

## NEWS RELEASE

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### World Bank Board Discusses Nepal Inspection Panel Case

**WASHINGTON, July 13, 2015** — The World Bank’s Board of Executive Directors has discussed the report of the investigation by the Inspection Panel of the Nepal Power Development Project (PDP) and approved the Management Action Plan in response to the Panel’s findings. The case involved the PDP’s 220 kV Khimti-Dhalkebar Transmission Line, which was built to help overcome Nepal’s chronic energy shortages.

The Bank’s Board authorized the Inspection Panel’s investigation in November 2013. The investigation responded to a complaint by 103 indigenous and non-indigenous families from three villages of the Sindhuli district in Nepal who stated that their “homes, lands and livelihoods have been affected by the Project.” Their concerns focused on issues related to consultation, disclosure, resettlement, compensation and Indigenous Peoples.

The Inspection Panel report concluded that the Bank “*was confronted with many issues arising from the security situation in Nepal, in addition to the specific characteristics of the project and the project area.*” It noted that the instances of non-compliance with Bank policies identified by the Panel “*seem to result primarily as a consequence of reduced engagement of the Bank, together with the weak capacity of the NEA (Nepal Electricity Authority).*”

*“There are important lessons from the Nepal Power Development Project for how the World Bank works in countries with a history of past conflict and the effect this can have on our ability to maintain the high standards we seek to ensure people are treated fairly in our projects,” said World Bank Managing Director and Chief Operating Officer Sri Mulyani Indrawati. “We thank the Inspection Panel for its rigorous assessment of the case and commit to addressing the shortcomings identified through the Management Action Plan endorsed by our Board of Executive Directors.”*

The Panel found that the Bank had followed its policies correctly in addressing the project’s health impacts; deciding to use an Abbreviated Resettlement Action Plan for involuntary resettlement; applying its policy on Indigenous Peoples; and addressing physical cultural resources. On the other hand, the Panel found “non-compliance” with Bank policies related to assessment of alternative transmission line routes for a 3.85 kilometer stretch of the transmission line; analysis of the institutional capacity of NEA to conduct environmental assessments; and measures to build its capacity to implement the recommendations of the environmental and social studies. Other shortcomings identified by the Panel included: not updating the 2006 Abbreviated Resettlement Action Plan when the insurgency ended; not ensuring prompt and effective compensation to affected households; not addressing inconsistencies and delays in provision of resettlement and rehabilitation assistance; not establishing an effective and accessible grievance mechanism; and managing an inadequate consultations process.

*“The Panel stresses relevant lessons emerging from this case, including the importance of an improved regulatory environment for the energy sector, capacity strengthening of NEA particularly in relation to environmental and social aspects, fostering close engagement with local people, careful preparation and implementation of resettlement and grievance redress mechanisms, and proactive and continuous support*

*from Bank Management,” said Panel Chairman Gonzalo Castro de la Mata. “We hope a resolution of the remaining issues will be found in a peaceful and timely manner.”*

The Board welcomed the Bank’s intention to continue engaging with the Nepalese authorities to support implementation of the Management Action Plan, with a view to amicably resolving the outstanding issues. It also emphasized the need to take into account and disseminate development lessons.

The Board’s review of the Inspection Panel case occurred as Nepal suffered massive earthquakes in April and May that affected ten million people across 30 districts—nearly one-third of the population—and caused nearly 9,000 deaths. Estimates put economic losses at 35 percent of the economy. The Sindhuli District, which is at the center of this Inspection Panel case, was one of the 14 worst-affected by the earthquake. Nearly 30,000 houses were partially or completely destroyed. The Sindhuli District will therefore be among the priority districts to benefit from the World Bank’s recently approved \$200 million Earthquake Housing Reconstruction Project.

*“On behalf of the Board, Inspection Panel and Management, I would like to express the World Bank’s sympathy and support for the people of Nepal in this difficult time after the earthquakes of April and May,” said Indrawati. “The World Bank Group has announced financial support of up to half-a-billion dollars for Nepal and we are committed in the months ahead to ensuring that this money is put to effective use to reach those who need it most.”*

The Bank will report back to the Board on the progress in implementation of the Management Action Plan in a year’s time.

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