

SJVN: well equipped to develop the Rampur project?

Questions to the World Bank regarding the Indian dam building company Sutlej Jal Vidyut Nigam

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The World Bank is considering financing the Rampur hydropower project in India's Northern State of Himachal Pradesh. Sutlej Jal Vidyut Nigam (SJVN, formerly the Nathpa Jhakri Power Corporation) is planning to develop this project. SJVN has in the past only executed one hydropower project in India, the Nathpa Jhakri project, also partly financed by the World Bank.

The 1,500 MW Nathpa Jhakri project suffered from severe project design and implementation failures, resulting in acute cost and time overruns. The total land submerged by the project amounts to 562 hectares, of which 224 hectares is private land. 480 families lost their livelihoods due to the submergence of their lands and homes by the reservoir. Social and environmental concerns were overlooked throughout the construction of Nathpa Jhakri.

This briefing paper highlights the shortcomings of the Nathpa Jhakri project, as far as they are relevant for assessing the capacities of SJVN to develop the Rampur project. The briefing paper raises questions regarding the unresolved legacy of the Nathpa Jhakri project and the capacity of SJVN to implement the Rampur project. The information is primarily based on the 2002 World Bank Nathpa Jhakri Implementation Completion Report.¹

The Nathpa Jhakri project

Lack of adequate project preparation and scrutiny

At the time of project appraisal, major difficulties regarding size, location and implementation of the Nathpa Jhakri hydropower project were overlooked.

- The design of the project was not clear at project appraisal.
- Construction activities began notwithstanding a funding gap of US\$ 300 Million.
- Environmental and resettlement plans were lacking.
- Bidding documents for the civil works contracts were not prepared.

¹ The World Bank, Implementation Completion Report on A Loan In the Amount of US\$ 485 Million to the Government of India for the Nathpa Jhakri Project. 09/25/2002.

- Up-front geological investigations were not carried out.

The World Bank Implementation Completion Report says that “it is probable that, had the geological difficulties and the possibility of years of resulting delay been recognized prior to the conclusion of the designs, different methods of construction and excavation would have been planned for, and the delays, which cost the project a million dollars a day, would have been reduced.”²

The Bank’s Quality Assurance group explains: “An additional element was present in the relatively generous treatment of the readiness of India projects. As this [the government of India] was a large borrower with many competent authorities and high project skills (and the client leverage that went with it), there was an implicit understanding prevailing in the Bank that this client would come through, even though some issues had not been dealt with at the time of loan approval. Over time, this proved to have been a risky strategy.”³ The Quality Assurance group continues by saying: “...the relaxed attitude towards going forward with operations that evidently were not ready for approval reflects an excessive trust of management in the ability of the client to catch up with preparation and implementation...(…). On the whole, the project was highly vulnerable to management misjudgements.”⁴

Managerial Weaknesses and Inadequate Workers Compensation

At the time of project appraisal, the implementing agency, set up specifically for the purpose of building the dam, had not been staffed and several high level management positions were not filled. Later on, construction workers received differential treatment and pay, with the majority of workers being underpaid. This led to unrests and worker strikes.⁵

In 2002, the World Bank still had concerns regarding the operational and commercial capabilities of the company. “However, NJPC’s operational and commercial capabilities are as yet unproven and it may require some assistance in this regard.”⁶ The World Bank report states that “Overall, the commitment to implement the actions agreed with the Bank missions has been lacking.”⁷

Neglect of social and environmental project impacts

By the time Nathpa Jhakri was approved by the World Bank, the project had neither a resettlement plan, nor a rehabilitation and environmental mitigation plan.

No Environmental Assessment was carried out before appraisal of the project by the World Bank. The Environmental Assessment that was finalised later did not cover the entire project area, nor did it examine the majority of the substantial environmental impacts. The implementation of the Environmental Management Plan remained unsatisfactory up to 2002.

² World Bank, 2002, p.22.

³ World Bank, 2002., p.4.

⁴ World Bank, 2002, p.18.

⁵ Hindustan Times, Oct. 9, 1998, World Bank to terminate \$ 437 m loan to NJPC.

⁶ World Bank, 2002, p.10.

⁷ World Bank, 2002, p.14.

The land acquisition and resettlement impacts of the project were incorrectly assessed at the start of the project. Eight years after project appraisal it became evident that full scale resettlement impacts were much higher than estimated. Throughout those eight years, almost no compensation was given to the affected people and no resettlement activities were carried out.

The Bank reports that throughout the entire construction phase, NJPC was slow in implementing agreed upon actions on environment management issues. The Ministry of Forest and Environment repeatedly stopped the construction process because SJVN “seriously and continuously” violated both the Forest Conservation Act and the Environment Act.

Major Implication: delays and cost overruns

The construction of the Nathpa Jhakri hydro project was delayed by eight years compared to the appraisal schedule. The project construction costs more than doubled as compared to the initial cost estimates. This led to a 100 percent increase in the cost of generating electricity at Nathpa Jhakri.

The World Bank agreed to extend the loan period twice, but decided to terminate the loan early in 2002. Time and cost overruns, disputes between SJVN staff and management, and a major dispute about the height of the dam were cited as main reasons for the pull out of the Multilateral Development Bank.⁸

Questions to the World Bank

- 1) What measures has SJVN taken to improve its environmental, social, operational and commercial capabilities?
- 2) The World Bank’s 2002 Nathpa Jhakri report states that “NJPC will also continue with and strengthen its R&R department.” Does SJVN have an R&R department and if so, what efforts have been made to improve its operation?
- 3) Have all R&R entitlements resulting from the Nathpa Jhakri project been given to the eligible affected people?
- 4) Resettlement Implementation Outcomes: Is the majority of the affected persons satisfied with the quality of the land offered for resettlement? Have their regained and/or improved their standard of living?
- 5) The World Bank reports in 2002 that restoration and afforestation work had been carried out in some areas near the project site, however, was still unsatisfactory in others. In 2002, the Pachada Quarry restoration plan had not been implemented. Has that plan been implemented

⁸ Hindustan Times, Oct. 9, 1998, World Bank to terminate \$ 437 m loan to NJPC.

in the meantime? (See 2002 World Bank Nathpa Jhakri Implementation Completion Report, page 13)

6) Has the Environmental Management Plan (EMP) been implemented in all its stages? Has the large volume of muck and construction waste been properly disposed of? Has the catchment area treatment plan been implemented? Has the fisheries development plan been implemented? Has the wildlife sanctuary been enhanced as planned in the EMP? Has the environment monitoring plan been implemented?

7) The EMP requested the building of environmental management capacity within NJPC. How has the environmental management capacity of SJVN been strengthened? What measures have been undertaken to strengthen the environmental management capacity of SJVN? Have the measures been successful?

8) The World Bank states in its 2002 Nathpa Jhakri report that “the project will require continued environmental supervision from the Bank for the foreseeable future.”⁹ Does the World Bank currently supervise the Nathpa Jhakri project on the environmental front? If so, how does the World Bank judge the progress on implementing the environmental management plan? Are supervision reports available?

⁹ World Bank, 2002, p.14.