

GONZALO CASTRO DE LA MATA  
Chairman  
The Inspection Panel

**IPN REQUEST RQ 17/04**

June 12, 2017

## **NOTICE OF REGISTRATION**

### **Request for Inspection**

#### **India: Proposed Amaravati Sustainable Capital City Development Project (P159808)**

#### **Summary**

1. On May 25, 2017, the Inspection Panel received a Request for Inspection of the proposed India Amaravati Sustainable Capital City Development Project. The Request was submitted by landowners from the area known as Amaravati in Andhra Pradesh, India, alleging harm from a Land Pooling Scheme used to assemble land required for the proposed city and for activities, including resettlement and consultations, related to the proposed Project. On May 27, 2017, the Panel received another communication from a large group of farmers in support of the Request.
2. After conducting initial due diligence and confirming that the Request meets the Panel's admissibility criteria, I am notifying you that I have, on June 12, 2017, registered this Request.

#### **The Project**

3. The development objectives of the proposed India Amaravati Sustainable Capital City Development Project (the "Project") are to "*build sustainable urban services and capacity of urban institutions for the development of Amaravati Capital City.*"<sup>1</sup> The Board approval date for the proposed Project is planned for October 5, 2017.
4. The total financing for the Project is US\$715 million, of which the Bank lending is proposed to be US\$300 million through an IBRD investment project financing loan. Some of the preparatory work for the Project is being financed through a Bank-executed trust fund for a grant amount of \$0.17 million.<sup>2</sup> The Government of Andhra Pradesh (GoAP), as the Borrower, is providing US\$215 million, and the Asian Infrastructure Investment Bank (AIIB) is considering co-financing in the amount of US\$200 million.

<sup>1</sup> Project Information Document/Integrated Safeguards Data Sheet, August 8, 2016, pg. 7.

<sup>2</sup> TF0A2879 - Support to Andhra Pradesh Sustainable Capital City Development.

5. The Bank's financing is planned to be used within the 217 sq. km. area designated for the development of Amaravati Capital City in the Guntur District of Andhra Pradesh. The Bank will help finance infrastructure spread across 26 revenue villages.<sup>3</sup> The proposed Project is classified as Category A and involves three components: (i) basic urban and pro-poor infrastructure including construction of city roads, sewerage, drains, utilities-communication, telecom, and power; (ii) sustainable (green) urban investments including flood mitigation works, water, sewage treatment, solid waste management, village roads, and connectivity to trunk infrastructure; and (iii) technical assistance including strategic assessment and advisory support, such as setting up Amaravati Planning Institute & Urban Arts Commission.<sup>4</sup>

6. According to the proposed Project documents, the land required for developing Amaravati City, which consists mainly of agricultural land, has been assembled by the GoAP with the consent of land-owners and farmers through a Land Pooling Scheme (LPS)<sup>5</sup> undertaken at this scale for the first time in India.<sup>6</sup> As noted in the Project Information Document/Integrated Safeguards Data Sheet (PID/ISDS), "90% of about 39,000 acres of private land belonging to about 20,000 land owners/farmers has been assembled" through LPS. The remaining "10% of the land, about 3000 acres, will be acquired by GoAP" under India's Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act (Land Acquisition Act) adopted in 2013.<sup>7</sup>

### **The Request**

7. On October 8, 2016, the Panel received a Request for Inspection on the proposed Project. On December 19, 2017, the Panel issued a Notice of Non-Registration on the basis that the proposed Project was in early stages of preparation and at the time there was no action or omission by the Bank that could plausibly be linked to the alleged harms.

8. On May 25, 2017, the Panel received a new Request for Inspection of the same proposed Project. The Request for Inspection was submitted by landowners from the area known as Amaravati in Andhra Pradesh, India (the "Requesters") and included 22 attachments of Project-related reports, media articles, and court documents (the "Request"). The Requesters allege harm from the LPS used to assemble lands required for the proposed city and for activities related to the proposed Project. The Requesters also claim harm related to their livelihoods, environment, food security, resettlement and lack of consultation as a result of Bank's non-compliance with its environmental and social standards in preparation of the proposed Project. On May 27, 2017, the Panel received

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<sup>3</sup> PID/ISDS, pg. 9.

<sup>4</sup> PID/ISDS, pg. 8.

<sup>5</sup> According to the Project Concept Note (pp. 2-3), key features of LPS include a guaranteed return to the original landowners of about 20% of developed land for residential use, and up to 10% for commercial use within the city, besides annuity payment with a provision of yearly increase based on the extent of land handed over under LPS for 10 years. The other benefits include a one-time waiver of agricultural loans, interest free loans for self-employment, pension to landless laborers, increased wage labor under Employment Guarantee program, and free education/medical facilities.

<sup>6</sup> PID/ISDS, pg. 4.

<sup>7</sup> PID/ISDS, pg. 11.

another communication from a large group of farmers in support of the Request (hereinafter also referred as the “Requesters”). All of the Requesters asked for confidentiality.

9. **Land Pooling Scheme.** The Requesters note that some of the proposed Project activities will be implemented on lands assembled under the LPS. They claim that many landowners and farmers were intimidated and economically coerced to participate in the LPS. They state that farmers who have not consented to join the LPS will be forced to either pool their land under the LPS or their land will be acquired by the GoAP under the Land Acquisition Act. In their view, neither option provides adequate compensation to restore livelihoods or purchase comparable replacement land.

10. **Resettlement Plan.** The Request argues that the Bank has used a Resettlement Policy Framework (RPF) rather than a full Resettlement Plan, despite Bank documents suggesting that the “*zone of impact of subprojects*”<sup>8</sup> can be determined. The Requesters claim that the Bank did not assess accurately the nature and magnitude of the proposed Project related displacement and ensure that land acquired through LPS complies with the Bank Policy on Involuntary Resettlement, OP. 4.12.

11. **Food Insecurity.** The Request raises concerns that the proposed Project will create food insecurity since the Amaravati area contains “*multi-crop irrigated land that produces 120 types of crops*”.<sup>9</sup> The Request alleges that the Strategic Environmental and Social Assessment and Environmental and Social Management Framework (SESA-ESMF) do not recognize multi-crop irrigated-land as the primary land use in Amaravati area.

12. **Environmental Issues.** The Requesters note that Component 2 of the proposed Project will affect the Kondaveeti Vagu river and claim that the fields adjacent to the riverbed are wetlands that are not adequately addressed in the SESA-ESMF. They also raise concerns about the SESA-ESMF, including the lack of analysis of Project alternatives and inadequate identification of environmental issues.

13. **Consultations.** The Requesters mention that only one consultation was held in January 2017 on the draft SESA-ESMF and draft RPF, and that only 150 persons out of an estimated 127,505 potentially affected people attended this consultation; five online comments were submitted. They allege intimidation at this consultation from security forces and state that some participants were forcibly turned away.

14. The Requesters ask the Panel to conduct an investigation of possible policy violations and urge Bank Management to take steps to rectify possible violations and resolve their concerns.

### **Initial Due Diligence**

15. After receipt of the Request, the Panel conducted its initial due diligence and verified that the Request meets the admissibility criteria for registration, as follows:

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<sup>8</sup> Request for Inspection, para. 34, pg. 9.

<sup>9</sup> Request for Inspection, para 27, pg. 7.

16. The Request is not frivolous, absurd or anonymous, and was submitted by two or more landowners and farmers, all stating to be residents in the proposed Project area in Andhra Pradesh, India. The Requesters allege harms in relation to the proposed Project, which is currently under preparation and planned to be submitted to the Board of Executive Directors in October 2017.

17. The Requesters state they have approached Bank Management several times to raise their concerns but in their view, Management has failed to take steps to resolve their concerns. They note that concerns about draft safeguard documents have been raised in writing and in person at the January 2017 public consultation, and Bank Management has acknowledged receipt of these communications. Finally, the subject matter of the Request does not concern issues of procurement and, as the proposed Project is currently under preparation by the Bank, there is no disbursement.

18. The Panel has not made a recommendation on the issues raised in this Request. As stated earlier, the Panel did not register a previous request and issued a Notice of Non-Registration on December 19, 2016, since the proposed Project was in an early stages of preparation. Following this date, the Panel understands several Project preparation activities have taken place, including a public consultation on the draft SESA-ESMF and RPF, and revised drafts of these documents have been made publicly available.

19. As part of its due diligence, the Panel met with Management on May 24, 2017 to obtain information and seek clarifications. Management was aware of the types of concern raised by the Requesters and provided background information to the Panel. Management noted that the proposed Project is in pre-appraisal stage and a decision meeting authorizing Project appraisal is expected in July 2017. Management explained the voluntary nature of the LPS and noted that farmers and tenants have the option to either participate in the LPS or have their lands acquired through the Land Acquisition Act. Management also clarified that since some of the sub-projects to be financed under the proposed Project will be determined during Project implementation, a Resettlement Policy Framework has been prepared for lands necessary to be acquired for those sub-projects.

20. Management added that the first sub-project concerning 10 roads, constituting 30% of total Project financing, is under preparation and a Resettlement Action Plan will be prepared for approximately 400 families to be affected by these roads. Management also stated that about 150 people participated in the consultation meeting on the safeguard documents and that several comments, particularly about the LPS, were received electronically. Management informed the Panel that a third party assessment of the LPS is being completed and will be made available to the Panel shortly.

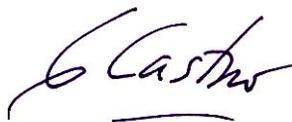
### **Registration of the Request**

21. As provided in paragraph 17 of the IBRD Resolution (“the Resolution”) that established the Panel, “*the Chairperson of the Panel shall inform the Executive Directors and the President of the Bank promptly upon receiving a request for inspection.*” With this notice, I am notifying you that I have, on June 12, 2017, registered this Request.

22. The Panel's registration implies no judgment whatsoever concerning the merits of a Request for Inspection. As provided in paragraph 18 of the Resolution, and paragraphs 2 and 8 of the "*Conclusions of the Board's Second Review of the Inspection Panel*" (the 1999 Clarification), Bank management must provide the Panel within 21 business days (by July 13, 2017) a response to the issues raised in the Request for Inspection. The subject matter that Management must deal with in the response to the Request is set out in paragraphs 3 and 4 of the 1999 Clarification.

23. After receiving the Management Response, the Panel will, as outlined in the 1999 Clarification and as provided by paragraph 19 of the Resolution, "*determine whether the Request meets the eligibility criteria set out in paragraphs 12 to 14 [of the Resolution] and shall make a recommendation to the Executive Directors as to whether the matter should be investigated.*" The Request has been assigned IPN Request Number RQ 17/04.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "G. Castro", with a horizontal line underneath the name.

Gonzalo Castro de la Mata  
Chairman

Attachments

Mr. Jim Yong Kim, President  
International Bank for Reconstruction and Development

The Executive Directors and Alternates  
International Bank for Reconstruction and Development