

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

SECOND PROGRESS REPORT
ON THE IMPLEMENTATION OF MANAGEMENT'S ACTION PLAN IN RESPONSE TO
THE INSPECTION PANEL INVESTIGATION REPORT (INSP/93722-NP) ON THE

NEPAL
POWER DEVELOPMENT PROJECT
P043311

AUGUST 29, 2017

Nepal
Power Development Project
P043311
Second Progress Report
Implementation of Management Action Plan

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Abbreviations

| | |
|---------|--|
| DAO | District Administration Office |
| ESSD | Environment and Social Studies Department |
| GRM | Grievance Redress Mechanism |
| KDTL | Khimti-Dhalkebar Transmission Line |
| Km | Kilometer |
| kV | Kilovolt |
| MAP | Management Action Plan |
| MW | Megawatt |
| NEA | Nepal Electricity Authority |
| OD | Operational Directive |
| OP/BP | Operational Policy/Bank Procedure |
| PDP | Power Development Project |
| PSRSHDP | Power Sector Reform and Sustainable Hydropower Development Project |
| RAP | Resettlement Action Plan |
| RoW | Right-of-Way |
| R&R | Resettlement and Rehabilitation |
| VCDP | Vulnerable Community Development Plan |

Currency Equivalents (as of August 21, 2017) Nepalese Rupee (NPR)

US\$1 = NPR 101.04

NPR 1 = US\$0.00962

Executive Summary

- i. This is the second Progress Report to the Board of Executive Directors (the Board) on implementation of the Management Action Plan (MAP) in response to the Inspection Panel Investigation Report No. 93722/NP on the Nepal Power Development Project (P043311), covering the period July 15, 2016 to July 15, 2017. The [first progress report](#) to the Board was submitted on August 5, 2016.
- ii. The Power Development Project (PDP, or “the project”) aimed to build capacity to manage the development of Nepal’s hydropower potential in a prudent and sustainable manner; increase access to electricity services in rural areas; and promote private participation in the power sector. The project was closed on December 31, 2013.
- iii. In response to a [Request for Inspection](#) submitted by affected people in the Sindhuli district in the project area, which was registered on July 24, 2013, the Inspection Panel recommended an investigation, and this was approved by the World Bank Board of Executive Directors. The Request raised various concerns related to: consideration of transmission line alternatives, compensation, alleged human rights violations by police, Indigenous Peoples, and consultation and disclosure. The Inspection Panel submitted its [Investigation Report](#) to the Board on February 12, 2015. On March 30, 2015, Management submitted its [Report and Recommendation](#), including a detailed MAP, developed in response to the Inspection Panel’s findings. On July 9, 2015, the Bank’s Board considered both reports and [approved the MAP](#).
- iv. There has been significant progress in the implementation of the MAP during the past year. Resettlement and rehabilitation (R&R) assistance has been disbursed to 41 out of 42 households affected by displacement. About 85 percent of the compensation for land acquisition, right-of-way (RoW) easement and crop damage has been paid to affected households in the non-disputed section, compared to 63 percent last year. About 92 percent of the compensation for the same purposes has been paid to affected households in the disputed section. The grievance redress mechanism (GRM) is operational. Implementation of the Vulnerable Community Development Plan (VCDP), which was updated for all the districts except Sindhuli is now almost complete except for a few locations in the Sindhuli District. The Nepal Electricity Authority (NEA) hired an independent facilitator and initiated a facilitated dialogue between the community in Sindhuli and NEA; consultations are ongoing.
- v. The project closed in December 2013 and the remaining activities are funded from government sources. Construction of all the towers for the double-circuit transmission line and stringing of one of the two circuits is complete, and the circuit is operational. Stringing of the second circuit is in progress, with 46 km completed out of 74 km; this is expected to be completed by December 2017. The operation of one circuit has helped to reduce load shedding in Kathmandu Valley and nearby cities, thereby improving the efficiency of the energy supply. The line transmits about 20 MW of electricity to Kathmandu.
- vi. Management continues to assist NEA to review the mandate of its Environment and Social Studies Department (ESSD), streamline its working procedures and strengthen its operating capacity to better manage environmental and social issues in its investment portfolio, especially transmission line projects, through the ongoing Power Sector Reform and Sustainable Hydropower Development Project (PSRSHDP) and the Bank-executed South Asia Water Initiative trust fund. Through these activities, support and training are provided to ESSD on safeguards management, such as environmental assessments for transmission lines, alternatives analysis, consultations and disclosure, resettlement planning and GRM.
- vii. The only outstanding issues in the MAP are to complete the right-of-way (RoW) compensation in Sindhuli (non-disputed section) and to continue the consultation with the affected community in Sindhuli to update and implement the VCDP. The VCDP activities will be completed in consultation with the affected communities with the help of the independent facilitator.

viii. The next progress report will be submitted in 12 months or when the MAP is completed, whichever occurs first.

I. INTRODUCTION

1. ***The Project.*** The Power Development Project (PDP, or “the project”) aimed to: (a) develop Nepal’s hydropower potential in an environmentally and socially sustainable manner to help meet electricity demand, (b) improve access to electricity services in rural areas, and (c) promote private sector participation in the hydropower sector. One of the project’s components included the construction of the Khimti-Dhalkebar Transmission Line (KDTL), implemented by the Nepal Electricity Authority (NEA), a section of which is the subject of the Request. The transmission line crosses four districts and is approximately 74 km long, with a 30-meter wide transmission corridor or right-of-way (RoW).

2. ***Project Status.*** The PDP was approved on May 22, 2003, with financing from IDA in the amount of US\$84.2 million. It was restructured three times, in 2008, 2009, and 2012. During the third restructuring, the closing date was extended to December 31, 2013 to allow the completion of three 220 kV transmission lines (Khimti-Dhalkebar, Hetauda-Bharatpur, and Bharatpur-Bardaghat). Construction began in 2007, however, part of the transmission line (3.85 km) was disputed in Sindhuli District and the construction in the disputed section started only after April 2016. Currently, all the towers for the double-circuit transmission line are erected and stringing of one of the two circuits is completed and operational. The operation of one circuit has helped to reduce the load shedding in Kathmandu Valley and nearby cities, thereby improving the efficiency of the energy supply. The line is now used to transmit about 20 MW of electricity to Kathmandu. Stringing of the second circuit is in progress, with 46 km completed out of 74 km; the remainder is expected to be completed by December 2017. A local “Struggle Committee,” which described itself as representing the Sindhuli community and which co-signed the Request for Inspection, conveyed to the Bank that in its view, the community had not agreed with the works proceeding in the disputed section when the stringing commenced. NEA continues to maintain the project GRM in the field; it has been in regular consultation with the affected communities; and it has hired an independent facilitator to help with dialogue with the community.

3. ***Request for Inspection.*** The Request for Inspection, registered by the Panel on July 24, 2013, was submitted by 103 indigenous and non-indigenous families from three villages of the Sindhuli district in Nepal, supported by a coalition of civil society organizations and individuals. The Requesters’ key claims were that the Bank had not complied with its policies in relation to: (a) analysis and due consideration of alternatives in the alignment of the KDTL and the corresponding potential adverse impacts associated with the alignment, (b) compensation to land holders with properties in the RoW, (c) alleged human rights violations during a confrontation between protesters in Sindhuli District and the police, (d) the project’s approach to addressing Indigenous Peoples in the project area, (e) consultations with affected peoples in Sindhuli District, and (f) disclosure of relevant safeguard documents.

4. Management presented its Response to the Request on September 18, 2013, including several actions that were to be completed by NEA by April 2014. The Panel team visited Nepal from September 30 to October 4, 2013 and submitted its Report and Recommendation to the Executive Directors of the World Bank on October 24, 2013. The Panel recommended an investigation, but also recommended to delay the start of the investigation until after April 30, 2014, to take into account the implementation of the proposed NEA Action Plan. This was approved by the World Bank’s Board. The Panel eventually submitted its Investigation Report on February 12, 2015.

5. ***Summary of Panel Findings.*** The Panel’s investigation concluded that there was compliance with regard to Environmental Assessment – health impacts; Involuntary Resettlement – choice of instrument; Indigenous Peoples; and protection of Physical Cultural Resources. However, the investigation reported noncompliance with regard to the following:

- (a) Environmental Assessment (OD 4.01, and OP/BP 4.01) – weak institutional analysis and capacity building of the project implementing agency, the NEA;
- (b) Involuntary Resettlement (OP/BP 4.12) – lack of updating of the 2006 Abbreviated Resettlement Action Plan (RAP); delays and inadequate information about compensation payment to eligible individuals; delays and inconsistencies in the provision of resettlement and rehabilitation (R&R) assistance to displaced households in the RoW; and lack of an appropriate and accessible GRM for KDTL; and
- (c) Consultation (OP 4.01, OP 4.10, and OP 4.12) – failure to ensure adequate, timely and meaningful consultations during project preparation and implementation.

II. MANAGEMENT ACTION PLAN

6. The Management Action Plan (MAP) aimed at addressing the findings of the Panel. Many of the actions proposed in the MAP built on the earlier action plan prepared by the NEA to address shortcomings that Management and the NEA identified in response to the Request for Inspection. The NEA action plan was updated twice, first in June 2014 and again in January 2015.

7. The MAP emphasized the following:

- (a) Building institutional capacity of the NEA, especially its Environment and Social Studies Department (ESSD);
- (b) NEA implementation of the RAP; delivery of outstanding compensation payments; completion of R&R assistance; and maintenance of a functional project GRM until completion of RAP implementation;
- (c) NEA implementation of the Vulnerable Community Development Plan (VCDP), updated in March 2014; and
- (d) Dissemination by the NEA, with support from the Bank, of project implementation information among affected communities, and support for their consultative and participatory engagement in implementation of the RAP and updated VCDP.

8. Even though the PDP is now officially closed, the Bank is implementing the MAP aimed at addressing the findings of the Inspection Panel.

III. PROGRESS OF MANAGEMENT ACTION PLAN IMPLEMENTATION

9. ***MAP Implementation to Date.*** Over the last year, substantial progress has been made with respect to the MAP, as summarized below:

- (a) Every household affected by the land acquisition has been either provided with or offered compensation.
 - For the **disputed section** (3.85 km) of the KDTL in Sindhuli, the Department of Roads has acquired land to build a feeder road, compensating owners at 100 percent of the land value. Compensation amounting to NPR 207.8 million (92 percent of the total compensation for this section) has been paid. This represents compensation for 132

land plots out of 159. Funds for compensation (plus 10 percent contingency) for the remaining 27 plots have been deposited in Special Purpose Accounts. This compensation has not been claimed, but will be available in these accounts so that affected persons may collect their payment at any time. The outstanding compensation cases for the remaining 27 plots involve absentee owners, or where legal disputes on property division among owners are pending, and hence no rightful owner to compensate could be determined; in some instances, owners have not yet collected their compensation although they have been notified.

- For the **non-disputed section** of the KDTL (other than the 3.85 km section cited above), NPR 70.7 million (85 percent of the total compensation for this section) have been paid in compensation for land acquisition and for the RoW-affected families. Compensation remains to be paid for the land in the RoW of the second circuit, for which stringing is expected to be completed by December 2017. Compensation for 465 land plots remains outstanding due to the following reasons; (i) absentee owners, and (ii) owners who have not yet collected their compensation although they have been notified. NEA has deposited the remaining funds (plus 10 percent contingency) in Special Purpose Accounts so that affected persons may collect their payment at any time.
- (b) R&R assistance has been disbursed to 41 out of 42 households displaced physically due to land acquisition. The financial assistance to one remaining household could not be paid as the owner has not applied for the compensation despite several follow-up attempts by NEA. NEA has deposited the remaining funds into Special Purpose Accounts at each of the affected districts for the outstanding R&R cash assistance, so that the affected persons (including the one above mentioned) may collect their payment at any time.
- (c) The VCDP implementation for all districts, except for Sindhuli, is now completed.
- (d) Since the Sindhuli communities have agreed to engage in a facilitated dialogue with NEA on updating the VCDP, NEA hired an independent facilitator and initiated consultations starting in April 2017. The facilitator is in continuous contact with NEA and the affected communities to enable and support completion of this task.
- (e) A communication officer and a liaison officer have been put in place by NEA at the site office since March 2014. Both were selected from within the community in Sindhuli. The officers have maintained continuous engagement with the local communities.
- (f) Management continues to assist NEA to clarify ESSD's mandate, streamline its working procedures and strengthen its operating capacity to better manage environmental and social issues in NEA's investment portfolio, especially transmission line projects, through the ongoing Power Sector Reform and Sustainable Hydropower Development Project (PSRSHDP) and the Bank-executed South Asia Water Initiative trust fund. Through these activities, support and training are provided to ESSD on safeguard management, such as environmental assessment for transmission lines, alternatives analysis, consultations, information disclosure, resettlement planning and GRM.

10. ***Outstanding Issues.*** The only outstanding actions include completing the RoW compensation in Sindhuli for the second circuit, and continuation of consultations with the affected community in Sindhuli to update and implement the VCDP, as noted above. The timeline for implementation will be assessed once the update of VCDP is concluded. The outstanding issues are expected to be completed by December 2017. Detailed information on the MAP is provided in Table 1 below.

IV. NEXT STEPS

11. ***VCDP Finalization.*** With regard to VCDP activities in Sindhuli, the NEA will continue to engage with the community in Sindhuli with the help of the independent facilitator, so that the updated VCDP activities for Sindhuli can be finalized and implemented.
12. The Bank will continue to monitor the consultation process for the update and implementation of the VCDP and RoW compensation activities for Sindhuli.
13. ***Next Progress Report to the Board.*** The next progress report will be submitted in 12 months or when the MAP is completed, whichever occurs first.

Table 1: Implementation of Management Action Plan

| Issue | Action | Status |
|---|--|---|
| <p>OP/BP 4.01 Institutional Capacity</p> | <p>The Bank will continue to assist NEA to clarify ESSD’s mandate, streamline its working procedures and strengthen its operating capacity to better manage environmental and social issues in NEA’s investment portfolio, especially transmission line projects, through the proposed Power Sector Reform and Sustainable Hydropower Development Project (PSRSHDP, P150066). The assistance will specifically support ESSD in developing procedures and guidelines; and providing training on safeguard management, such as Environment Assessment for transmission lines, alternatives analysis, consultations, information disclosure, resettlement planning and GRM.</p> | <p>In progress</p> <ul style="list-style-type: none"> • NEA (ESSD) staff were trained in Social Impact Assessment through the PSRSHDP; • Training will be conducted on conflict management for the NEA staff and key stakeholders. |
| <p>OP/BP 4.12 Resettlement documentation</p> | <p>NEA will update the RAP. The Bank will closely monitor the implementation of the updated RAP until it is completed.</p> | <p>Completed</p> <ul style="list-style-type: none"> • NEA had updated the RAP in March 2014. This action is complete. |

| Issue | Action | Status |
|--|---|--|
| <p>OP/BP 4.12 Land Acquisition and Compensation</p> | <p>NEA will continue to deliver the outstanding compensation payments as set out in the updated RAP, with funds deposited in the Special Purposes Account at the District Administration Offices (DAO) in each of the three affected Districts. The Bank will continue to advise and monitor the delivery of the remaining compensation payments.</p> | <p>In progress</p> <ul style="list-style-type: none"> • Compensation amounting to NPR 70.7 million (85 percent of the total compensation amount) has been paid for land acquisition and to the RoW-affected persons losing land and structures. • The remaining compensation for the land in the RoW of the second circuit is yet to be disbursed. The Project is targeting completion of this action by December 31, 2017. NEA has deposited the remaining funds in the Special Purpose Accounts at the DAOs. • For the feeder road of the 3.85 km disputed section in Sindhuli, a total of NPR 207.8 million (92 percent of the total compensation amount) has been paid. Sufficient funding for outstanding compensation for land acquisition has been deposited in the Special Purpose Accounts at the DAO. • NEA has disbursed compensation to all the affected persons it could reach. Outstanding compensation cases (8% in the disputed section and 15% in the non-disputed section) involve absentee owners, or where legal disputes of property division among owners are pending, and hence no rightful owner to compensate could be determined; in some instances, owners have not yet collected their compensation although they have been notified. Sufficient funding for outstanding compensation has been deposited into Special Purpose Accounts at DAOs in all the districts, including Sindhuli, where affected persons can collect it. |
| <p>OP/BP 4.12 R&R Assistance</p> | <p>NEA will continue to complete delivery of R&R assistance in line with the updated RAP. The Bank will continue to advise NEA and monitor the delivery of R&R assistance until the RAP implementation is fully completed.</p> | <p>Completed</p> <ul style="list-style-type: none"> • R&R assistance has been disbursed to 41 out of 42 households displaced physically due to land acquisition. Sufficient funding has been placed in the Special Purpose Accounts and affected persons have been notified. |
| <p>OP/BP 4.12 Grievance Redress</p> | <p>NEA will keep the GRM functional throughout the implementation of the updated RAP. The Bank will continue to monitor the implementation of the GRM through regular missions.</p> | <p>Completed</p> <ul style="list-style-type: none"> • The NEA has maintained operation of the project GRM in the field; • The project GRM has recorded all grievances filed by affected persons and has kept records of the minutes of meetings with affected persons and decisions from the meetings. |

| Issue | Action | Status |
|---|--|---|
| OP/BP 4.10 Implementation of VCDP | NEA will continue implementation of the updated VCDP and the Bank will closely monitor the implementation through regular missions and engagement with NEA. | In progress <ul style="list-style-type: none"> • The updated VCDP (March 2014) has been fully completed for all the project affected districts, except for Sindhuli. • The VCDP activities will be updated to reflect the conclusions of the consultations being undertaken with the help of an independent facilitator and the timeline for its implementation will be assessed once the update is concluded. |
| Access to Information Disclosure and Consultations | NEA, with support from the Bank, will continue dissemination of project implementation information among the affected communities and engage them in a consultative and participatory manner in the implementation of the RAP and VCDP. The consultation process will continue until the RAP and VCDP are implemented. ¹ The Bank will support and monitor the process of information disclosure and consultations. | In progress <ul style="list-style-type: none"> • NEA staff, along with the field-based communication and liaison officers, has been in regular consultation with the affected communities. • The independent facilitator is also helping to continue dissemination of project implementation information among the affected communities and engage them in a consultative and participatory manner |

¹ The RAP will be considered fully implemented when all outstanding compensation and R&R assistance have been paid to eligible project affected persons or sufficient funds for the outstanding compensation and R&R assistance has been deposited in the Special Purpose Accounts allowing absentee affected persons to come and collect their payment later. The VCDP will be considered fully implemented when actions for Sindhuli communities are agreed and the VCDP is updated and implemented accordingly.