



1. Project Data:		Date Posted : 08/03/2004	
PROJ ID: P043310		Appraisal	Actual
Project Name: Coal Env & Social Mitigation	Project Costs (US\$M)	84	52.5
Country: India	Loan/Credit (US\$M)	63	39.27
Sector(s): Board: EMT - Mining and other extractive (87%), Other social services (13%)	Cofinancing (US\$M)	0	0
L/C Number: C2862			
	Board Approval (FY)		96
Partners involved :	Closing Date	06/30/2001	06/30/2002
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components			
a. Objectives			
The objective of the project was to assist Coal India Ltd. (CIL) in making coal production more environmentally and socially sustainable. This objective was to be achieved by:			
<ul style="list-style-type: none"> (i) enhancing Coal India's capacity to deal more effectively with environmental and social issues; (ii) implementing appropriate policies for environmental mitigation and resettlement and rehabilitation of people affected by coal projects and providing support to communities, in particular tribals, living in coal mining areas; and (iii) testing the effectiveness of these policies in the 25 coal mines that were slated to receive financial support under the Coal Sector Rehabilitation Project. 			
b. Components			
The project consisted of three components:			
<ul style="list-style-type: none"> • Capacity building component included funding for studies and training aimed at strengthening CIL's capacity at corporate headquarters, subsidiary headquarters, area, and mine levels to deal effectively with environmental and social issues, • Investment component provided funding for the implementation of Environmental Action Plans (EAP), Rehabilitation Action Plans, and Indigenous Peoples Development Plans (IPDP). • Social remedial action component provided funding for the preparation and implementation of social remedial action programs for the four coal mining projects that had received Bank support in the past. 			
c. Comments on Project Cost, Financing and Dates			
The total cost of the project was US\$ 52.5 million compared with the appraisal estimate of US\$ 84 million. The lower cost was due to: (a) the devaluation of Indian Rupees against US\$; reduction in the volume of overburden (OB) dump work; and (c) an error in the appraisal estimate of technical assistance .			
3. Achievement of Relevant Objectives:			
The objective of enhancing CIL capacity to deal more effectively with environmental and social issues was partially achieved. The project improved CILs capacity to deal with environmental issues. However, the capacity on social mitigation is inadequate. Environmental mitigation activities were completed behind schedule.			
The objectives of implementing appropriate policies for environmental mitigation and resettlement and rehabilitation and testing the effectiveness of these policies in the 25 coal mines was partially achieved.			
<ul style="list-style-type: none"> • An Environmental Policy was adopted, however, the policy needs strengthening regarding compliance monitoring through internal audits. CIL's action plan for institutional strengthening includes staff training on such audits, but it is unclear whether they will become an effective instrument to enhance compliance with environmental regulations. • The Resettlement & Rehabilitation (R&R) Policy has provided economic rehabilitation assistance as an entitlement for all adult Project Affected Persons (PAPs), and Resettlement Action Plans (RAPs) and an electronic PAP database were introduced. The implementation of economic rehabilitation assistance has been inadequate, the PAP database has not been maintained and used adequately, and the RAPs have not been used as a planning instrument in project mines after project closure. 			
4. Significant Outcomes/Impacts:			
The capacity of CIL to deal with environmental issues has improved . After the project was closed, a separate cadre			

for staff dealing with environmental issues was established .

5. Significant Shortcomings (including non-compliance with safeguard policies):

1. Quality at entry was unsatisfactory. During preparation the Bank did not adequately address the degree of political and social resistance to reforms. Also, it underestimated the difficulties in shifting the institutional culture of CIL given the number of subsidiaries and their geographical spread. Consultations with stakeholders during the preparation phase was limited.
2. The project was investigated by the Inspection Panel (IP) following a complaint from the Parej East Mine Area. The Panel report found: (a) several instances of noncompliance on the part of the Bank with its policy on involuntary resettlement, particularly during the project preparation and appraisal phases; (b) noncompliance with Bank policies concerning environmental assessment, consultation and disclosure of information and timely provision of land titles to resettled persons; and (c) the resettlement action plan for Parej East provided for the payment of a subsistence allowance, which has not been paid to eligible families. [It should be noted that the Panel commended the Bank supervision team's subsequent attempts to address these deficiencies promptly].
3. Environmental mitigation activities were often completed behind schedule due to delays in: (a) the Technical Assistance (TA) studies intended to inform the mitigation activities; (b) the mitigation plans incorporating recommendations from the TA studies; and (c) bid evaluation and contractor selection. Mine effluent treatment plants were completed about eight months late and sewerage treatment plants were completed with a delay of 21 months.
4. The Resettlement and Rehabilitation (R&R) policy of CIL did not provide clear guidelines for effective income restoration during implementation.
5. CIL lacks a well defined institutional structure (clear staff roles, responsibilities, incentives, and career opportunities) for staff working on social issues.
6. The IPDP approach was discontinued at project closure.
7. There is no follow-up plan to continue the annual RAPs implemented during the project period at the 14 mines. Also, there are no plans to continue the use of electronic PAP database for monitoring of RAP implementation.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Unsatisfactory	Moderately Unsatisfactory	The outcome is rated "Moderately Unsatisfactory" (a rating not available on the ICR's 4-point scale) since two of the project objectives were partially achieved
Institutional Dev .:	Modest	Modest	
Sustainability:	Unlikely	Unlikely	
Bank Performance:	Unsatisfactory	Unsatisfactory	
Borrower Perf .:	Unsatisfactory	Unsatisfactory	
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

Several important lessons are identified by the ICR. Five are repeated here for their broad applicability:

1. Banks leverage over implementing agencies to take action to change policies or comply with Bank's safeguard policies is substantially reduced if environmental and social safeguard issues are separated from the main investment loan.
2. Safeguard policy frameworks agreed with the borrower needs to be specific and detailed on the obligations of the Borrower regarding assistance and entitlements. Determination of Borrower obligations must not be left to decisions during project implementation.
3. Community development activities such as the IPDPs need to incorporate a clear time-bound exit strategy for external support, to enable an assessment of the performance of organizational arrangements to promote sustainability at a stage, which still leaves time during the project period for follow-up actions where problems exist.
4. Mitigation activities that are implemented to establish compliance with national laws, and which are monitored by state agencies (such as those relating to environmental mitigation) have a higher likelihood of success than mitigation activities that are not subject to similar compliance requirements. The Bank should be actively involved in improving the policy framework in key borrower countries.
5. Resettlement Policy Framework at project design and should include as many options for income restoration as are feasible in a given context.

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The quality of the ICR is satisfactory. It provided the information to make a proper assessment, but it could have been written more concisely; in places the level of information provided was unnecessarily detailed.

