10/07) also stated that the project affects traditional or customary lands, as it is located within an area designated as tribal by Indian legislation. The official position seems to have changed since publication of the CSIA. It should be noted that, although adivasis visited in the area do not have common lands, they do retain cultural and spiritual links to their lands. Adivasis in Darrabhantha (Patadi village), for example, state that they believe local deities live in the land. They believed a ceremony should have been performed before land was acquired, but no such ceremony was done. There is little evidence that any of the special requirements, such as good faith negotiation, have been met.</p>

This study is an analysis of the social impacts and community engagement process for an IFC-supported project in Chhattisgarh, India.

It also provides an assessment of the application of IFC Performance Standard 7 (Indigenous Peoples) and related IFC standards and requirements – in light of the project's significant adverse impacts on affected communities.

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