

**World Bank Accountability Mechanism Dispute Resolution Service (DRS)**  
**Follow-up Report: Case No. 21/04/DRS**  
*Nepal-India Electricity Transmission and Trade Project (P115767) and its Additional Financing*  
*(P132631) (“NIETTP”)*

**August 26, 2024**

## **1. SUMMARY OF REQUEST AND PROCESS**

The World Bank Nepal-India Electricity Transmission and Trade Project (NIETTP) and its Additional Financing involved establishing cross-border transmission capacity between India and Nepal of about 1000 MW to facilitate electricity trade between the two countries and increasing the supply of electricity in Nepal with the sustainable import of at least 100 MW.

In October 2021, a Request for Inspection was submitted by 48 community members living in the project area (“the Requesters”),<sup>1</sup> with the Lawyers’ Association for Human Rights of Nepalese Indigenous Peoples (LAHURNIP) designated as their representative at the [registration](#) phase. The Requesters asked to keep their identities confidential.

The Request related to the construction of a 74-kilometer transmission line financed by the project between Bharatpur and Bardaghat, specifically its section in Binayi Tribeni Rural Municipality Ward No. 2, approximately 200 kilometers west of Kathmandu. The Requesters stated that a transmission line had been rerouted and passed through their densely populated community, which included indigenous and non-indigenous residents. They claimed that they were neither meaningfully consulted nor provided any information about the project and alleged that the alignment of the transmission line caused adverse impacts on community members’ homes, schools, cultural and religious sites, agricultural lands, environment, and economic activities, and threatened their health and safety. With regard to involuntary resettlement, the Requesters were concerned about i) the land proposed to be acquired for the tower pads, and ii) the land potentially affected by a 30-meter-wide right-of-way easement along the corridor of the transmission line. In March 2022, the IBRD Board of Directors (“the Board”) approved the Inspection Panel’s recommendation to investigate.

On March 6, 2022, pursuant to Paragraph 11(a) of the [AM Resolution \(2020\)](#) and Paragraph 30 of the [Panel Resolution \(2020\)](#), the Accountability Mechanism (AM) Secretary offered the Requesters and the Borrower (“the Parties”) in this case the option of dispute resolution (DR). Upon receipt of a preliminary expression of interest by both Parties, the AM Secretary, supported by the Dispute Resolution Service (DRS), conducted an in-person mission to meet directly with the Parties, their representatives, and advisors, to explain the DR option (the “dispute resolution decision phase”). Providing this opportunity allowed the Parties to ask questions and to make an informed choice on whether to enter a DR process facilitated by the DRS. Parties were also provided with

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<sup>1</sup> The Inspection Panel registered 49 signatories to the Request. Upon review, it was found that one name had been mentioned twice, bringing the number of original Requesters down to 48.

Nepali translations of the DRS Interim Operating Procedures (2021), which were in effect at the time. In April 2022, the Requesters and the Government of Nepal agreed to voluntarily participate in a DR process facilitated by the AM-DRS. Nepal Electricity Authority (NEA), the agency responsible for implementing the project, served as the Government of Nepal's lead representative.

The DR process began with the selection and appointment of a mediation team. Following a thorough consultation process between the DRS and the Parties, which allowed the Parties to assess the qualifications and experience of the proposed mediators, interview, and either reject or accept the candidates, the Parties agreed to a two-person co-mediation team, comprising Aparna Mukerjee and Shahariar Sadat. Additional consultants provided interpretation and logistical support throughout the DR process and the facilitation phase.

The Parties subsequently negotiated, agreed, and signed a Dispute Resolution Framework, according to Article 8 of the DRS Interim Operating Procedures, in both English and Nepali languages, setting out the Parties to the dispute; the selection of mediators; the scope of key issues to be resolved; representation and the participation of advisors and experts; the granting of observer status; the objectives; and the ground rules to be followed throughout the DR process. To create an atmosphere of trust and facilitate an open discussion, the Parties, stakeholders, advisors, and observers agreed to abide by the principle of confidentiality. The DRS also agreed not to disclose any information shared by the Parties during the DR process without the consent of the Parties.

The mediation began with the mediators having separate meetings with the Parties and other stakeholders to understand issues and perspectives and build trust and rapport. The mediators also provided informal capacity-building sessions to the Parties. The mediation team moved to facilitate joint meetings as confidence in the process grew and communication and trust between the Parties improved. Throughout the process, the mediators listened carefully to each side and tried to understand their goals, priorities, and fundamental needs and interests. They assisted the Parties with negotiation strategy and scenario planning; collecting and exchanging relevant data and information; improving mutual understanding; listening and communication skills; crafting proposals and counterproposals; weighing alternatives; and ultimately drafting their written agreement. The AM Secretary also conducted occasional missions during the DR process as needed to help ensure a safe and conducive environment for dialogue.

As provided for in the AM Resolution and the DRS Interim Operating Procedures, the Parties were informed of their option to invite Bank Management as observers to the DR process. The Parties jointly elected to exercise this option, and following an invitation by the DRS, Bank Management joined the DR process as an observer at appropriate moments. Bank Management provided project-related information where needed and helped the DRS and AM Secretary to better understand the Nepali political and cultural context, technical aspects of the NIETTP, and the Bank's supervisory role.

After one year of mediation by the DRS, on April 11, 2023, the Parties signed a Dispute Resolution Agreement ("the Agreement"), the first such outcome under the Accountability Mechanism structure created by the Board in 2020. NEA and 63 affected community members from the project area signed the Agreement. At the request of the Parties, it was agreed that the Agreement would

be kept confidential.<sup>2</sup> On April 27, 2023, the Inspection Panel issued a memorandum closing the case.

At the request of the Parties and in close consultation with them, the DRS followed up on the implementation of the Agreement, pursuant to Article 17 of the DRS Interim Operating Procedures. This report serves as a public disclosure regarding that process and its outcomes.

## **2. FOLLOW-UP AND IMPLEMENTATION**

### **2.1. Process**

The DRS team regularly communicated and held meetings with the Parties during the follow-up period to receive updates on the implementation of the terms of the Agreement. When the Parties encountered difficulties in implementation, dialogue was facilitated at their request to assist them in reaching an agreement on how to proceed. The specific terms of implementation are not included in this report due to confidentiality requests by the Parties.

### **2.2. Challenges**

Some Requesters decided to leave the DR process shortly before the Agreement was signed, including one household that had demanded realignment of the transmission line and did not sign the Agreement.<sup>3</sup> Provision was made, that even those who did not sign the agreement, could still benefit from the improved terms, and could collect compensation from the Butwal Grid Division.

In late 2023, a complaint was lodged with the Commission for the Investigation of Abuse of Authority (<https://ciaa.gov.np>) alleging corruption against a local community user group that was established under the terms of the Agreement to coordinate and oversee the purchase of land for the construction of a community development center. The CIAA is a constitutional body in Nepal mandated to investigate corruption charges in relation to the disbursement of government funds. The CIAA issued a letter on October 30, 2023 requiring Binayi Tribeni Rural Municipality to investigate the charges and furnish documentation related to the purchase, and the DRS was informed that this had been complied with. To date, the CIAA has not issued a ruling.

Community dynamics have been affected by internal disagreements and the filing of the CIAA complaint. The DRS offered its neutral services to the community to help them reconcile and repair their relationships, but the community preferred to manage the situation internally themselves. Nonetheless, the DRS verified with both Parties that they no longer wish DRS facilitation assistance, as requested at the time of signing the agreement, and only then proceeded to issue this report.

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<sup>2</sup> More information about the DR process can be found in the April 2023 [Notice of Dispute Resolution Agreement](#)

<sup>3</sup> Of the 48 original Requesters, 33 signed the Agreement. Four did not participate in the process as they had already received compensation. Two did not participate and did not sign as they live abroad. Nine signatories to the request, members of the same family, decided to leave the process and not sign the Agreement. In addition, 30 more community members joined the process and signed the Agreement. In the end, 63 people from the community were signatories to the Agreement.

### 3. OUTCOMES

#### 3.1. Dispute Resolution Agreement

In the course of the DR process, all the issues in the original Request and summarized in the February 16, 2022, Inspection Panel Report and Recommendation were explored and discussed, and in some instances, reframed and reprioritized by the Parties. All issues found eligible in the Inspection Panel Report were addressed by the Parties during comprehensive negotiations. While the Parties agreed to keep the exact terms and conditions of the Agreement confidential, they have provided consent to disclose that the Agreement included provisions and commitments related to:

- Health and Safety. Safety measures were to be taken before commencing construction work for the concerned towers and transmission line, and building wire fences around these towers before electrification. In the event of any damage caused by the transmission line, whether within or outside the 30-meter right of way, compensation will be paid to victims/their families, and contact details to report such situations have been provided.
- Compensation. Compensation for land and structures consistent with the Resettlement Action Plan 2077,<sup>4</sup> including to titled and non-titled landholders, was to be paid.
- Support for Bank Loans. Support was to be provided for signatories to use land as collateral with banks through the provision of a general letter of recommendation to banks to provide loans against land outside the 30-meter right of way. If individual requests are received for letters of recommendation for loans from specific banks, these will be provided within 15 days of receipt.
- Disclosure and Sharing of Relevant Information. Photographs of the check survey and tower schedule were to be shared, and it was agreed that data related to the transmission line and right of way would be shared upon receiving a request from Requesters.
- Community Development. Initiatives such as training programs and a new community center building were to be created. Information was to be shared between Parties on the skill training available and what specific skill training the affected community would like to receive. The skill training chosen by Requesters will be provided. Funds are to be disbursed through a local user group for community development projects to be decided on by the Requesters through the local user group.
- Post-Agreement Coordination. Focal points from each Party were to be appointed for ease of communication and coordination.

As part of the Agreement, the community signatories also agreed not to disturb or obstruct the work of NEA in completing the transmission line.

The DRS confirmed with the Parties that per the Agreement, 65 payments were made to project-affected persons (43 for right-of-way land, 17 as compensation for structures, 5 as tower pad compensation). At the time of writing, one community member has only received 50% of their compensation as they have not dismantled an existing structure. During a joint meeting in February

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<sup>4</sup> 2021 by the [Gregorian calendar](#).

2024 organized by the DRS, NEA officials informed the community member in question that the remaining compensation would only be dispensed after said structure was dismantled. The DRS also confirmed with the community that the agreed safety measures have been put in place around the towers. Focal points have interacted regularly, improving communication between Parties and ease of implementation of the Agreement. Types of training have been agreed upon (e.g. beekeeping, pickling, and restaurant cooking/catering), and funds have been partially disbursed for community development projects. Some community development projects have been delayed due to the CIAA complaint.

In a meeting with the DRS team on February 8, 2024, NEA confirmed that the Bharatpur–Bardaghat transmission line project was set to close at the end of the fiscal year, on July 15, 2024. NEA informed the DRS that following project closure, all outstanding affairs of the project will be forwarded to the Operations Department, including claims for compensation and expenses for skills training. In addition, within 6 months of the project closing, the project will be audited. Unclaimed compensation and undispersed funds for community development projects and training will be transferred into an escrow account managed by the NEA Butwal Grid Division. The local user group can still access the allocated funds. Any eligible community members who have not claimed the compensation owed to them, even those who did not sign the Agreement, may collect their compensation from the Butwal Grid Division.

The DRS sought direct feedback from the parties and stakeholders on the process, some of which is included below. Feedback received indicated that no further assistance was requested of the DRS to facilitate the implementation of the Agreement.

### **3.2. Parties' Empowerment and Relations**

In addition to the tangible Agreement, Parties informed the DRS of additional outcomes and benefits they achieved through the DR process, including improved communication, access to information, better relationships, and improved transparency and trust.

## **4. LESSONS LEARNED/REFLECTIONS**

**Internal community dynamics.** The DRS is committed to the principles of neutrality and voluntary participation and respecting the views of participants. Nevertheless, communities are not monolithic, and a range of views normally exists, resulting sometimes in difficulties in reaching internal consensus. Recognizing the intricate internal dynamics and relationships within communities is essential for the DRS to provide effective support. In the case of the Dumkibas community in Nepal, the DRS team took positive steps by nominating mediators with the capacity to navigate complex intra-community dialogues. The DRS provided opportunities for facilitated dialogues to both those who continued to participate in the DR process and those who chose to leave. In general community members indicated that they felt better equipped to manage their own differences. While the DRS acknowledges the challenges faced, it remains focused on constructive engagement and is dedicated to facilitating reconciliation and strengthening relationships within communities and continues to strengthen its capacity-building opportunities with communities and civil society organizations.

**Identify and engage all key stakeholders.** In many cases, it is important to engage with stakeholders who may not be direct parties or their advisors, but nonetheless have influence and a stake in the process and outcome. For example, in the Nepal case, the support of several such stakeholders was critical to the success of the process. These included the Ministry of Finance; Ministry of Home Affairs; local government at the District, Municipal, and Ward levels; Dumkibas community members who were not formal requesters; and World Bank Management. At the beginning of the process, the DRS was not aware of the roles or influence of all the Nepali stakeholders and thus it was an iterative learning process throughout.

The DRS has designed a standard monitoring and evaluation survey, which is provided to the primary Parties; DRS staff and mediators; Bank Management; civil society organization advisors; and other relevant stakeholders who participated in the DR process. The survey aims to collect feedback to support internal learning and continuous improvement in how the DRS delivers its services. The individual survey data is confidential and respondents have the option to remain anonymous.

Through interviews and informal discussions, the DRS asked various stakeholders for their reflections and lessons learned to be shared in this Report. Some of these are summarized below.

#### **4.1. Requesters**

Two Requesters agreed to share their thoughts with the DRS for inclusion in this Report:

Ms. Nanda Kumari Gurung:

*“We didn’t understand the DRS process in the beginning. The community and NEA had been in a dispute for a long time. If the DRS hadn’t been there, perhaps we would have never reached an agreement. The DRS functioned as a bridge between the two parties for us to reach an agreement in a peaceful manner and in the absence of any pressure. The DRS is important and necessary for cases like this.*

*This case, or this struggle, has certainly brought personal benefits to me—it helped me develop my personality and leadership capacity. We had never learned to talk to people in high positions, but after meeting you we have learned that. The DRS taught us discipline. By discipline, I mean the skills to speak, interact with people, approach the other party, and conduct oneself within the bounds of good manners.”*

Mr. Prem Pariyar:

*“At the beginning, we didn’t even know what the term ‘DRS’ meant. We were apprehensive of the DRS, were worried that we didn’t have the language with which to talk to the team. But as we interacted and talked, after the many meetings mediated by the DRS, we feel that we are all a family together.*

*This conflict had been going on nearly 12 years. There were many complications during that period, a lot of agitation, court cases, etc. But we had failed to reach a conclusion. However, after we filed a complaint, this DRS team was appointed to mediate between the parties. The*

*mediation team functioned as a bridge between the two parties. They facilitated multiple opportunities for the two parties to sit together and hold dialogues.*

*The DRS has done its work well. It always facilitated the process with our demands at the heart of the process. We are thankful to them for it.*

*The DRS team taught us important skills about how to talk to government officials and NEA employees. Those skills make it possible for us to hold dialogues with anyone without hesitation. We can clearly articulate our concerns. I believe the trainings will continue to help us interact with and speak to people in positions of power in the future too.”*

#### **4.2. Borrower**

NEA and the Ministry of Energy, Water Resources and Irrigation welcomed the outcome of the Dispute Resolution Agreement. Former Secretary of Energy, Mr. Dinesh Kumar Ghimire shared in a meeting with the AM Secretary:

*“The problem was not the people’s—it was the government’s problem, so I was very happy to work with the DRS, because the process resulted in many problems being resolved, which we could not have done on our own.”*

Two NEA team members who participated in the DRS process subsequently completed mediation training. They informed the DRS that the training helped them to better understand the DR process and to develop skills to prevent and manage conflict in other projects.

On the significance of the Bharatpur–Bardaghat line, one NEA representative said:

*“Before the dispute with Dumkibas residents was resolved, power generated in different parts of Nepal was not reaching the rest of the country and the chronic electricity outages in Kathmandu couldn’t be ended easily. Nepal was losing out on billions of rupees in potential energy exports to India during the wet season. The lack of a higher capacity transmission line had hampered the supply of electricity to industrial corridors, affecting manufacturing and other industries. Completion of the Bharatpur–Bardaghat 220 kV transmission line has made it possible to evacuate power generated from major river basins, and has opened up the Indian market. The completion of this section of the NIETTP has also encouraged further investment in the power sector.”*

In regard to lessons learned, another NEA staff member said:

*“NEA and the Government should put themselves in the position of the affected people before thinking of solutions or compensation packages. Empathy will protect and boost the project-affected people’s economic security. Therefore, NEA has been piloting a program in collaboration with the World Bank to train its project personnel on mediation, which we hope will help to resolve the ongoing dispute in the Hetauda–Dhalkebar section of the NIETTP.”*

NEA also shared that its experience with the DRS has encouraged it to seek policy-level changes and to work with financial institutions to address citizens’ concerns regarding valuation of their land along transmission line right-of-way easements. It reports that new policies are under discussion at

Cabinet level to categorize land according to usage rather than the size of land parcels to achieve more equitable compensation for people affected by development projects. New government policies to distribute dividends from development projects to affected families aim to decrease friction with communities and increase their sense of ownership of the projects.

#### **4.3. Local Government**

Binayi Tribeni Rural Municipality Chairperson, Mr. Ghanashyam Giri, shared his reflections:

*“We didn’t have much faith in the DRS initially, because this had been a complicated issue. We did not believe that some foreigners could come here and resolve such longstanding problems. But now we are assured that the DRS has brought good results. If the DRS had not been there, this project would have not been a success.*

*The skills learned throughout the DRS process will certainly help us in the future. We learned to actively listen, and we have been employing that skill in our practice of governance.”*

#### **4.4. World Bank Management**

World Bank Management shared some examples of how lessons from the DR process were already being applied. For example, the Bank supported mediation training for NEA employees as a pilot program to shift the focus to serving the concerns of affected community members and complainants. According to Bank staff, in Hatiya, a settlement where community resistance has been impeding the completion of the Hetauda–Inaruwa transmission line, efforts led by NEA employees using their new knowledge and skills have shown promise in bringing the community and NEA together. As observers of the DRS process, Nepal-based Bank staff reported learning techniques from the DRS team, which will prove useful in other World Bank-assisted projects in the country.

Social Development Specialist Prem Khanal provided reflections on observing the process:

*“Undoubtedly, it was a great opportunity not only to learn the basic dispute resolution techniques with communities but also to witness the real-time negotiation process between the disputing parties. This is because, as Bank staff, we are not involved in negotiating with communities in case of project-related disputes and rarely get opportunities to play the observer role in negotiations. I am impressed with the high-quality negotiating skills that the seasoned professionals brought together with the intense groundwork prior to negotiations, which remained instrumental in the success of the negotiation process. To name a few, I believe the ground rules of negotiations that were discussed and agreed between the parties before the negotiations were crucial for creating and maintaining a conducive environment for parties to continue negotiations despite continued differences. It was impressive to see how the ground rules were put into practice during the negotiations. One quick example: contrary to the general practice of discussion in Nepal, I could see the participants calmly listening to others speaking without interruption, though they were disagreeing in many ways, and putting their disagreement soberly when their turn came. Also, I saw a short pause in negotiations to allow parties to have internal discussions, mainly when negotiations were stalled, as an effective tool because it helped diffuse tense situations and provided opportunities for teams to think out of the box.”*

Lead Energy Specialist Fanny Missfeldt-Ringius added:

*“In a scenario where projects face longstanding disputes between implementing agencies and affected communities, finding a new way forward is usually challenging for both parties. The solutions facilitated by DRS in the Dumkibas case have not only resolved these disputes but also offered valuable insights for the Nepal Country Office. While other mechanisms failed to provide a sustainable and satisfactory solution, DRS successfully guided the disputing parties to a mutually agreed resolution.”*

In June 2023, the World Bank Country Office in Kathmandu hosted a multi-donor learning exchange event to enhance collaboration in Nepal’s energy context and invited the DRS and the AM Secretary to share their DR experience. Participants included the World Bank Vice President for the South Asia Region, Martin Raiser, and representatives from the Asian Development Bank, European Investment Bank, European Union, and the OPEC Fund for International Development.

In February 2024, the Country Office hosted an internal, hybrid (online and in-person) learning event for World Bank staff from the Maldives, Nepal, and Sri Lanka for the DRS team and mediators to share their experience and answer questions from staff on how the AM works, and how DR principles and techniques can be used to prevent and manage conflict related to Bank projects in the region.

The Bank’s Country Director for Nepal, Faris Hadad-Zervos, concludes:

*“The Dumkibas case was a valuable learning experience for the government, the NEA, and the Bank teams. The positive lessons from this case can help other teams reach solutions in similar situations. Through initiatives such as the World Bank-supported mediation training for NEA staff, we empower individuals to navigate conflicts, thereby fostering stronger community engagement and trust. This is at the heart of Nepal’s homegrown Green, Resilient and Inclusive Development (GRID) agenda.”*

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Public documentation relevant to this case is available [online](#)