The Inspection Panel

Report and Recommendation
on
Request for Inspection

Re: Request for Inspection
India: Uttaranchal Decentralized Watershed Development Project (IDA Credit No. 3907 IN)

1. On March 7, 2007, the Inspection Panel (the “Panel”) received a Request for Inspection (the “Request”), dated February 21, 2007, related to the Uttaranchal Decentralized Watershed Development Project (“the Project”). The Request was submitted by Mr. Tejender Kotnala, the President of “Sarvodya”, on behalf of the “representatives of Sarvodya”. On March 9, 2007, the Panel received a second letter containing the names and signatures of five persons, who are part of the Request,1 and who claim to be from communities in Uttaranchal and affected by the Project. The Request also refers to other “social workers, community members” from different districts of Uttaranchal.

2. On March 23, 2007, in accordance with the Resolution establishing the Inspection Panel (the “Resolution”),2 the Panel notified the Executive Directors and the President of the International Development Association (IDA)3 that it had received the Request, which constituted Registration of the Request under the Panel’s Operating Procedures.4 The Panel received Bank Management’s Response to the Request for Inspection on April 23, 2007 (the “Management Response”).

3. As provided in paragraph 19 of the Resolution, the purpose of this report is to determine the eligibility of the Request and make a recommendation to the Executive Directors as to whether the matters alleged in the Request should be investigated.

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1 These five persons and Sarvodya, collectively, hereinafter referred to as the “Requesters”.
3 For the purposes of this Report, the IDA is also referred to as the “Bank”.
4 The Inspection Panel, Operating Procedures (August 1994) (hereinafter “the Operating Procedures”), at ¶ 17.
A. The Project

4. The development objective of the Project is “to improve the productive potential of natural resources and increase incomes of rural inhabitants in selected watersheds through socially inclusive, institutionally and environmentally sustainable approaches”. According to the Project Appraisal Document (PAD), this objective includes three themes: “(i) community participation in watershed development and management aimed at integrating land-water use with the objectives of moisture retention and biomass production, while simultaneously enhancing incomes and livelihood options, (ii) strengthening administrative capacity of Gram Panchayats (GPs) to manage project financial resources, implement sub-projects, deliver legally mandated services (in the context of natural resource management), and to sustain those services beyond the duration of the project; and (iii) ensuring equitable participation by all groups – especially the landless and women who rely disproportionately on common-pool resources for fodder, fuel and other forest products.”

5. According to Management, the Project builds upon and scales up the successful experiences of the IDA/IBRD-financed Integrated Watershed Development Hills II Project (IWDP), which closed on March 31, 2005. According to Management, the IWDP covered five States with US$45 million earmarked for Uttarakhand, and the impact studies, including the Implementation Completion Report, demonstrated that the IWDP had considerable success in increasing productivity of agriculture while improving the natural resource base, as well as increasing incomes of beneficiaries.

6. The Project’s geographical coverage, as described in the Management Response, comprises 20 sub-watersheds in the mid-Himalayan region of Uttarakhand. According to Management, the Project aims to benefit the populations of about 450 GPs and cover an area of about 300,000 ha. Management defined the Project area to include about 19 blocks (Bhikiyasain, Choukhutiya, Dwarhat, Bageshwar, Garur, Kapkot, Lohaghat, Gangolihat, Munakot, Vin, Kalsi, Chinyalisaur, Jaunpur, Thouldhar, Augustmun, Gairsain, Kamprayag, Dwarikhal, and Jaiharikhal).

7. According to the PAD, the objective of this Project is to be achieved through the three major Project components: (1) Participatory Watershed Development

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5 PAD, pg. 2.
6 Village local governments.
7 PAD, at pg. 2.
8 Management Response, ¶ 7.
9 Id., at ¶ 7.
10 Id., at ¶ 8.
11 Id., at ¶ 8.
12 Id., at ¶ 8 and PAD, pg. 2.
and Management; (2) Enhancing Livelihood Opportunities; and (3) Institutional Strengthening.13

8. The first component, participatory watershed development and management, includes: social mobilization and community-driven decision making for participatory watershed planning at the village level; establishment of Revenue Village Committees as representative bodies of resource users; identification of treatments on arable and non-arable lands; and integration of community proposals into Gram Panchayat Watershed Development Plans (GPWDPs). NGOs are contracted to assist in participatory watershed planning. This component also includes watershed treatments and village development, where a budget envelope is provided to each GP based on a formula incorporating the total area and total population.

9. The second component, enhancing livelihood opportunities, includes farming systems improvement by increasing the role of the private sector, input supply and support services, and also increasing the participation of farmers in choice of technologies. It finances the introduction of improved technologies and practices for agriculture, horticulture, silvi-pastoral treatments and animal husbandry through co-financing of demonstration sub-projects with Farmer Interest Groups. It includes sub-components on value addition and marketing support, and income-generating activities for vulnerable groups.

10. The third component, institutional strengthening, includes capacity-building of GPs and local community institutions which also provides an incentive fund to GPs to encourage improved performance. This component also includes information, education and communication, which finances a communications strategy to increase general awareness about the Project, terms of participation and overall transparency amongst all stakeholders, and project coordination, monitoring and management. The responsibility for overall Project implementation, coordination and monitoring lies with the Watershed Management Directorate under the Chief Project Director.14

B. Financing

11. The total Project cost is US$89.35 million equivalent, of which US$69.62 million equivalent (SDR 47.4 million) is financed by an IDA Credit. The Credit was approved by the Board of Executive Directors on May 20, 2004 and became effective on September 10, 2004. The Project closing date is March 31, 2012. As of March 29, 2007 US$6.67 million, or 14% of the IDA Credit, had been disbursed.

13 PAD, pg. 3.
14 Management Response, ¶ 11, and PAD, pg 5.
C. The Request

12. The Request was submitted by Mr. Tejender Kotnala, the President of “Sarvodya”, on behalf of the “representatives of Sarvodya”, an organization dealing with hygienic rural development in India. On March 9, 2007, the Panel received a second letter containing the names and signatures of five persons, who are part of the Request, and who claim to be from communities in Uttaranchal and affected by the Project. The Request also refers to other “social workers, community members” from different districts of Uttaranchal. In subsequent communications, the Requesters state that they represent members of local communities who have approached them complaining about the Project.15

13. The Requesters state that they are likely to suffer as a result of World Bank omissions in the Project. They are concerned with the “monitoring and management” of the Project16, and believe that “poverty alleviation is not monitored properly”.17

14. The Requesters state that the Project claims to benefit the communities by “encouraging adoption of improved agricultural technologies and diversification of increased productivity and watershed approach for sustainable management and resources”.18 However, according to the Requesters, “[t]he actual report on the beneficiaries by GPs is available in our portfolio which shows that the actual improvement is not taking place, in enhancing livelihood opportunities.”19 The Requesters indicate that there is evidence that “water harvesting measures, rejuvenation and development of water sources, treatment of catchment area through watershed treatments and village development, is not taking place per the monitoring plan.”20

15. The Requesters assert that the Project’s participatory watershed development and management component is not being implemented as per the original appraisal plans. As a consequence, they claim, the people in the community are not getting any benefit from the project and “are likely to suffer”.21

16. Furthermore, the Requesters allege that the poorest and vulnerable groups were not allowed to participate in the decision-making for development of the

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17 E-Mail from Mr. Gutta to the Inspection Panel, dated March 13, 2007.
20 Id., at pg. 2.
21 Id., at pg. 2.
watershed plans. The Requesters claim, for example, that in Dehradun major omissions have taken place during planning and implementation at the decentralized institutions (i.e. Gram Panchayats). According to the Requesters, the watercourses that were constructed only a year ago are damaged due to leakages and cracks. In addition, the Requesters state that the watercourses have not been provided up to the feeder point and have been curtailed and there is no maintenance of watercourses resulting into accumulation of stones and clay.

17. According to the record of discussion, during their meeting with Bank officials, the Requesters indicated that: (i) works relating to water harvesting structures did not have appropriate irrigation channels leading to soil erosion; (ii) pipes laid down for transporting water from water tanks are of sub-standard quality; (iii) construction of water tanks has denied free movement of livestock; (iv) there is little progress on the ground to improve living standards of the people; and (v) Project officials do not visit the field.

18. The Requesters further assert that access to water channels is not provided on an equitable basis to all the stakeholders. The Requesters state that there is lack of information and confusion among the local communities regarding the Project and the areas covered under the Project. The Requesters claim that the selection of watercourses is done on a discriminatory basis.

19. In their Request to the Inspection Panel, the Requesters asked the Panel to recommend to the Board of Executive Directors of the World Bank that an investigation be conducted on the alleged matters.

20. In the Notice of Registration the Panel noted that the above claims may constitute non-compliance by the Bank with various provisions of the following operational Policies and Procedures:

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<tr>
<th>Policy</th>
<th>Description</th>
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<tr>
<td>OP/BP 4.01</td>
<td>Environmental Assessment</td>
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<td>OP/BP 4.04</td>
<td>Natural Habitats</td>
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<td>OD 4.15</td>
<td>Poverty Reduction</td>
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<tr>
<td>OP/ BP 4.36</td>
<td>Forests</td>
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<td>OP/BP 13.05</td>
<td>Project Supervision</td>
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22 Email from Mr. Kotnala to the Inspection Panel, dated April 12, 2007.
23 Id.
24 Id.
25 Id.
27 Supra note 15.
D. Management Response


22. Management questions the eligibility of the Request on the following grounds.

23. First, Management claims that the Request’s subject matter was not brought to Management’s attention before the Request was filed. Management states that the Requesters contacted the Inspection Panel on March 7, 2007. Management then refers to an email to the Country Director on March 17, 2007, requesting a meeting.\textsuperscript{29} Management asserts that as the Country Director was on leave the Requesters received an automated out-of-office response with a contact name and a telephone number. Management states that it received the Panel’s Notice of Registration on March 23, 2007, without having prior knowledge of the complaint raised. Management indicates therefore that they did not have an opportunity to understand or address possible concerns.

24. Second, Management states that the Request does not refer explicitly to violations of operational policies and procedures by the Bank. According to Management, the Request does not provide information on villages or individuals that may have been adversely affected by the Project nor does it provide evidence of harm or wrong-doing that has or is likely to have a material adverse effect on the Requesters. Further, Management asserts that none of the five signatories in the Request reside in the Project area and that it is not clear how they are affected by the Project.

25. Management states that in an effort to better understand the substance of the Request, the Task Team Leader contacted the Requesters on March 29, 2007. Three members of the task team and a representative from the Legal Department met with the Requesters on March 30, 2007. Management included the record of discussion, which is attached to the Management Response.\textsuperscript{30}

26. In response to the Requesters claim that the participatory watershed development and management component is not being implemented in accordance with the original appraisal plans, Management states that the Project adopts principles of Community-Driven Development (CDD). Management adds that, in contrast to the IWDP focus on \textit{ad hoc} village development

\textsuperscript{28} Management Response, Annex 1 : Claims and Responses, pg. 10.
\textsuperscript{29} The Panel notes that Requesters also sent a message to the Panel on March 9, which elaborated upon their concerns, and which they copied to the Country Director.
\textsuperscript{30} Management Response, ¶ 16, and Annex 4.
committees, the Project is being implemented through GPs, which have less experience in implementing such activities. Management indicates that, at present, the Project is working with 340 GPs (three-quarters of the target) and plans have been completed for 227 of these.

27. Management asserts that there are inconsistencies in the Requesters’ claims of where communities are suffering as a result of the Project. According to Management, their record of discussion with the Requesters indicates that they visited the following Districts: Chamoli, Rudraprayag, Pauri, and Almoda; and the following blocks: Dharchula, Bhuwali, and Dakpathar.

28. Management claims that three blocks (Dharchula, Bhuwali, and Dakpathar) do not fall within the Project area, but that the districts mentioned are indeed in the Project area. Management adds that in Pauri District the Project has not begun, and in Almoda District there are no activities as the communities are still at the planning stage. In addition, Management notes that in Chamoli District (specifically in Gairsain Division), there are agricultural demonstration activities taking place, but no physical works. According to the Management only in Rudraprayag District (specifically in Augustmuni Division) have physical works started.  

29. Management also states that the physical implementation of sub-projects is only now beginning. Management claims that concerns about the slow pace of the Project and lack of concrete results on the ground must be seen in light of the Project cycle that uses the community-driven development approach, with implementing agencies (GPs/communities) that have less experience and require investment in social mobilization and substantial capacity-building.

30. With respect to the monitoring and management issue raised in the Request, the Management Response states that the Project routinely produces high quality Project status reports based on regular and detailed field monitoring. In addition, Management states that the Project is piloting a participatory monitoring and evaluation system in 30 GPs, which it intends to scale up to other Project areas. According to Management the Project is being implemented by the Watershed Management Directorate, which had a highly satisfactory track record during the predecessor project. Therefore, Management does not feel that the Project is being inadequately managed or monitored by the Watershed Management Directorate.

31. Management also questions the Requesters claim that the Project has led to a material adverse effect on the Project beneficiaries. Management states that in accordance with BP 17.55 (Inspection Panel) and cites the following text: “Non-accomplishments and unfulfilled expectations that do not generate a material deterioration compared to the without-project situation will not be considered as a material adverse effect for this purpose.”
May 2006, an independent consultant assessed elements of the planning process of the Project. According to Management, the overall findings were positive in terms of the technical quality of the plans, while some recommendations were made to strengthen the participation of women and poorest households, which were received positively by the Watershed Management Directorate and are being acted upon. Management states that while many communities under the Project may not (yet) be better off, they are no worse off as a result of the Project.35

32. With respect to the issue of compliance with Bank policy on Environmental Assessment (OP/BP 4.01), Management states that the potential environmental and social impacts of the Project may arise due to factors such as intensive agriculture pressure, fragile catchments, pressure on water bodies, increasing grazing pressure and dependency on biomass-based resources from the forest. Management indicates that a detailed Environmental and Social Management Framework was undertaken to assess these environmental concerns/impacts and provide adequate mitigation measures which was finalized through extensive consultations with all stakeholders including communities, which is an integral part of the Project Operational Manual and is being consistently applied.

33. With respect to the issue of compliance with the Bank’s policy on Natural Habitats (OP/BP 4.04), Management states that the Project is implemented in 19 blocks of the State and none of them fall within the buffer zones of the natural habitats. Management indicated that this safeguard was triggered and mitigation measures are included in the Environmental and Social Management Framework, on the assumption that the Project may undertake silvi-pastoral activities in some of the rangelands that provide fodder stock to semi-nomadic communities and support habitat for some important species.

34. With respect to the issue of compliance with the Bank’s policy on poverty reduction (OD 4.15), Management states that the Project intends to give direct benefits to poorer households rather than letting benefits trickle down from activities of the non-poor. Management claims that the use of a wealth ranking list in targeting beneficiaries is well established and the Project is well placed to translate this ranking into affirmative action whereby poorer households are actively identified and given preference over households that are better off.

35. With respect to the Bank’s policy on Forests (OP/BP 4.36), Management notes that the Project has made a conscious effort to exclude Reserve Forest areas from its target areas. The Bank’s policy on Forests was triggered on the assumption that some of the upper catchments of Reserve Forest areas may fall within the watershed treatment areas of GPs. Management indicates that the Environmental and Social Management Framework stipulates that the Project will allocate 25 percent of the watershed budget for treating inter-GP areas and the Reserve Forest areas of the inter-GPs will be treated in compliance with

Forestry Department working plan guidelines as well as the Government of India’s guidelines. Management states that, to date, the Project has not encountered such forest patches within the beneficiary areas.

36. With respect to the Bank’s policy on Project Supervision (OP/BP 13.05), Management believes that the Project has been adequately supervised by the Bank and states that the supervision teams have had good representation from social and environmental safeguards specialists, procurement, financial management, and technical specialists.

E. Eligibility

37. The Panel must determine whether the Requests satisfy the eligibility criteria for an Inspection, as set forth in the 1993 Resolution\(^\text{36}\) establishing the Panel and the 1999 Clarifications\(^\text{37}\), and recommend whether the matters alleged in the Requests should be investigated.

38. The Panel reviewed the Request, Management Response and additional information. The Panel is satisfied that the Requesters are and represent an affected party that consists of two or more persons with common interest and common concerns, and reside in the Borrower’s territory, as required in paragraph 9(a) of the 1999 Clarifications. The Requesters have indicated to the Panel that they are from and have connections to areas affected by the Project, and that they represent other affected people in the community who are likely to suffer.

39. The Panel notes that the Request “does assert in substance that a serious violation by the Bank of its operational policies and procedures has or is likely to have material adverse effect upon the requesters” (Paragraph 9(b) of the 1999 Clarifications). The Requesters have alleged violation of Bank policies and procedures with respect to monitoring, management and implementation of the Project activities, including lack of the participation of poorest and most vulnerable groups in the decision making for development of the watershed plans. The Requesters have asserted that the Project’s participatory watershed development and management component is not being implemented as per the original appraisal plans. The Requesters also indicated that the access to water channels is not provided on an equitable basis to all the stakeholders.\(^\text{38}\) The Requesters claim that the people in the community are not getting any benefit from the Project and “are likely to suffer”.\(^\text{39}\)

\(^{36}\)Resolution No. IBRD 93-10 of September 22, 1993 (hereinafter “the Resolution”).

\(^{37}\)The 1999 Clarifications to the Resolution (hereinafter “the 1999 Clarifications”) are contained in the “Conclusions of the Board’s Second Review of the Inspection Panel” dated April 20, 1999.

\(^{38}\)Supra note 15

\(^{39}\)Requesters’ letter dated March 9, 2007, pg. 2.
40. The Panel notes Management’s statement that the Request be considered ineligible because the Request does not provide evidence of harm or wrongdoing that has or is likely to have a material adverse effect on the Requesters. Management also refers, at this stage of the Panel process, to the criterion for determining material adverse effect set forth in paragraph 14 of the 1999 Clarifications. 40

41. In this regard, the Panel notes that, at this eligibility stage the Panel only ascertains whether “the request does assert in substance that a serious violation by the Bank of its operational policies and procedures has or is likely to have a material adverse effect on the requester” (paragraph 9(b) of the 1999 Clarifications). As set forth in paragraph 7 of the 1999 Clarifications, “... any definitive assessment of a serious failure of the Bank that has caused material adverse effect will be done after the Panel has completed its investigation.”

42. The Panel is concerned about statements in the Management Response asking the Request to be considered ineligible for investigation on the grounds that the Request does not refer to violation of operational policies and procedures by the Bank. The Panel notes that the Request does assert violation of Bank policies and procedures with respect to monitoring, management and implementation of the Project activities, including lack of the participation of the poorest and most vulnerable groups in the decision making for development of the watershed plans.

43. The Panel also would like to emphasize that the Requesters are not required to know about the Bank’s internal policies and procedures, nor are they required to make specific references to such policies and procedures when submitting a Request for Inspection. To apply such requirements, particularly in cases where requesters are poor and live in remote areas with no access to information about Bank policies, would be counter to the intent of making the Inspection Panel process available in practice to locally-affected people.

44. The Panel notes that the subject matter of the Request is not related to procurement, as required by paragraph 9(d) of the 1999 Clarifications.

45. The Request satisfies the requirement in paragraph 9(e) of the 1999 Clarifications that the related loan has not been closed or substantially disbursed. 41

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40 Management refers to BP 17.55 (Inspection Panel) to support this contention, as well as its contention relating to lack of specificity of the Request (see paragraph 42, below). Management Response, pages 5 and 6. The Panel considers these references to be misplaced. A statement contained in a Bank Procedure (BP) is issued by Bank Management to address the internal steps to be followed by Bank staff in responding to a Request for Inspection. It cannot be the basis for the Panel to establish the ineligibility of a Request for Inspection.

41 According to the Resolution, “this will be deemed to be the case when at least ninety-five percent of the loan proceeds have been disbursed.” Footnote to Paragraph 14 (c).
46. Furthermore, the Panel has not previously made a recommendation on the subject matter of the Request. Therefore, the Request satisfies Paragraph 9(f) of the 1999 Clarifications.

47. The 1999 Clarifications provide in Paragraph 9(c) that the Panel shall satisfy itself that the Request “does assert that the subject matter has been brought to Management’s attention and that, in the Requesters’ view, Management has failed to respond adequately demonstrating that it has followed or is taking steps to follow the Bank’s policies and procedures.” The Panel has certain concerns in this regard.

48. The Request for Inspection was received by the Panel on March 7, 2007. The Requesters contacted the Bank on March 9, 2007, by copying the Country Director on their second communication to the Inspection Panel. This second communication, noted previously, elaborated upon concerns expressed in their earlier letter of Request to the Panel. On March 17, 2007, the Requesters sent an email to the Country Director requesting a meeting. Management states that as the Country Director was on leave, the Requesters received automated out-of-office responses to both the March 9 and March 17, 2007 communications. Despite Management response, the Requesters could reasonably have assumed that correspondence addressed to the Country Director was being handled by her office during her absence.

49. The Panel notes that only following the Registration of the Request for Inspection, did Management initiated steps to contact the Requesters. According to the Management Response, the task team leader and a representative from the Legal Department met with the Requesters on March 30, 2007.

50. The Panel further notes Management’s most recent effort to engage in a dialogue with the Requesters to try to address their concerns. In addition to the meeting that took place on March 30, 2007, the Country Director traveled together with the Requesters to Kalsi, Vikasnagar on May 9, 2007. The Panel is particularly impressed with the constructive way in which the Country Director and the Requesters are engaging on the issues raised in the Request.

51. The Panel notes the Country Director’s observation of the difficulty a regular citizen might have in bringing a complaint to the Project authorities, and of confusion among villagers with respect to the Project areas because they are defined based on water-catchment areas. Issues relating to communication about the Project and the handling of complaints were also noted. In this connection, the Panel calls attention to the minutes of the March 30 meeting between Bank officials and the Requesters, in which the Requesters informed

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42 Management Response, pg. i and ¶ 13.
43 Id., at ¶ 16.
44 Communication with the Inspection Panel, May 9, 2007.
Management that they had sent two letters in February 2007 to the Project officials requesting information on the Project and did not receive any response from the Project officials. 45

52. The Panel is concerned, as it has been in a previous Request, 46 as to whether knowledge is available in the field that the Bank is financing the Project, and whether locally affected people can effectively bring their concerns about the Project to the Bank. The Panel is concerned about potential intimidation locally affected people might face, considering that even the Country Director faced difficulties in reaching the Project area and affected people during her visit. 47 The Panel would like to emphasize the importance of making information available and accessible to local communities regarding the Project and the means by which they may raise their concerns.

F. Conclusions

53. The Request and Management Responses contain conflicting assertions and interpretations about the issues, the facts, compliance with Bank policies and procedures, and harm. The Panel can only address these issues during the course of an investigation.

54. The Requesters originally did not fully satisfy the procedural criterion of paragraph 9(c) of the 1999 Clarifications requiring that the Requesters have brought the “subject matter (...) to Management’s attention and that, in the requester’s view, Management has failed to respond adequately demonstrating that it has followed or is taking steps to follow the Bank’s policies and procedures”. However, the Requesters and Management are now engaged in a constructive dialogue about how to deal with the potential negative effects of the Project.

55. In light of the foregoing and in fairness to all the parties concerned, the Panel, as it has done in similar situations in the past, does not take a position at this time on whether the Request merits an investigation.

56. The Panel, therefore, recommends to the Board of Executive Directors that it approve the Panel’s proposal to refrain from issuing a recommendation at this time on whether an investigation is warranted in this case, but rather await further developments on the matters raised in the Request for Inspection.

57. If the Board of Executive Directors concurs with the foregoing, the Inspection Panel will advise the Requesters and Management accordingly.

47 Supra note 44.