

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

**FINAL 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 30, 2018**

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

**Contents**

Abbreviations .....	ii
Executive Summary .....	iii
A. Introduction.....	1
B. Management Action Plan.....	2
C. Progress of Management Action Plan Implementation .....	2

## **Abbreviations and Acronyms**

DAO	District Administration Office
ESSD	Environment and Social Studies Department
GRM	Grievance Redress Mechanism
KDTL	Khimti-Dhalkebar Transmission Line
Km	Kilometer
kV	kilo-Volt
MAP	Management Action Plan
MW	Mega-Watt
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 July 6, 2018)**

Nepalese Rupee (NPR)

US\$1 = NPR 110.325

NPR 1 = US\$0.009064

## Executive Summary

i. This is the third and final 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, 2017 to July 15, 2018. The first progress report to the Board was submitted on August 5, 2016 and the second progress report on August 29, 2017.

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, registered on July 24, 2013, by affected people in the Sindhuli district in the project area, 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. Progress with the implementation of the MAP during the past three years has advanced considerably and Management considers that the MAP is now substantially completed. Resettlement and Rehabilitation (R&R) assistance has been disbursed to 100 percent of the households affected by displacement and about 87 percent of the compensation for land acquisition has been paid. The project has also deposited the outstanding compensation amount, plus 10 percent, into an escrow account and informed the community that this amount is available to it when it decides to receive it. 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 complete except for a few locations in the Sindhuli District. NEA had made several attempts in the past to update and implement the VCDP for Sindhuli, however, the community did not agree to consult with NEA. Therefore, an independent facilitator was hired in March 2017 to facilitate a dialogue to update and implement the VCDP in Sindhuli. The terms of reference for the independent facilitator were agreed between the community and NEA. The independent facilitator conducted several facilitated sessions between NEA and community representatives during the period of April to September 2017. Both parties were keenly involved in the dialogue process to resolve the dispute, however they were not able to reframe the dispute and come to a solution.

v. The project was 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 67 out of 74 km completed; this is expected to be completed by October 2018. The stringing work was delayed due to unavailability of the conductor. 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 the Nepal Electricity Authority (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. There are no outstanding issues left to be completed under the MAP. Since all actions are considered completed, this is the third and final progress report that will be submitted to the Board.

## A. 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 was 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 a 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) construction 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 one of the two circuits has been strung and is 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 67 out of 74 km completed; the remainder is expected to be completed by the end of 2018. A local “Struggle Committee”, which described itself as representing the Sindhuli community and which supported 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. In response, the NEA maintained the project grievance redress mechanism (GRM) in the field; remained in regular consultation with the affected communities; and 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.

## **B. 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. MAP implementation continued after the closure of the project until the actions were completed.

## **C. PROGRESS OF MANAGEMENT ACTION PLAN IMPLEMENTATION**

9. ***MAP Implementation to Date.*** There has been substantial progress 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. Out of 159 plots, 132 have been compensated, amounting to NPR 207.8 million (92 percent of the total compensation for this section). The outstanding compensation cases involving 27 land plots include absentee owners and where legal disputes of property division among owners are pending. In some instances, owners have not yet collected their compensation although they have been repeatedly notified.

Funds for compensation (plus 10 percent contingency) for the remaining 27 plots have been deposited in Special Purpose Accounts. The community has been informed that this amount is available to its members when they decide to receive it. Thus, this activity is considered complete.

- For the **non-disputed section** of the KDTL (other than the 3.85 km section above), NPR 72.7 million (87 percent of the compensation for this section) have been paid in compensation for land acquisition for the tower pad and RoW to affected families losing land and structures. Remaining compensation could not be paid 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 and informed the community that this amount is available at any time. Thus, this activity is considered complete.
- (b) R&R assistance for house and structures has been disbursed to 41 out of 42 households displaced physically due to land acquisition. The remaining structure owner has received half of the compensation, but is yet to demolish the structure to claim the remaining half. The R&R assistance and crop damage compensation is fully disbursed. This activity is considered complete.
- (c) The VCDPs have been completed for all districts, except for the disputed section of 3.85 km in Sindhuli. During the last four years, NEA made several attempts to consult with the community to update and implement the VCDP. In 2015, the community declined to consult on VCDP activities as it was waiting for the Inspection Panel's investigation report to be made public. NEA consulted with the community in March 2016, but did not reach agreement on the VCDP activities. In 2017, NEA and the community agreed to hire an independent facilitator to maintain trust among all parties. The Bank helped the NEA and community to identify a suitable candidate, and the community and NEA jointly agreed on the independent facilitator's terms of reference. The facilitator was engaged to work from March to September 2017 and undertook several facilitated dialogues between the parties during that period. However, following these dialogues, the facilitator concluded that although both parties were keenly involved in the dialogue process to resolve their differences, they were not able to reframe the dispute to come to a solution. There arose no obstacle or barrier in the dialogue process, however neither party could achieve the goal of the dialogue process. The facilitator repeatedly asked the community to submit a proposal on the VCDP program that it would be interested in implementing. The community did not do so. This ultimately resulted in the VCDP for this section in Sindhuli not being completed.
- (d) A communication officer and a liaison officer were hired at the site office, both were selected from within the community in Sindhuli to maintain continuous engagement with the local communities. NEA remains open to implementing the VCDP for the affected parties of the Sindhuli community.
- (e) 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 and social assessment for transmission lines, conflict management, alternatives analysis, consultations, information disclosure, resettlement planning and GRM.

10. ***Outstanding Issues.*** There are no outstanding issues and MAP implementation is considered complete. Should the community decide to engage on the VCDP, NEA remains open to finalize and implement the VCDP. Detailed information on the MAP is provided in Table 1 below.

11. Since all actions are considered complete it is proposed that this third progress report will be the final one.

**Table 1: Implementation of Management Action Plan**

Issue	Proposed Action	Status
<p><b>OP/BP 4.01</b> 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><b>Completed</b></p> <ul style="list-style-type: none"> <li>• NEA (ESSD) staff were trained in Social Impact Assessment through the PSRSHDP;</li> <li>• Training was conducted on conflict management for the NEA staff and key stakeholders on March 12 and 13, 2018.</li> </ul>
<p><b>OP/BP 4.12</b> Resettlement documentation</p>	<p>NEA will continue the implementation of the updated RAP. The Bank will closely monitor the implementation of updated RAP until it is completed.</p>	<p><b>Completed</b></p> <ul style="list-style-type: none"> <li>• NEA had updated the RAP in March 2014. This action is complete, as the resettlement documentation was updated.</li> </ul>

Issue	Proposed Action	Status
<p><b>OP/BP 4.12</b> 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><b>Completed</b></p> <ul style="list-style-type: none"> <li>• Compensation amounting to NPR 72.7 million (87 percent of the total compensation amount) has been paid to the affected persons losing land and structures, and the remaining payment amount of NPR 11.1 million has been deposited in Special Purpose Accounts at DAOs.</li> <li>• For 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.</li> <li>• NEA has disbursed compensation to all the affected persons it could reach. Outstanding compensation that has not yet been paid amounts to 13 percent in the non-disputed section and 8 percent in the disputed section of the transmission line. This outstanding compensation could not be paid due to cases involving absentee owners, and pending legal disputes of property division among owners for which no rightful owner to compensate could be determined as yet. 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.</li> <li>• The community has been informed about the amounts deposited in Special Purpose Accounts and that the compensation is available to community members when they decide to receive it.</li> </ul>

Issue	Proposed Action	Status
<p><b>OP/BP 4.12</b> R&amp;R Assistance</p>	<p>NEA will continue to complete delivery of R&amp;R assistance in line with the updated RAP. The Bank will continue to advise NEA and monitor the delivery of R&amp;R assistance until the RAP implementation is fully completed.</p>	<p><b>Completed</b></p> <ul style="list-style-type: none"> <li>• R&amp;R assistance (for house/structures in the RoW) has been disbursed to 41 out of 42 households displaced physically due to land acquisition. The remaining owner has received half of the compensation but has not yet demolished the structure to receive the remaining half, despite several reminders from the project. The remaining 50 percent compensation has therefore been deposited in the Special Purpose Account and the affected owner notified.</li> <li>• R&amp;R assistance, including crop damage compensation, has been fully disbursed.</li> </ul>
<p><b>OP/BP 4.12</b> 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><b>Completed</b></p> <ul style="list-style-type: none"> <li>• The NEA maintained operation of the project GRM in the field.</li> <li>• The project GRM recorded all grievances filed by affected persons and kept records of the minutes of meetings with affected persons and decisions from the meetings.</li> </ul>
<p><b>OP/BP 4.10</b> Implementation of VCDP</p>	<p>NEA will continue implementation of the updated VCDP and the Bank will closely monitor the implementation through regular missions and engagement with NEA.</p>	<p><b>Substantially Completed</b></p> <ul style="list-style-type: none"> <li>• The updated VCDP (March 2014) has been fully completed for all the project affected districts, except for Sindhuli. An independent facilitator, undertook several rounds of dialogue with all the stakeholders, but was unable to resolve disputes between the community and NEA. NEA remains willing to implement the VCDP for Sindhuli.</li> </ul>

Issue	Proposed Action	Status
<p><b>Access to Information Disclosure and Consultations</b></p>	<p>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.<sup>1</sup> The Bank will support and monitor the process of information disclosure and consultations.</p>	<p><b>Completed</b></p> <ul style="list-style-type: none"> <li>• NEA staff, along with the field-based communication and liaison officers, has been in regular consultation with the affected communities.</li> <li>• The independent facilitator also helped to disseminate the project implementation information among the affected communities and engage them in a consultative and participatory manner during the facilitator’s tenure.</li> </ul>

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<sup>1</sup> 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 have 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.