

Orsolya Szekely  
Accountability Mechanism Secretary  
World Bank

April 20, 2023

**Case No. 21/04/DRS**

**NOTICE OF DISPUTE RESOLUTION AGREEMENT**

**Nepal:** Nepal-India Electricity Transmission and Trade Project and its Additional Financing (IDA-H6600, IDA-49020, IDA-H8580 and IDA-52630)

1. On March 3, 2022, the World Bank Board of Directors approved an Inspection Panel recommendation to investigate the Nepal-India Electricity Transmission and Trade Project (NIETTP, P115767) and its Additional Financing (P132631) in Nepal in response to a Request for Inspection of the project.
2. On March 6, 2022, I wrote to the Parties in this case, offering the opportunity for dispute resolution, pursuant to Paragraph 11(a) of Resolution No. IBRD 2020-0005/Resolution No. IDA 2020-0004 (the “AM Resolution”) and Paragraph 30 of Resolution No. IBRD 2020-0004/Resolution No. IDA 2020-0003 (the “Panel Resolution”). On April 12, 2022, I informed the Executive Directors, the Inspection Panel, and Bank Management that the Parties voluntarily agreed to pursue dispute resolution, pursuant to Paragraph 11(b) of the AM Resolution and Paragraph 31 of the Panel Resolution.
3. The dispute resolution process concluded on April 11, 2023, with a signed dispute resolution agreement. The signatories have stated that the agreement is reached in full and final settlement of their dispute. The signatories agreed to keep the details of the settlement confidential.
4. As required by Paragraph 12(h) of the AM Resolution, at the end of the dispute resolution process, the Dispute Resolution Service (DRS) prepares a report for the Executive Directors to be issued through the Accountability Mechanism Secretary, informing them of the outcome. I issue this report now, to the Executive Directors, the Inspection Panel, and the Bank Management, as an annex to this notice.
5. Detailed discussions on lessons learned from this first concluded dispute resolution process will take place within the Dispute Resolution Service. Accountability and institutional learning are an essential part of a dispute resolution process, and we also will look for a future opportunity to share information with you.
6. I congratulate the Parties on their committed work and reaching an historic agreement, the first such agreement mediated by the Accountability Mechanism’s new Dispute Resolution Service. I would like to thank the entire team for breaking this new path with great diligence and Bank Management for its role in the process as observer. I greatly appreciate the Board’s continued support to the Accountability Mechanism and the building of its Dispute Resolution Service.

Yours sincerely,



The Executive Directors and Alternates  
International Development Association

Ms. Ramanie Kunanayagam, Chair  
The World Bank Inspection Panel

Mr. David Malpass, President  
International Development Association

## **Annex: Outcome Report**

## Dispute Resolution Service

### Outcome Report: Case No. 21/04/DRS

*Nepal-India Electricity Transmission and Trade Project and its Additional Financing (IDA-H6600, IDA-49020, IDA-H8580 and IDA-52630) (“NIETTP”)*

This report, prepared by the Dispute Resolution Service (“DRS”) and issued by the Accountability Mechanism Secretary (“AM Secretary”) pursuant to Paragraph 12(h) of the [AM Resolution](#), and paragraph 13 of the [DRS Interim Operating Procedures](#), informs the Executive Directors, the Panel and the Bank Management of the core process steps, outcomes and the rationale for concluding the dispute resolution process in the above-mentioned case.

#### 1. Procedural background

On March 3, 2022, the Board of Directors approved an Inspection Panel recommendation to investigate the NIETTP project in Nepal (“[Report and Recommendation](#)”), in response to a Request for Inspection. On March 6, 2022, pursuant to Paragraph 11(a) of the [AM Resolution](#) and Paragraph 30 of the [Panel Resolution](#), the AM Secretary offered both the Borrower and the Requesters (“Parties”) in this case the opportunity for dispute resolution. This began with a written invitation, followed by an in-person mission to Nepal led by the AM Secretary, to meet directly with the Parties, their representatives, and advisors, to explain the dispute resolution 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 dispute resolution process facilitated by the Dispute Resolution Service.

On April 12, 2022, the AM Secretary informed the Executive Directors, the Inspection Panel and Bank Management that the Parties voluntarily agreed to pursue dispute resolution (“[Notice of Agreement to Pursue Dispute Resolution](#)”), pursuant to Paragraph 11(b) of the [AM Resolution](#) and Paragraph 31 of the [Panel Resolution](#). April 12, 2022, marked the commencement of the dispute resolution phase. The process was conducted according to the [DRS Interim Operating Procedures](#) (October 13, 2021).

#### 2. Missions, communications, and engagement

Due to the nature of the voluntary dispute resolution process, which includes the core element of building trust, in-person engagement is critical. This means the DRS conducted frequent mission travel throughout the dispute resolution process. This process is managed by the DRS core team in Washington, D.C., who often joined mediators, consultants, and other staff to conduct the mediation in Nepal.

Between March 6, 2022 and April 11, 2023 (comprising both the dispute resolution decision phase and the dispute resolution phase), there were 15 international team missions to Nepal, comprising 35 individual international staff missions, plus essential services provided by local support staff, such as interpretation. These missions were supplemented by regular online meetings and communications, maintaining a constant channel of communication with Parties and other stakeholders.

#### 3. Process

The dispute resolution 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 (names disclosed with approval). Additional consultants provided interpretation and logistical support.

The Parties subsequently negotiated, agreed, and signed a Dispute Resolution Framework, in both English and Nepali languages, setting out the Parties to the dispute; the selection of mediators; agreements such as representation and the participation of advisors and experts; the granting of observer status; the objectives; and the ground rules to be followed throughout the dispute resolution 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 to not disclose any information shared by the Parties during the dispute resolution process.

The mediation began with the mediators having separate meetings with 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 facilitated joint meetings, as confidence in the process grew and communications and trust between the Parties improved. Throughout the process, mediators listened carefully to each side and tried to understand their goals, priorities, and fundamental needs. They assisted parties with negotiation strategy and scenario planning, collecting, and exchanging relevant data and information, improving mutual understanding and how they listened and communicated with one another, crafting proposals and counterproposals, developing options for possible settlement, weighing alternatives, and ultimately drafting their written agreement. The Parties signed a dispute resolution agreement, with annexes, containing mutual commitments on April 11, 2023, in both Nepali and English languages. The agreement was witnessed by other stakeholders who would have a role in implementation.

#### **4. Role of Bank Management**

As provided 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 process. The Parties jointly elected to exercise this option, and, upon invitation by the DRS, Bank Management accepted this invitation and joined the process as an observer at appropriate key moments. Pursuant to Paragraph 14 of the AM Resolution, Bank Management are similarly bound by the requirement of confidentiality.

Bank Management provided project-related information where needed, as well as facilitating DRS missions, as required by paragraph 16 of the [AM Resolution](#). The independence of the DRS process from Bank Management was ensured throughout.

Bank Management also provided the DRS and AM Secretary support in understanding the Nepali political and cultural context, technical aspects of the NIETTP project, and the Bank supervisory role.

#### **5. Conclusion of the Dispute Resolution Process**

On April 11, the Parties reached agreement within the stipulated period and signed a Dispute Resolution Agreement, in line with paragraph 16.1 of the [DRS Interim Operating Procedures](#).

This concludes the dispute resolution process according to paragraph 12.2 of the [DRS Interim Operating Procedures](#). The process lasted one year exactly and settled after months of intensive discussions, which continued until the final day before an extension would have been required.

In furtherance of Paragraph 15(a) of the [AM Resolution](#), the Parties have exercised the option to keep their agreement confidential. Observers and Parties' advisers who engaged in the mediation process did so based on respecting its confidentiality. According to paragraph 13 of the DRS Interim Operating Procedures, the Accountability Mechanism will thus treat the agreement as confidential, and it shall not be published.

On the borrower side, the agreement was signed by designated senior representatives of the Nepal Electricity Authority.

On the Requesters side, the Panel registered 49 signatories to the request. One name was mentioned twice, bringing this number to 48. Of the 48 signatories to the request, 33 signed the dispute resolution 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.

#### **6. Implementation and follow-up**

In line with paragraph 17 of the DRS Interim Operating Procedures the Parties agreed on the implementation and follow-up arrangements. The modalities and details of such are being consulted with the Parties.

Washington, D.C., April 20, 2023