

**Annual Report**

JULY 1, 2010–JUNE 30, 2011





# THE INSPECTION PANEL

## Annual Report

JULY 1, 2010–JUNE 30, 2011

© 2011 The International Bank for Reconstruction and Development /  
The World Bank  
1818 H Street, NW  
Washington, DC 20433  
Telephone: 202-473-1000  
Internet: [www.inspectionpanel.org](http://www.inspectionpanel.org) or [www.worldbank.org](http://www.worldbank.org)  
E-mail: [ipanel@worldbank.org](mailto:ipanel@worldbank.org)

All rights reserved.

The findings, interpretations, and conclusions expressed herein are those of the author(s) and do not necessarily reflect the views of the Board of Executive Directors of the World Bank or the governments they represent.

The World Bank does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of the World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

### **Rights and Permissions**

The material in this work is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law. The World Bank encourages dissemination of its work and will normally grant permission promptly.

For permission to photocopy or reprint any part of this work, please send a request with complete information to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, USA, telephone 978-750-8400, fax 978-750-4470, [www.copyright.com](http://www.copyright.com).

All other queries on rights and licenses, including subsidiary rights, should be addressed to the Office of the Publisher, World Bank, 1818 H Street NW, Washington, DC 20433, USA, fax 202-522-2422, e-mail [pubrights@worldbank.org](mailto:pubrights@worldbank.org).

A FREE PUBLICATION

## CONTENTS

Abbreviations	v
Letter of Transmittal	vii
Message from the Panel	ix
The Panel: Composition and Structure	xiii
The Panel: Background and Foundation	xiv
The Panel: Panel Process Chart	xvi
Tables and Figures	xvii
Geographical Distribution of Requests	xxiv

### INVESTIGATIONS COMPLETED

Request No. 61 <b>Peru: Lima Urban Transport Project</b>	2
Request No. 60 <b>Cambodia: Land Management and Administration Project</b>	5
Request Nos. 53/56 <b>Panama: Land Administration Project</b>	8
Systemic Issues	11

### REQUESTS RECEIVED IN FISCAL YEAR 2011

Request No. 73 <b>Argentina: Second Norte Grande Water Infrastructure Project</b>	14
Request No. 72 <b>India: Madhya Pradesh Water Sector Restructuring Project</b>	15
Request No. 71 <b>Lebanon: Greater Beirut Water Supply Project</b>	16
Request No. 70 <b>Uzbekistan/Tajikistan: Energy Loss Reduction Project (Rogun HPP)</b>	18
Request No. 69 <b>Liberia: Development Forestry Sector Management Project (2010)</b>	20

## REQUESTS RECEIVED IN PREVIOUS FISCAL YEARS

Request No. 68 <b>Poland: Third Employment, Entrepreneurship and Human Capital Development Policy Loan</b>	25
Request No. 67 <b>Chile: Quilleco Hydropower Project</b>	26
Request No. 65 <b>South Africa: Proposed Eskom Investment Support Project</b>	28
Request No. 62 <b>Independent State of Papua New Guinea: Smallholder Agriculture Development Project</b>	30
Request Nos. 54/55/63 <b>Congo (DRC): Private Sector Development and Competitiveness Project</b>	32

## ACTIONS ON EARLIER REQUESTS: MANAGEMENT PROGRESS REPORTS

Request Nos. 47/48 <b>Albania: Integrated Coastal Zone Management and Cleanup Project</b>	36
Request No. 44 <b>Uganda: Private Power Generation Project</b>	37
Request No. 40 <b>Nigeria: West Africa Gas Pipeline</b>	38
Request No. 37 <b>Congo (DRC): Transitional Support for Economic Recovery Grant and Emergency Economic and Social Reunification Support Project</b>	39

## OTHER ACTIVITIES

Outreach Activities	42
Review of the Operating Procedures	44

## APPENDIXES

I. Biographies of the Panel Members and the Executive Secretary	46
II. Guidance on How to Prepare a Request for Inspection	48
III. The Inspection Panel Budget	50

## ABBREVIATIONS

BP	Bank Procedures
BRT	bus rapid transit system
CELCOR	Center for Environmental Law and Community Rights
COHRE	Center for Housing Rights and Evictions
DRC	Democratic Republic of Congo
GBWSP	Greater Beirut Water Supply Project
IAM	international accountability mechanism
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFI	International Financial Institutions
IPDP	Indigenous Peoples Development Plan
IP	Inspection Panel
LMAP	Land Management and Administration Project
MPWSP	Madhya Pradesh Water Sector Restructuring Project
NGO	nongovernmental organization
OD	Operation Directive
OMS	Operational Manual Statement
OP	Operational Policy
OPIC	Oil Palm Industry Corporation
OpMemo	Operational Memoranda
OPN	Operational Policy Note
PAD	Project Appraisal Document
PRONAT	Programa Nacional de Administración de Tierras
PV	<i>partant volontaire</i>
RMTF	Road Maintenance Trust Fund
SDI	Sustainable Development Institute
SVA	Social and Vulnerability Assessment
VDP	Voluntary Departure Program
WAGP	West Africa Gas Pipeline
WBG	World Bank Group





## LETTER OF TRANSMITTAL

The Annual Report of the Inspection Panel for the period July 1, 2010, to June 30, 2011, has been prepared for the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) in accordance with the 1993 Resolution establishing the Panel. It is being circulated to the President and to the Executive Directors of these institutions.

The Panel wishes to thank the Executive Directors for their support for the Panel. The Panel also thanks Mr. Robert B. Zoellick, the President of the World Bank Group, and Senior Management for their continued support of the Panel as an essential element in ensuring accountability and transparency by the World Bank. The Panel is also grateful for the continued support of civil society and for their efforts in promoting accountability and transparency. The Panel also expresses special appreciation to Requesters and to Bank staff for their constructive cooperation during the course of the various investigations.



## MESSAGE FROM THE PANEL

We are very pleased to present our 2011 Annual Report, which reviews the scope of our activities during the last fiscal year and provides an opportunity for all our stakeholders to get a horizontal perspective of our work. As you will see, this year's Report has a new "look and feel," a simpler format for the case summaries, and a new systemic issues section. We plan to make further changes in our next Annual Report as part of a continuing effort to improve its usefulness, and would welcome your feedback on the changes thus far and your suggestions for the future.

As detailed in this Report, the Panel dealt with 14 cases in the past fiscal year (see summary of Panel cases, below). Five of these cases involved investigations, while in nine other cases the Panel interacted with affected people and Management to foster opportunities for Management to address problems at early stages of the Panel process.

As these cases illustrate, this last year has been a period of intense activity and much accomplishment, in which the Panel has addressed a wide variety of cases and situations. The Panel has continued to provide independent fact finding, accountability, and recourse by independently investigating, in response to complaints from project-affected communities, whether Bank management has complied with its operational policies and procedures and whether harm has resulted from non-compliance. In doing so, the Panel has provided a "check and balance" for the Board, promoted transparency in Bank operations and given voice to affected people by serving as an independent venue for them to raise their concerns to the highest levels of decision making in the Bank. The many important individual outcomes of this work are described in this Report.

Despite our sense of pride at all that has been accomplished in the past fiscal year, this has been a challenging year for the Inspection Panel, not only due to the sheer volume of work but also to the complexity of issues and the environment in which we work. During the last fiscal year, for example, four of the Panel's Eligibility Reports have required a full discussion by the Executive Board, instead of approval on a "non-objection" basis, as has generally been the case in previous years. The Panel has addressed its many cases while at the same time engaging with important corporate processes, such as the external review of the Bank's independent accountability and oversight bodies, and sustaining outreach activities. The Panel has worked to maintain rights of access of Requesters and their right to be heard while at the same time working

to "give peace a chance" by encouraging management and Requesters to engage in early problem solving. The Panel has been responding to new realities and new financial instruments while always respecting and working within its Resolution and its Clarifications. Finally, the Panel has strengthened communication with Requesters and with Management, as requested by the Board, while at the same time maintaining its independence, integrity, and impartiality. This has been challenging work.

The Panel's work over the last year has demonstrated how the Panel process, in which both the Panel and the Bank's Management play important and complementary roles, helps to resolve problems facing project-affected people. The Panel has always played this role through its investigation process. More recently, it has fostered opportunities for Management to take effective response actions earlier in the Panel process. In these ways, the Panel process continues to provide an effective corporate-level grievance redress mechanism for the World Bank.

In this context, we appreciate and support the complementary efforts under way by Bank Management to strengthen and reinforce Management's capacity to respond to grievances within existing structures. The Panel has been interacting with the Board, Management, and stakeholders as the institution examines ways to strengthen its responsiveness to project-affected people. The aim is to reinforce the Bank's overall accountability structure, including the effectiveness of the Panel for affected people and as an accountability mechanism for the Board, without in any way limiting the right of affected people to have access to the Panel.

The Panel is also actively examining ways to reinforce its work into the future. In December, the Panel held a brainstorming discussion on new ideas and practices in the field of accountability. At a Board meeting in February, we informed the Board that we would be preparing to update our internal Operating Procedures, within the ambit of the Panel mandate, in consultation with key stakeholders. The Panel considers that this initiative will provide an excellent opportunity to update and enhance the Panel's work, building on strong existing foundations, recent practices, and lessons in the field. Further information on this initiative is provided elsewhere in this Report.

In closing, we would like to express our appreciation to the Board of Executive Directors for the strong and continuous support for our work, to the Bank's Management for the important role it plays at all stages of the Panel process, and to the many

official and civil society institutions for sharing their observations with us. We would especially like to place on record our gratitude to the outstanding staff of the Secretariat, whose professionalism and dedication are absolutely critical to the Panel's success. And we would like to extend a special vote of thanks to the Requesters and other affected people and communities who have come to us in trust to seek accountability and recourse, and whose stories we tell in this Report.

Roberto Lenton, Chairperson  
Alf Jerve, Panel Member  
Eimi Watanabe, Panel Member  
June 30, 2011

## SUMMARY OF PANEL CASES THIS FISCAL YEAR:

1. **Argentina: Second Norte Grande Water Infrastructure Project:** The Panel interacted with Management and residents of Santiago del Estero on a Request for Inspection related to a subproject expected to be financed under the Project in the city of Santiago del Estero, alleging social and environmental harm as a consequence of proposed sewage works and a wastewater treatment plant. (The Panel issued its Report and Recommendation in August 2011.)
2. **Cambodia: Land Management and Administration Project:** The Panel concluded an investigation of the issues raised in a Request for Inspection submitted on behalf of the Boeung Kak Lake community in Phnom Penh, which claimed to have been affected by the Project.
3. **Chile: Quilleco Hydropower Project:** The Panel interacted with Management and residents of the Biobío region of Chile, who had earlier submitted a Request for Inspection stating, among other things, their concern over negative impacts of the Quilleco Hydropower Project, which is supported in part by the Bank through an Emissions Reduction Purchase Agreement. (The Panel issued its Final Eligibility Report and Recommendation in August.)
4. **Democratic Republic of Congo: Private Sector Development and Competitiveness Project:** The Panel continued interacting with Management and affected people who had earlier submitted three Requests for Inspection related to this Project, which claimed that severance packages under the Project did not comply with provisions of the Congolese Labor Code and relevant Bank policy, and that attempted reintegration measures did not succeed. (The Panel issued its Final Eligibility Report and Recommendation in August.)
5. **India: Madhya Pradesh Water Sector Restructuring Project:** The Panel interacted with Management and residents of Gwalior city who submitted a Request for Inspection regarding this Project, which expressed concern that raw sewage had entered the Swarn Rekha River and had accumulated near their homes, thus posing a health hazard. In the light of Management's efforts to resolve these concerns, the Panel informed the Board that it was not registering this Request and would await further developments in the efforts to bring a satisfactory resolution to these concerns.
6. **Lebanon: Greater Beirut Water Supply Project:** The Panel interacted with Management and residents of the Greater Beirut area who submitted a Request for Inspection expressing concern about issues of Project water quality, water availability, and costs. During a Board discussion of the Panel's recommendation to investigate the issues raised in this Request, Management proposed to expand a study already under way on water quality to cover water availability and Project costs, and the Board invited the Panel to inform the Board by July 2011 on whether or not subsequent investigation was warranted.
7. **Liberia: Development Forestry Sector Management Project:** The Panel interacted with Management and affected people who submitted a Request for Inspection related to the impact of forest concessions on livelihoods and forests. The Panel's Eligibility Report recommended that no investigation be carried out in the light of Management's commitment to undertake actions addressing the Requesters' concerns.
8. **Panama: Land Administration Project:** The Panel concluded an investigation of the issues raised in two Requests for Inspection related to the legal recognition of lands inhabited by the Naso and the Ngäbe indigenous groups in Panama.
9. **Papua New Guinea: Smallholder Agriculture Development Project:** The Panel conducted an investigation on the issues raised in a Request for Inspection that claimed that oil palm development supported by the Project will limit economic opportunities of smallholders and cause pollution of water and forest degradation. (The report on this investigation is currently in the final stages of preparation.)
10. **Peru: Lima Urban Transport Project:** The Panel concluded an investigation into the issues raised in a Request for Inspection submitted by residents of the district of Barranco in the city of Lima, claiming that the new bus transit system financed by the Bank would cause serious and permanent damage to the district.

11. **Poland: Third Employment, Entrepreneurship, and Human Capital Development Policy Loan:** The Panel interacted with Management and affected people who had earlier submitted a Request for Inspection stating that their property was expropriated in the 1970s without the payment of any compensation and claiming that this property was likely to be privatized under this operation. The Panel determined that there was no nexus between the Bank-financed operation and the claims and did not register the Request.
12. **South Africa: Eskom Investment Support Project:** The Panel conducted an investigation of the issues raised in a Request for Inspection submitted by local residents in the area of the Medupi coal-fired power plant in South Africa, which claimed, among other things, that the Project would adversely impact health, scarce water resources, and livelihoods, which are compounded by the cumulative impacts of multiple planned and existing power generation facilities in the area. (The report on this investigation is currently in the final stages of preparation.)
13. **Uzbekistan: Energy Loss Reduction Project (Rogun HPP—Tajikistan):** The Panel interacted with Management and an NGO in Uzbekistan that represented potentially affected downstream people, who submitted a Request for Inspection related to the feasibility studies of the Rogun Hydropower Plant in Tajikistan, which are financed under the Project. The Panel's Eligibility Report recommended that no investigation be conducted because there was adequate evidence of the Bank's intention to comply with applicable Policies.
14. **Yemen: Institutional Reform Development Policy Grant:** The Panel concluded its interaction with Management and affected people who had earlier submitted a Request for Inspection that claimed that the Bank failed to comply with principles of transparency and disclosure of information, with negative effects on wages, employment, and poverty reduction. After review of a Progress Report by Management, the Panel issued its Final Eligibility Report that indicated that an investigation was not warranted.



## THE PANEL: COMPOSITION AND STRUCTURE

The Inspection Panel consists of three members who are appointed by the Board for non-renewable periods of five years. As provided in the Resolution that established the Panel, members are selected on the basis of their ability to deal thoroughly and fairly with the Requests brought to them, their integrity, their independence from Bank Management, and their exposure to developmental issues and to living conditions in developing countries. A Panel member is disqualified from participating in the investigation of any Request related to a matter in which he or she has a personal interest or had significant involvement in any capacity. Panel members may be removed from office for cause, only by decision of the Executive Directors.

The Panel's structure and operations further safeguard its independence. It is functionally independent of Bank Management, and reports solely to the Board. In addition, Panel members are prohibited from ever working for the Bank after their term ends.

*Current Members:* The members of the Panel are Roberto Lenton (member since September 2007), Alf Jerve (member since November 2008), and Eimi Watanabe (member since October 2009). Panel members are required to select their chairperson annually. The present chairperson is Mr. Roberto Lenton. The chairperson of the Panel works full time, while the two other Panel members work on a part-time basis as the need arises.

*Former Members:* Richard Bissell (1994–97), Alvaro Umaña (1994–98), Ernst-Günther Bröder (1994–99), Jim MacNeill (1997–02), Edward Ayensu (1998–03), Maartje van Putten (1999–04), Edith Brown Weiss (2002–07), Tongroj Onchan (2003–2008), and Werner Kiene (2004–09).

*Secretariat:* The Panel has a permanent Secretariat, headed by Executive Secretary Peter L. Lallas. The office also consists of Deputy Executive Secretary Dilek Barlas; Senior Operations Officers Serge Selwan and Tatiana Tassoni; Operations Officer Mishka Zaman; Program Assistants Luis Schunk and Robert Dickerson; and Institutional Consultant Eduardo Abbott. The Secretariat provides administrative and operational support to the Chairperson and Panel members, and assists the Panel in the processing of Requests, in conducting investigations, as well as in responding to queries from potential Requesters. The Secretariat also organizes and participates in outreach activities, seminars, and other events; disseminates information about the Panel and its activities; and provides general research and logistical support to the members of the Panel.

## THE PANEL: BACKGROUND AND FOUNDATION

The Inspection Panel was established by identical Resolutions of the Boards of Executive Directors of IBRD and IDA in 1993. In response to complaints from project-affected communities, the Panel is an independent, “bottom-up” accountability and recourse mechanism that investigates IBRD/IDA financed projects to determine whether the Bank has complied with its operational policies and procedures (including social and environmental safeguards), and to address related issues of harm.

*The 1993 Resolution establishing the Inspection Panel and the subsequent 1996 and 1999 Clarifications to the Resolution can be found on the Panel’s website at [www.inspectionpanel.org](http://www.inspectionpanel.org)*

### MISSION, ROLES, RESPONSIBILITY, AND AREAS OF FOCUS

**Mission:** The Panel serves as independent forum to provide accountability and recourse for communities affected by IBRD/IDA-financed projects, to address harms resulting from policy noncompliance, and to help improve development effectiveness of the Bank’s operations. Promote more inclusive and sustainable development by giving project-affected people, including those who are often poor and most vulnerable, greater voice in Bank-financed projects that affect them.

**Roles, Responsibility, and Areas of Focus** (for details see “The Inspection Panel at 15 Years,” 2009):

*Independent fact-finding, accountability, and recourse:* In response to complaints from project-affected communities, the Panel independently investigates whether Bank Management has complied with its operational policies and procedures in projects financed by IBRD/IDA, and whether harm has resulted from noncompliance.

*Problem-solving for affected people:* In addition to its well-known role in assessing compliance, the Panel process plays a critical role in helping to resolve problems facing project-affected people. Problem-solving occurs at various stages: preregistration (affected people must approach Management first); eligibility; investigation; and follow-up. The process places responsibility and creates opportunities for Management to take effective responsive actions to address problems. The Panel is considering additional options to enhance opportunities for problem solving under its process.

*Check and balance for Board:* The Panel provides an independent, technically based check and balance for Board on situation(s) relating to compliance and harm in project operations.

*Transparency and participation:* The Panel promotes transparency in Bank operations through publication of reports and findings, and by serving as independent venue for affected people to raise concerns to highest decision-making levels of the Bank.



## KEY OUTPUTS, PRACTICES, AND ENGAGEMENT WITH INTERNAL AND EXTERNAL STAKEHOLDERS

---

### **Key Panel outputs and practices:**

*Eligibility Reports:* Assesses eligibility of Requests for Inspection through Eligibility Reports, which contain a recommendation on whether to investigate the matters alleged in Request. The “eligibility” stage also yields an initial Management Response to the Request, and important opportunities for early problem solving.

*Investigation Reports and Findings:* Independent investigation and fact-finding assesses project-level policy compliance, and leads to remedies for harm to people and environment. Findings reported directly to the Board.

*Bank Management Responses and Action Plan:* In response to Panel findings on compliance and harm, Bank Management prepares Response and Action Plan (with government) to address findings. Reports and findings are made available to requesters, affected people, and the public.

*Systemic Observations, Corporate Learning:* Investigation Reports and Management Responses include systemic observations and lessons learned, which promote corporate learning and transparency through their publication.

*Public Awareness:* Produces publications to inform public of its activities and for outreach (Annual Report, press releases, etc.).

*Institution-wide incentives/impacts:* Creates ongoing incentives for institution to comply with policies and procedures, including social and environmental safeguards; supports overall Bank mission to fight poverty and helps Bank avoid actions causing reputational risk.

### **The Panel engages with the following internal and external stakeholders:**

*Board* (reports directly to the Board);

*Management* (independent, investigates compliance, interactive approach to problem solving, fact-finding, and lessons learned);

*External Stakeholders* (The Panel gives voice to project affected people and builds awareness through outreach).

**THE PANEL**

**FIGURE 1: INSPECTION PANEL PROCESS**

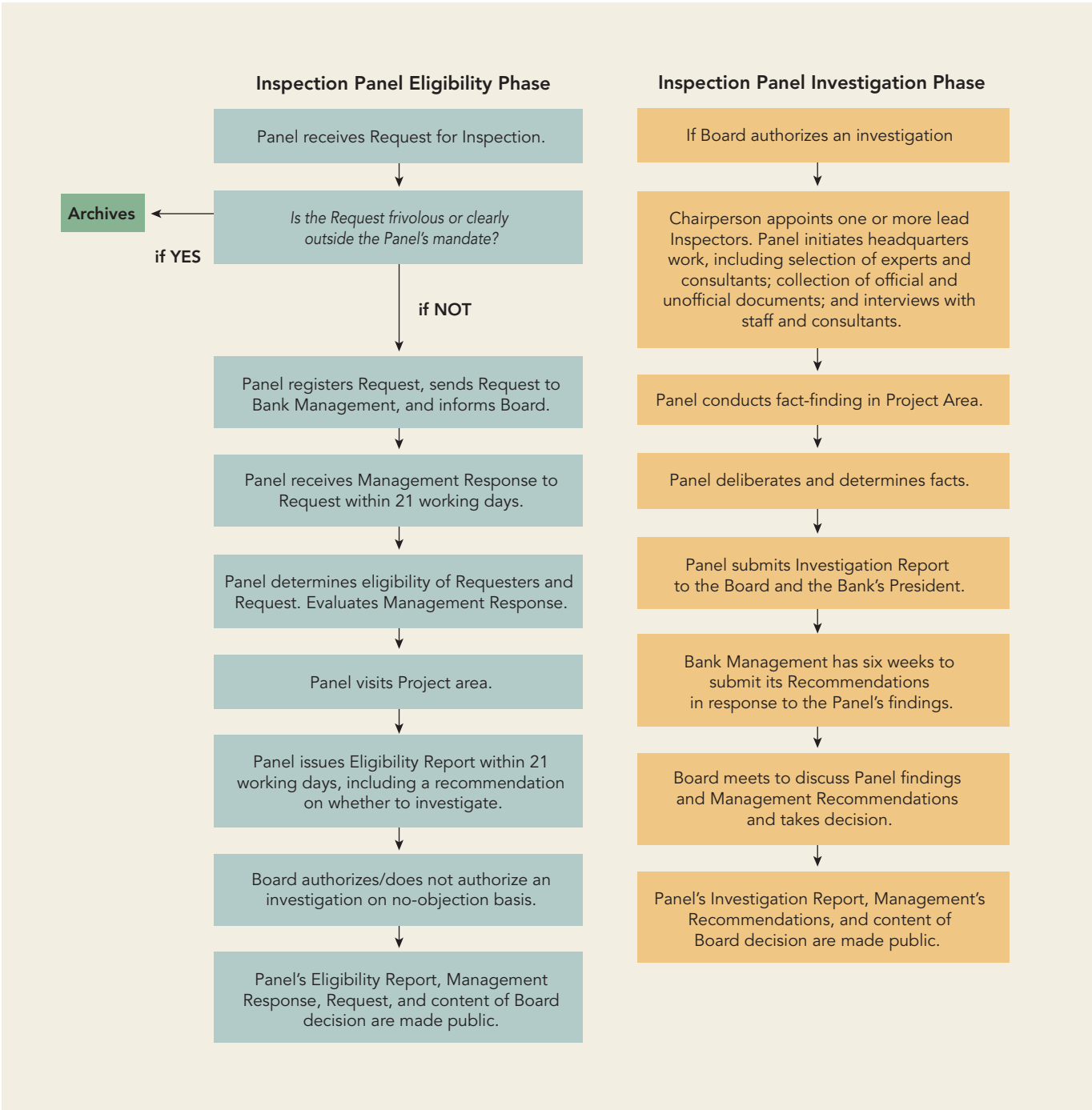


TABLE 1

**SUMMARY OF INSPECTION PANEL CASES** *as of Request No. 37<sup>1</sup>*

June 30, 2011

	<b>Request (Short Form)</b>	<b>Request Received</b>	<b>Request Registered</b>	<b>Inspection Panel Recommendation</b>	<b>Recommendation Approved by the Board</b>	<b>Panel's Activity</b>
37.	<b>Democratic Republic of Congo:</b> Transitional Support for Economic Recovery Credit Operation (TSERO) and Emergency Economic and Social Reunification Support Project (EESRSP)	November 19, 2005	Yes	Investigation	Yes	Eligibility Report and Investigation Report
40.	<b>Nigeria:</b> West African Gas Pipeline Project	April 27, 2006	Yes	Investigation	Yes	(First) Eligibility Report and Final Eligibility Report Investigation Report
44.	<b>Uganda:</b> Private Power Generation Project	March 5, 2007	Yes	Investigation	Yes	Eligibility Report and Investigation Report
47. & 48.	<b>Albania:</b> Integrated Coastal Zone Management and Clean-Up Project	July 30, 2007	Yes	Investigation	Yes	Eligibility Report and Investigation Report
		August 13, 2007	Yes			
53. & 56.	<b>Panama:</b> Land Administration Project	February 25, 2009	Yes	Investigation	Yes	Eligibility Report Investigation Report
		March 17, 2009	Yes			
54. & 55.	<b>Democratic Republic of Congo:</b> Private Sector Development and Competitiveness Project	February 25, 2009	Yes	In fairness to all parties concerned, the Panel could not take a position on whether the Request merits an investigation and awaits further developments.	Yes	Eligibility Report (processed jointly with Request 63 below)
		March 13, 2009	Yes			
60.	<b>Cambodia:</b> Land Management and Administration Project	September 4, 2009	Yes	Panel refrains from issuing a recommendation, until no later than March 31, 2010, and awaits further developments on the matters raised in the Request especially since Management is trying to establish a dialogue with the Government to address the Requesters' concerns.	Yes	Eligibility Report Investigation Report
				Investigation		Final Eligibility Report Investigation Report
61.	<b>Peru:</b> Lima Transport Project	October 1, 2009	Yes	Investigation	Yes	Eligibility Report Investigation Ongoing
62.	<b>Papua New Guinea:</b> Smallholder Agriculture Development Project	December 17, 2009	Yes	Investigation	Yes	Eligibility Report Investigation Ongoing

<sup>1</sup> Data in this table begin from the earliest Request discussed in this Annual Report.

	Request (Short Form)	Request Received	Request Registered	Inspection Panel Recommendation	Recommendation Approved by the Board	Panel's Activity
63.	<b>Democratic Republic of Congo:</b> Private Sector Development and Competitiveness Project	December 15, 2009	Yes	Management's proposed actions will take additional time to be operational. This requires the Panel to wait until Management's progress report on the implementation of the action plan to issue a recommendation on whether an investigation of the claims alleged in the Requests for Inspection is warranted.	Yes	Second Eligibility Report (processed jointly with Requests 54 and 55 above)
65.	<b>South Africa:</b> Eskom Investment Support Project	April 6, 2010	Yes	Investigation	Yes	Eligibility Report Investigation Ongoing
66.	<b>Kazakhstan:</b> South-West Roads: Western Europe-Western China International Transit Corridor	April 24, 2010	Yes	No investigation	Yes	Eligibility Report
67.	<b>Chile:</b> Quilleco Hydropower Project	May 26, 2010	Yes	The Panel deferred the decision on whether to recommend an investigation until further time has elapsed to determine if the issues and concerns raised by the Request can be addressed by the proposed actions approved by the Board.	Yes	Eligibility Report
68.	<b>Poland:</b> Third Employment, Entrepreneurship and Human Capital Development Policy Loan	June 14, 2010	No	—	—	—
69.	<b>Liberia:</b> Development Forestry Sector Management Project	September 24, 2010	Yes	No investigation	Yes	Eligibility Report
70.	<b>Uzbekistan:</b> Energy Loss Reduction Project (Rogun HPP, Tajikistan)	October 8, 2010	Yes	No investigation	Yes	Eligibility Report
71.	<b>Lebanon:</b> Greater Beirut Water Supply Project	November 4, 2010	Yes	Investigation	No. During the discussion of the Panel's recommendation, Management proposed to expand a study on water quality issues to cover water availability and costs. The Board invited the Panel to return in July after considering the study in order to inform the Board on whether or not subsequent investigation is warranted.	Eligibility Report

	<b>Request (Short Form)</b>	<b>Request Received</b>	<b>Request Registered</b>	<b>Inspection Panel Recommendation</b>	<b>Recommendation Approved by the Board</b>	<b>Panel's Activity</b>
72.	<b>India:</b> Madhya Pradesh Water Sector Restructuring Project	August 31, 2010	The Panel is not registering this Request at this time in the light of proactive efforts being made by Management in response to communications from Requesters.	—	—	—
73.	<b>Argentina:</b> Second Norte Grande Water Infrastructure Project	May 4, 2011	Yes	—	—	—

Source: Inspection Panel.

<sup>1</sup> Data in this table begin from the earliest Request discussed in this Annual Report.

TABLE 2

**ALLEGED VIOLATIONS OF POLICIES AND PROCEDURES PER REQUEST<sup>1</sup>**

June 30, 2011

37.	Date Request Received	Request	Policies and Procedures Raised in the Request for Inspection
37.	11/19/2005	<b>Democratic Republic of Congo:</b> Transitional Support for Economic Recovery Credit Operation and Emergency Economic and Social Reunification Support Project	Environmental assessment (OP/BP 4.01) Involuntary resettlement (OP/BP 4.12) Poverty reduction (OD 4.15) Indigenous peoples (OD 4.20) Forestry (OP/BP 4.36) Emergency recovery assistance (OP/BP 8.50) Management of cultural property in Bank-financed projects (OPN 11.03) Project supervision (OP/BP 13.05) Disclosure of information (January 2002)
40.	04/27/2006	<b>Nigeria:</b> West African Gas Pipeline Project	Environmental assessment (OP/BP 4.01) Involuntary resettlement (OP/BP 4.12) Poverty reduction (OD 4.15) Economic evaluation of investment operations (OP/BP 10.04) Project supervision (OP/BP 13.05) Disclosure of information (January 2002)
44.	03/05/2007	<b>Uganda:</b> Private Power Generation Project	Environmental Assessment (OP/BP 4.01) Natural Habitats (OP/BP 4.04) Environmental action plans (OP 4.02) Water resource management (OP 4.07) Indigenous peoples (OP/BP 4.10) Physical cultural resources (OP/BP 4.11) Involuntary resettlement (OP/BP 4.12) Safety of dams (OP 4.37) Projects on international waterways (OP/BP 7.50) Economic evaluation of investment operations (OP/BP 10.04) Poverty reduction (OP 1.00) Disclosure of information (January 2002)
47.	07/30/2007	<b>Albania:</b> Integrated Coastal Zone Management and Clean-Up Project	Poverty reduction (OP 1.00) Project appraisal (OMS 2.20) Environmental assessment (OP/BP 4.01) Involuntary resettlement (OP/BP 4.12) Project supervision (OP/BP 13.05)
48.	08/13/2007	<b>Albania:</b> Integrated Coastal Zone Management and Clean-Up Project	Project appraisal (OMS 2.20) Environmental assessment (OP/BP 4.01) Management of cultural property in Bank-financed projects (OPN 11.03)
53.	02/25/2009	<b>Panama:</b> Land Administration Project	Indigenous peoples (OD 4.20) Project supervision (OP/BP 13.05)
54.	02/25/2009	<b>Democratic Republic of Congo:</b> Private Sector Development and Competitiveness Project	Poverty reduction (OD 4.15) Bank financing (OP/BP 6.00) Financing severance pay in public sector reform operations (OpMemo) Project supervision (OP/BP 13.05)

<sup>1</sup> Data in this table begin from the earliest Request discussed in this Annual Report.

	Date Request Received	Request	Policies and Procedures Raised in the Request for Inspection
55.	03/13/2009	<b>Democratic Republic of Congo:</b> Private Sector Development and Competitiveness Project	Poverty reduction (OD 4.15) Bank financing (OP/BP 6.00) Financing severance pay in public sector reform operations (OpMemo) Project supervision (OP/BP 13.05)
56.	03/17/2009	<b>Panama:</b> Land Administration Project	Indigenous peoples (OD 4.20) Project supervision (OP/BP 13.05)
60.	09/04/2009	<b>Cambodia:</b> Land Management and Administration Project	Involuntary resettlement (OP 4.30) Project supervision (OP/BP 13.05)
61.	10/01/2009	<b>Peru:</b> Lima Transportation Project	Environmental assessment (OP/BP 4.01) Physical Cultural Resources (OP/BP 4.11) Project supervision (OP/BP 13.05) Project appraisal (OMS 2.20)
62.	12/08/2009	<b>Papua New Guinea:</b> Smallholder Agriculture Development Project	Poverty Reduction (OP 1.00) Environmental Assessment (OP/BP4.01) Indigenous Peoples (OP/BP 4.10) Forests (OP/BP 4.36) Natural Habitats (OP/BP 4.04) Investment Lending (OP/BP 10.00) Project Supervision (OP/BP 13.05) Project Appraisal (OMS 2.20)
63.	12/15/2009	<b>Democratic Republic of Congo:</b> Private Sector Development and Competitiveness Project	Poverty Reduction (OD 4.15) Bank Financing (OP/BP 6.00) Financing Severance Pay in Public Sector Reform Operations (OpMemo) Project Supervision (OP/BP 13.05)
65.	04/06/10	<b>South Africa:</b> Eskom Investment Support Project	Poverty Reduction (OP 1.00) Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank Supported Projects (OP/PB 4.00) Environmental Assessment (OP/BP 4.01) Natural Habitats (OP/BP 4.04) Physical Cultural Resources (OP/BP 4.11) Involuntary Resettlement (OP/BP 4.12) Projects on International Waterways (OP/BP 7.50)
66.	04/24/10	<b>Kazakhstan:</b> South-West Roads: Western Europe–Western China International Transit Corridor	Environmental Assessment (OP/BP 4.01) Physical Cultural Resources (OP/BP 4.11) Involuntary Resettlement (OP/BP 4.12) Project Supervision (OP/BP 13.05) World Bank Policy on Disclosure of Information (June 2002)
67.	05/26/10	<b>Chile:</b> Quilleco Hydropower Project	Environmental Assessment (OP/BP 4.01) Natural Habitats (OP/BP 4.04) Involuntary Resettlement (OP/BP 4.12) Indigenous Peoples (OP/BP 4.10, OD 4.20) Safety of Dams (OP/BP 4.37) Cultural Property (OP/BP 4.11, OPN 11.03) Project Supervision (OP/BP 13.05)
68.	06/14/2010	<b>Poland:</b> Third Employment, Entrepreneurship and Human Capital Development Policy Loan (not registered)	Disputes over defaults on external debt, expropriation, and breach of contract (OP/BP 7.40) Development policy lending (OP/BP 8.60)
69.	09/24/10	<b>Liberia:</b> Development Forestry Sector Management Project	Environmental Assessment (OP/BP 4.01) Natural habitats (OP/BP 4.04) Forestry (OP 4.36) Project Supervision (OP/BP 13.05)

	Date Request Received	Request	Policies and Procedures Raised in the Request for Inspection
70.	10/08/10	<b>Uzbekistan:</b> Energy Loss Reduction Project (Rogun HPP, Tajikistan)	Environmental Assessment (OP/BP 4.01) Natural habitats (OP/BP 4.04) Involuntary Resettlement (OP/BP 4.12) Safety of Dams (OP/BP 4.37) Projects on international waterways (OP/BP 7.50)
71.	11/04/10	<b>Lebanon:</b> Greater Beirut Water Supply Project	Environmental Assessment (OP/BP 4.01) Project Appraisal (OMS 2.20) Economic evaluation of investment operations (OP/BP 10.04) Involuntary Resettlement (OP/BP 4.12) The World Bank Policy on Access to Information (July 2010)
72.	08/31/2010	<b>India:</b> Madhya Pradesh Water Sector Restructuring Project	Poverty Reduction (OP 1.00) Environmental Assessment (OP/BP 4.01) Project Supervision (OP/BP 13.05)
73.	05/4/2011	<b>Argentina:</b> Second Norte Grande Water Infrastructure Project	Environmental Assessment (OP/BP 4.01) Project Appraisal (OMS 2.20) The World Bank Policy on Access to Information (July 2010)

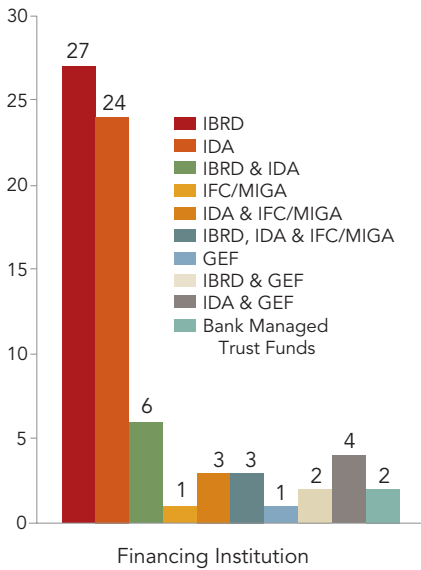
Source: Inspection Panel.

Note: BP = Bank Procedure; OD = Operational Directive; OMS = Operational Manual Statement; OP = Operational Policy; OPN = Operational Policy Note; OP Memo = Operational Memorandum.

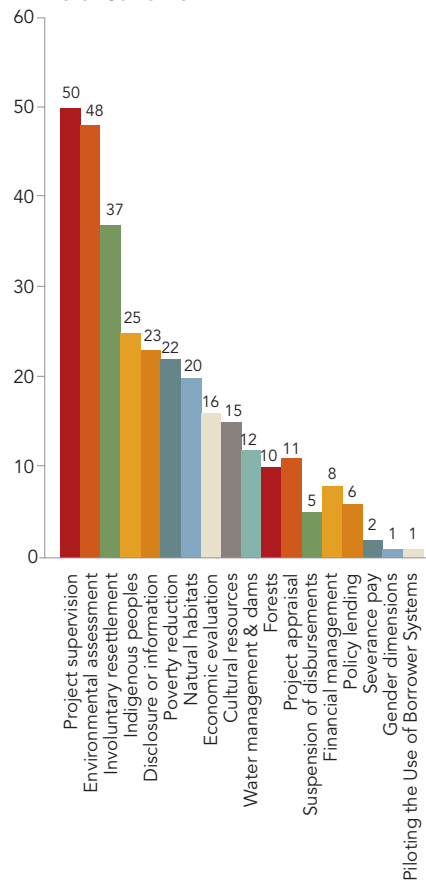


# FIGURES

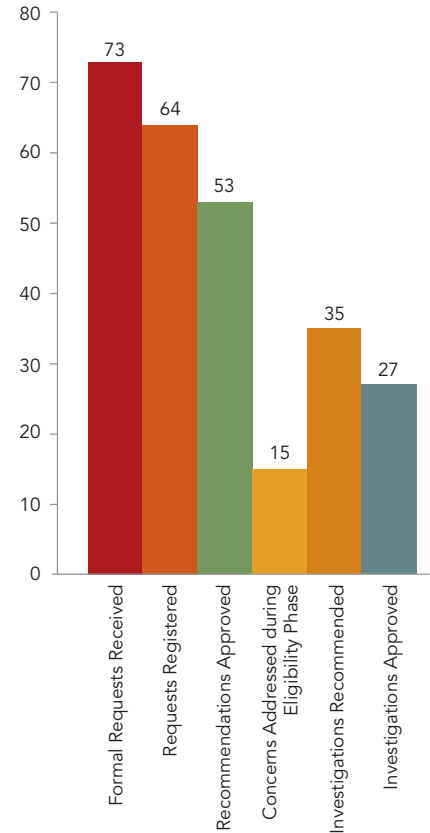
**Financing for Projects Subject to Requests As of June 2011**



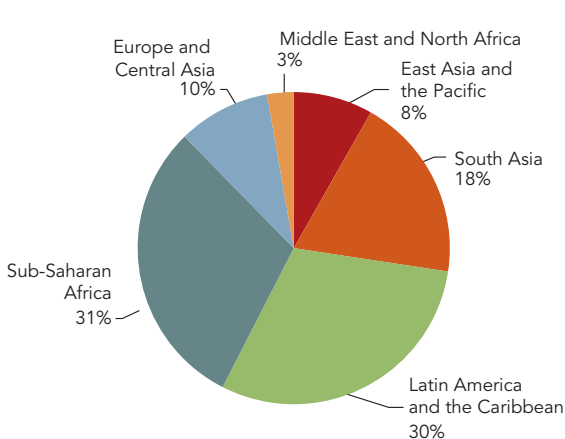
**Policy-Related Issues Most Often Raised in Requests As of June 2011**



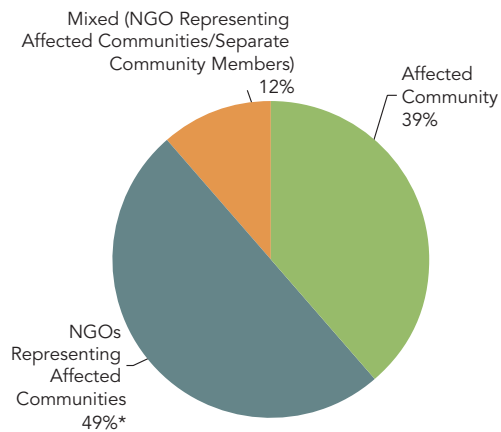
**Requests Received (June 2011)**



**Percentage of Requests Received per Region As of June 2011**



**Description of Requestors (1994–2011)**



Mixed: The Request was made by an NGO on behalf of some of the affected community. Unrepresented individuals were also part of the Request.

NGOs Representing Affected Communities: The Request was made by an NGO on behalf of the affected community.

Affected Communities: The Request was brought by members of the affected community independent of an NGO.

\*This section included the Honduras: Land Administration Project (2006), despite being self identified as a Federation.

## GEOGRAPHICAL DISTRIBUTION OF REQUESTS FOR INSPECTION

*This map was produced by the Map Design Unit of The World Bank. The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.*





IBRD 32336R23





**INVESTIGATIONS COMPLETED**

# PERU: LIMA URBAN TRANSPORT PROJECT

REQUEST NO. 61 • Loan No. 7209-PE and GEF TF No. 052856

## THE REQUEST

On October 1, 2009, the Inspection Panel received a Request for Inspection (the "Request") related to the Peru: Lima Urban Transport Project (the "Project"). Partially financed by an IBRD loan and supported by a Global Environmental Facility grant, the Project is a bus rapid transit (BRT) system in metropolitan Lima aimed to connect Lima's historic center to the northern and southern parts of the city.

All of the Requesters are residents of the Barranco district, and the subject of the Request itself is also specifically related to this district. The Request describes harm that the Requesters claim was caused by the Bank's omissions and deficiencies in the Project design and implementation, such as worsening of traffic conditions, failure to comply with environmental assessment standards, and inadequate consultations. Moreover, the Request claims that Barranco's renowned architectural heritage suffered permanent harm as a result of the Project, and the district experienced a disruption of traditional social and economic exchange that it had with a district of Santiago de Surco.

The Requesters further claim that Barranco and its residents will continue to suffer harm even after construction works are over and the bus corridor becomes operational. The Requesters' efforts to solve their concerns with Project authorities were allegedly unsuccessful.

## MANAGEMENT RESPONSE

The Management Response describes how traffic conditions in Lima have deteriorated owing to expanding population and how city's poorest residents living on the periphery have difficulties traveling in this air-polluted city. Management emphasized that considering Lima's size and economic growth imperatives, the city needs a mass rapid transit system such as the *Metropolitano*,

a name more commonly used when referring to the Project. The *Metropolitano* is the first line in the city's BRT system. The *Metropolitano's* buses, fueled with compressed natural gas will run north-south parallel to the coast for 28.6 kilometers and serve 600,000 per day.

The *Metropolitano* runs through Barranco on Av. Bolognesi, which was a four-lane avenue whose two southbound lanes have been taken over and retrofitted for BRT use. This has resulted in southbound vehicular traffic being rerouted through the west part of Barranco while the two northbound lanes continue to be used by vehicles. Management explains that this arrangement was chosen because of the narrowness of the corridor that would otherwise affect Barranco's historic area. Management stated that Barranco's traffic problems are largely not related to the *Metropolitano*, and that the Project has partially contributed to the overall traffic congestion. Management, however, acknowledged that the Project implementation has been slower than expected, and that the traffic conditions in Barranco will improve once the *Metropolitano* becomes operational.

Management believes that even though it has met the Environmental Assessment standards during the Project's preparation, appraisal, and the assessment of alternatives, certain other requirements were not fully implemented. In particular, Management acknowledged that it could have acted more vigorously when carrying out the consultations with the concerned population, providing access to relevant studies and plans, and promoting institutional strengthening overall.

Regarding the policy on Physical Cultural Resources, Management stated that it has complied with local law and has even obtained an approval from the National Institute of Culture (*Instituto Nacional de Cultura*) for the Project's design in the Barranco district. Moreover, Management mobilized independent trust funds to study the revitalization of historic areas of Lima.

Management admitted that Project supervision has only "partially met" the requirements of the Bank's policies on Project Supervision due to the complexity of the Project, and that the more recent Bank efforts have been more proactive. The Management Response also presented the Action Plan, which proposes a number of activities aiming to address the issues raised by the Requesters.

## PROJECT INFORMATION

### Lima Urban Transport Project

Region:	Latin America and the Caribbean
IBRD Loan Amount:	US\$45m
Board Approval Date:	December 9, 2003
Closing Date:	December 30, 2010

## ELIGIBILITY

To determine the eligibility of the Requests and whether an investigation of the issues raised by the Requesters was warranted, the Panel visited Peru from December 7 to 9, 2009, and met with various stakeholders, including the signatories of the Requests and other Project-affected people who reside in the district of Barranco, with representatives of civil society organizations and national and local authorities, a representative of the Project Implementation Unit, and Bank staff in Lima. The Panel determined that the Requests for Inspection met the eligibility requirements set forth in the Resolution. The Panel further recommended that an investigation of the issues raised in the Request be carried out and noted that the investigation would focus on the issues raised by the Request as they relate specifically to the district of Barranco, including in particular the potential longer-term impacts of the Project and the adequacy of related mitigation measures. The Board of Executive Directors approved the Panel's recommendation on.

## INVESTIGATION

The focus of the Panel's investigation was to establish whether the Bank complied with its own policies and procedures in the design, appraisal, and implementation of the Project, and whether, if instances of noncompliance were found, they caused, or were likely to cause, the harm or potential harm alleged by the Requesters. Since the key claims of the Requesters alleged noncompliance of policies on Project Appraisal, Environmental Assessment, Management of Cultural Property, and Project Supervision, the Panel's detailed investigation focused on examining whether such violations took place.

The Panel observed that a threat to the district's historical character and deterioration in the residents' quality of life was not only the result of the Project activities, but also of rapidly changing urban dynamics of the city as a whole. The Panel investigation, however, pointed out that the poor quality of some of the Project work along the Avenida Bolognesi in Barranco, such as pavements and pedestrian crossings, as well as delays in the construction process, have added to the hazards, aggravation, inconvenience, and frustration suffered by the residents of Barranco.

In a nutshell, the investigation highlights its five most important conclusions on how Bank policy was not complied with by Management and where more adequate compliance could have helped mitigate the harms in Barranco:



- Scarce attention was paid to identifying and mitigating potential negative impacts of the Project on the Barranco neighborhood beyond the immediate impacts of construction and operation of the BRT, falling short of meeting the requirements of Bank Policy as far as the analysis concerns the District of Barranco as a whole.
- Dissemination of information and consultation with the affected people in Barranco failed to meet the requirements of Bank Policy, especially in the early phases of the Project and during a good part of Project implementation. The Panel noted, however, that Management became more active in engaging the residents of Barranco in consultation events.
- Although a 2005 traffic study offered the opportunity to evaluate the permanent impacts of the Project on the traffic patterns of Barranco and to devise adequate measures to mitigate them, the study presented a number of weaknesses.
- Supervision of Project activities related to the district of Barranco was not consistently up to speed with events and circumstances on the ground until Barranco residents started to raise their complaints. Once problems were identified, one of the important supervision measures taken by Management was initiation of a new traffic management study to analyze and compare different alternatives, including an alternative proposed by residents of Barranco.
- There was no adequate analysis of the historic neighborhood or monuments and of the potential impacts of the Project on them.

These important investigation conclusions were derived as a result of a detailed analysis of the claims, relevant policies, and Project activities.

## MANAGEMENT'S RESPONSE AND RECOMMENDATIONS

In its Response to the Panel's Investigation Report, Management expressed its appreciation for the Panel's clear exposition of its findings. Management has also acknowledged the Panel's findings of noncompliance and welcomed the Panel's finding that Management's actions since early 2009 have brought Project supervision, dissemination of information, and consultations with the Requesters and other affected persons into compliance with policy.

Management's Response also emphasized that the focus of Management's Action Plan continues to be on further strengthening the Project's development outcomes through compliance with Bank policies. In addition, Management's Response informed that Management is also continuing its close supervision of the environmental, cultural heritage, and social aspects of Project implementation, including the final works in Barranco, to ensure that they are completed satisfactorily and in line with designs approved by the National Institute of Culture.

When addressing the Panel's findings on traffic management, Management informed that it has initiated a new Traffic Management Study, which is expected to be completed by October 2011. This new study will be specifically analyzing

changes in traffic patterns and volumes in Barranco, as well as mitigation measures aiming to address the traffic's potential adverse impacts on the district, including its historic and cultural value.

Management's Response also stated that the Project's Task Team has facilitated consultations on the study's preliminary findings in December 2010 and will continue to enhance its cooperation with local authorities involved in the Project implementation, especially with regard to adopting an improved traffic management plan. Finally, responding to interest expressed by the Municipality of Barranco, Management intends to advise it on how to incorporate in the District's Participatory Development Plan 2011–2021 an analysis of Barranco's historical buildings and monumental areas and measures to preserve them in the service of long-term dynamic social and economic development in Barranco.

Management emphasized the importance of implementing the Project in a consultative and environmentally, socially, and culturally sensitive manner, as well as with the careful consideration of inevitable competing interests that exist within the community during such implementation.



# CAMBODIA: LAND MANAGEMENT AND ADMINISTRATION PROJECT

REQUEST NO. 60 • IDA Credit No. 3605-KH

## THE REQUEST

On September 4, 2009, the Inspection Panel received a Request for Inspection of the Cambodia: Land Management and Administration Project (LMAP). The Request was made by the Center for Housing Rights and Evictions (COHRE) on behalf of communities living in the Boeung Kak lake area within the Sras Chok commune in Phnom Penh. The Request for Inspection was registered by the Panel on September 24, 2009.

In 2007, residents of the affected area requested an investigation of their land claims according to the legal procedure developed under the Project. The Cambodian government did not recognize a link between the Project and the harm claimed, and the investigation was denied. However, Bank Management agreed with the Requesters that a link existed.

The Requesters stated that the municipality governing the commune entered into an agreement with a private company to develop an area that included the Boeung Kak lake area. The Requesters claimed that in 2008, the residents of the Boeung Kak lake area were unfairly pressured to leave the development area. They claimed that they were denied their right to have their property claims considered under the Project's processes. The Requesters state that they were told their claims could not be considered since the area was considered a development zone; this led to their forced eviction. The Requesters claimed that these evictions have involved intimidation, resulted in inadequate compensation, and their homes have been flooded by the private development.

The Requesters claimed that the LMAP weakened the land claims of the residents of the Boeung Kak lake area. They stated that the Project failed to recognize the residents' land titles despite their documentation. They also stated that this has resulted in the eviction of commune residents, in violation of the Bank's environmental and social policies. The Requesters claimed that this problem has been exacerbated by the failure of the Project to imple-

ment elements to protect the rights of affected peoples during Project implementation.

Lastly, the Requesters claimed that the harm has not been limited to the Boeung Kak lake area. They claim that throughout Cambodia, people have not been able to have their land claims considered in order to secure their tenure under the Project.

## MANAGEMENT RESPONSE

The response from Management stated that the Project Appraisal Document did not intend for eviction, involuntary resettlement, or land acquisition to occur during the Project. The Project was also not intended to alter land titles in disputed areas until agreements had been reached. However, Management acknowledged that these goals had been problematic as it had been difficult to collect accurate information concerning land holdings.

Management stated that the Municipality of Phnom Penh had declared the Boeung Kak lake area to be state-owned public land, and in February 2007 the area was leased to a private developer. Management also noted that, starting in August 2008, the private developer began filling the lake. This resulted in the flooding of surrounding residences and exerted pressure on the community to relocate.

In April 2009, Management carried out an Enhanced Review Mission. It found that deficiencies of the Project led to a failure to remedy land tenure insecurity among the poor of the area. It was also noted that the local authorities had not followed proper procedures and had not provided the necessary access to information and dispute resolution mechanisms for the affected communities. Management noted that this had gone largely unnoticed because of insufficient review of the Project guidelines in the area and inadequate supervision of Project safeguards.

In August 2009, the Bank's Regional Vice President traveled Phnom Penh to reiterate the request to stop further evictions and offered to set aside Bank resources to resettle the residents. However, on September 7, 2009, the Cambodian government requested a cancellation of the remaining Credit for the Project. Despite this cancellation, Management designed a proposal to address the Requesters' concerns. Management planned to accomplish this by working with the government and the developmental partners to ensure that the already displaced communities were resettled in accordance with the Bank's Resettlement Policy. This was to be accomplished by creating a national Resettlement Policy.

## PROJECT INFORMATION

### Land Management and Administration Project

Region:	East Asia and Pacific
IDA Credit:	SDR 19,300,000
Board Approval Date:	February 26, 2002
Closing Date:	September 7, 2009



## **THE PANEL'S ELIGIBILITY REPORT AND BOARD DECISION**

Members of the Inspection Panel visited Cambodia from November 16 to 19, 2009. The Panel met with COHRE, other concerned nongovernmental organizations, signatories of the Request for Inspection, government officials, Bank Management in Cambodia, other Bank staff, and representatives of the Bank's development partners. The Panel members also visited the area where the Requesters live and the resettlement areas.

The Panel concluded in its Report and Recommendation that the Request satisfied the criteria for an investigation. However, the Panel chose to delay issuing a recommendation until Management had the opportunity to address its concerns with the Cambodian government. The Panel agreed to make a recommendation by March 31, 2010. This was approved by the Board.

Until March 31, 2010, Management and the Requesters found that little progress had been made to improve the situation. Given this, the Panel recommended that an Investigation take place. On April 13, 2010, the Board of Executive Directors approved this recommendation.

## **THE INVESTIGATION REPORT**

The Panel submitted its Investigation Report to the Board of Executive Directors on November 23, 2010. The Panel concluded that the events that occurred in the Boeung Kak lake area were linked to the Project. Management acknowledged this link.

The Panel found that the communities living in the Boeung Kak lake area had been denied access to an assessment of their property claims. This was not in accordance with the processes agreed to between the government, Bank, and developers supporting the

LMAP. Furthermore, it was the Panel's view that parts of the Boeung Kak lake area may have been eligible for consideration under the Project. This was supported by the finding that the adjudication procedures developed under the Project do not allow for the removal of a portion of land from the Project area once the adjudication process has been started.

The Panel's investigation found that although the risks of the Project were properly identified, the design of the Project did not address substantial difficulties. Specifically, the design lacked a clear strategy to deal with land disputes between states and private individuals. In addition, when these problems were first brought to the attention of Management, they failed to act on this information. The Panel stated that these inadequacies contributed to the harm faced by the Requesters and violated Bank Policy concerning supervision.

Additionally, although the plan stated that there would be no titling of land in areas where disputes were likely, the Panel found that this had been inconsistently interpreted and that there were no key project documents guiding how it was to be interpreted. These ambiguities were found to constitute breaches of Bank Policy regarding Project Appraisal. The Panel found that these ambiguities contributed to the harm experienced by the Requesters.

The Requesters claim that more than 900 families were displaced from the Project area in violation of the Bank's Resettlement Policy. The Panel's investigation found that the design of the Resettlement Policy Framework was too vague. Although the Panel commended Management on broadening the application of the Bank's resettlement safeguards, the Panel found that Management's follow-up on issues concerning resettlement and the failure to ensure that the Resettlement Policy was applied constituted a violation of the Bank's policy concerning Project Supervision. Although the Panel found that the Resettlement Policy Framework was in compliance with Bank Policy, it also found that the evictions which occurred in the Boeung Kak lake area did not follow the levels of compensation and standard of resettlement indicated in the Bank's Policy.

In response to the Requesters' claim that the Project weakened their preexisting tenure right, the Panel found that the Project has provided land security for many and benefited approximately 1 million households. However, the Panel found that design flaws in the Project led to the arbitrary exclusion of land from the process. This had the effect of denying residents, especially the poor, the ability to claim their preexisting land rights under the Project's process. The Panel found this to be a violation of the Bank's Policy to assess the Project's contribution to poverty alleviation.

The Panel also found that elements of the Project designed to support the poor residents of the affected area were not implemented, owing to Management's failure to adequately supervise the Project to ensure that these protections were in place. This violated the Bank's Policy concerning Project supervision and contributed to the harm experienced by the Requesters.

Finally, the Requesters claim that communities other than those living in the Boeung Kak lake area have experienced forced evictions and decreased land security as a result of the LMAP. In response, the Panel expressed concern about the large number of residents who were forcibly evicted or under the threat of eviction. The Panel found that this was allowed to happen due to the inadequate supervision of the Project, which violated Bank Policy. The Panel also noted that the Project design did not properly address this problem and placed the Bank's reputation at risk.

## **MANAGEMENT RESPONSE**

On January 21, 2011, Management submitted their Report and Recommendation in response to the Panel's Investigation Report. Management noted that there has been little progress on the improvements they suggested in 2009. They stated that the main reason for this was that the Cambodian government continues to disagree that the Project's Resettlement Policy Framework applies to the eviction occurring in the Boeung Kak lake area. Management also indicated that the Cambodian government is not prepared to work with the Bank to create an Action Plan to remedy the resettlement issues. Due to this deterioration in dialogue, Management acknowledged that the Bank's options to mitigate the harm suffered by people affected by the Project are limited.

As part of the Report, Management proposed a Revised Action Plan to (i) assess the needs of the Boeung Kak lake community and mitigation measures; (ii) engage the Cambodian government to design measures to mitigate adverse environmental impacts from filling the Boeung Kak lake; (iii) finance measures to respond to the need for tenure security and the needs of recently resettled Boeung Kak lake communities; (iv) support initiatives that respond to the need for tenure security and the needs of recently resettled communities outside of the Boeung Kak lake area; (v) improve the resettlement policy and land dispute resolution as well as their enforcement; and (vi) improve the design and supervision of upcoming projects. Management stated that if there is a continued lack of cooperation from the Cambodian government in resolving the resettlement issues, they would anticipate reviewing all current and future support in the Cambodian land sector.

## **BOARD DISCUSSION**

On March 8, 2011, the Bank's Executive Directors met to discuss the Panel's Investigation Report and the Management Report and Recommendations. The Board approved the Management Action Plan, and Management agreed to report back to the Board on the progress within 60 days.

# PANAMA: LAND ADMINISTRATION PROJECT (Programa Nacional de Administración de Tierras)

REQUEST NOS. 53/56 • Loan No. 7045-PAN

## THE REQUESTS

On February 25, 2009, the Inspection Panel received a Request for Inspection on the Panama: Land Administration Project. The submission was made by representatives of the Naso people, an indigenous group. The Panel registered the Request for Inspection on March 11, 2009. A Second Request for Inspection on this project was submitted by the *Congreso de Area Anexa de la Provincia de Bocas del Toro* (“Annex Areas Congress of Bocas del Toro Province”), which represented the Ngäbe communities living in the Annex Areas to the Ngäbe-Buglé Comarca. The Panel registered this Request for Inspection on March 20, 2009.

Both Requesters claimed that the project actions breached the Bank’s policy relating to Indigenous Peoples. The First Requesters claimed that the project was implemented in a manner that went against the interests of the Naso indigenous group in establishing a *comarca*. A *comarca* is an area of land where the indigenous peoples have collective land rights and administrative authority, as established by a specific law. In this case, the proposed law was the Naso Comarca Bill. The First Requesters believe that the project failed to support the aspirations of the Naso to establish their own *comarca* and that the rejection of the Naso Comarca Bill, in 2004 and 2005, occurred partly because the Project supported a different bill, called Law No. 72 on Collective Lands. They also contended that the Naso indigenous people were not properly consulted on Law 72.

The First Requesters also claimed that the Project was intended to demarcate the territory of the “original people” of the Bocas del Toro province. In order to follow Bank policy, this required full and proper consultation with the Naso people. The Requesters contended that during Project implementation, the Naso people removed their king and designated a new king. They claimed that Project officials who continued to consult with the old king were

not consulting with a legitimate representative of the Naso people and were in violation of Bank policy.

The Second Requesters claimed that the need for demarcation of the Annex Areas was not adequately addressed by the Project. Annex Areas are Ngäbe territories outside the core area of the Ngäbe-Buglé Comarca. The Requesters also claimed that they rejected the government’s proposals concerning demarcating the Annex Areas because some important areas were not included in the *comarca*. The Second Requesters claimed that the Project restricted the use of Ngäbe area lands to housing, and not for other traditional uses. They contended that the Bank promised to address these concerns but did not do so.

## MANAGEMENT RESPONSE

In response to the First Requesters, Management stated that it supported the establishment of a *comarca* for the Naso people. They stated that after Project-supported bills creating a Naso Comarca had been rejected twice, Management supported Law No. 72 on Collective Lands. Management also stated that when they supported the bill, it did not have a later added article that was thought to be adverse to the interests of the Naso people. When Management discovered this, they expressed their concerns to the government.

In response to the claim concerning consultation with the legitimate representatives of the First Requesters, Management stated that when the Requesters brought this concern to their attention, Management asked the government to consult with both leaders and fund mediation between supporters of the new king and supporters of the previous king to ensure that Bank policy was followed. Management believed that they had been responsive to the First Requesters’ concerns.

In response to the Second Request, Management agreed that the Annex Areas were not delimited and also agreed that adequate consultation and participation had not been demonstrated. In March 2008, a Bank mission recommended to Project staff that this be remedied. Management also indicated that Ngäbe communities could choose whether to be delimited as Annex Areas.

Management also stated that although no free-standing Indigenous Peoples Development Plan (IPDP) had been created during Project preparation, a Social Assessment was carried out that contained the key elements of an IPDP.

## PROJECT INFORMATION

### Land Administration Project

Region:	Latin America and the Caribbean
IBRD Loan Amount:	US\$ 47.9m
Board Approval Date:	January 16, 2001
Closing Date:	June 30, 2010



## THE PANEL'S ELIGIBILITY REPORT AND BOARD DECISION

To determine whether the Requests were eligible for an investigation, the Panel went to Panama from June 8 to 12, 2009. The Panel met with the people affected by the Project, including the signatories of the Requests, representatives of the Project Implementation Unit, Bank staff, and government officials. The Panel determined that both Requests met the eligibility requirements. Therefore, the Panel recommended that an investigation be carried out in four months, to first allow a new government taking office in Panama to implement actions proposed in Management's Response. On July 7, 2009, the Bank's Board of Executive Directors approved the Panel recommendation.

## THE INVESTIGATION REPORT

The Panel submitted its Investigation Report to the Board of Executive Directors on September 16, 2010. It addressed the concerns of the Naso and Ngäbe indigenous groups.

### The Naso People

From the investigation, the Panel found that Management had, in many respects, complied with key policy requirements concerning Indigenous Peoples and Project Supervision. The Panel stressed that this was especially true of actions taken by Management in response to the concerns of the Naso people in the initial stages of the Project.

The Panel found that Management's belief that they had met the Indigenous Peoples Policy without preparing an independent IPDP was understandable. However, the Panel concluded that the absence of a stand-alone IPDP, and the failure to publicly disclose the Social Assessment prior to Project appraisal, violated the Bank's Indigenous Peoples Policy. This violation prevented the dis-

tribution of key project information in a manner to allow for the informed participation of indigenous peoples.

The first claim of the Naso Requesters is that the Project did not support their need to establish a *comarca* and that actions associated with the Project undermined the establishment of a Naso *Comarca*. The Panel found, however, that the Bank did take important actions to advance the interests of the Naso in establishing a *comarca* during the early stage of the Project, and the failure of the bill to pass the National Assembly in 2004 and 2005 did not change this. The Panel further found that both the Social Assessments and the Project Appraisal Document properly emphasized the need for the Project to develop a Naso *Comarca*. The Panel found that the early years of the Project's implementation directly supported this goal.

In response to the concern that there was inadequate consultation in relation to the Project supporting Law No. 72, Management stated that although efforts were made to ensure adequate consultation, consultation in relation to the inclusion of the article adverse to the Naso peoples' interests was inadequate. The Panel agreed and found this to be in noncompliance with Bank policy.

In investigating the concern that Law No. 72 was contrary to the interests of the Naso people in establishing a *comarca*, the Panel found that Management's support for Law No. 72 was given in good faith and was reasonable considering the political situation in Panama at that time. In addition, the Panel stated that Management was not responsible for the legislative actions of a sovereign country. However, the Panel held that the situation warranted further effort to seek an understanding of Law No. 72's effect on the Naso community.

In relation to the concern that the Project did not consult legitimate leaders of the Naso group, the Panel determined that Management's later efforts demonstrated good-faith attempts to ensure meaningful consultation with the genuine representatives of the Naso

peoples. However, the Panel also expressed the concern that an undue amount of time was allowed to lapse before Management's corrective efforts began, and found that Management did not meet Bank policy requirements on Project supervision during the crucial period beginning in 2005, when serious difficulties emerged in achieving project objectives to consolidate and protect Naso land rights.

With regard to the concern that the Project actions and omissions allowed for unwanted private development of Naso lands, the Panel found that the Project's failure to resolve the boundaries of the proposed *comarca* may have contributed to the resulting land conflicts. The Panel expressed concern that project supervision was inadequate with respect to this issue. However, the Panel noted that internal disputes concerning Naso leadership may also have played a role. In addition, the Panel commended Management for significantly scaling-up its supervision and efforts to address the land concern of the Naso when these issues were raised toward the later stage of the Project.

### The Ngäbe People

The main claim of the Ngäbe Requesters is that the Project failed to give appropriate attention to the rights and interests of the Ngäbe communities in the Annex Areas in Bocas del Toro and for this reason, communities had been excluded from the *comarca*.

In response to the complaint that Management failed to realize the importance of verifying delimiting areas of land in the Project, the Panel found that no field studies of sufficient depth to detect these issues had been undertaken. The Panel stated that, given this flaw, the studies did not comply with Bank policy. The Panel also found that a stand-alone IPDP would have identified this as a critical area, and the lack of an IPDP contributed to this flaw. The

Panel further found that during project implementation, the delay between Management's realization of this issue and their response constituted a breach of Bank policy.

In investigating the complaint that there was inadequate consultation concerning delimiting areas, the Panel found that if adequate amounts of land had been offered to the Ngäbe, many of the areas that rejected *comarca* membership would have joined. The Panel noted that the consultation process used to determine the size of the land for each community was not adequately participatory. It failed to meet the Bank's policy, as it involved participation only of the main leaders of the Ngäbe and not the affected communities.

With relation to the Requesters' claim that the land boundaries erroneously excluded communities from the *comarca*, the Panel was unable to uncover clear facts surrounding this exclusion. However, the Panel found that, given the confusion surrounding this issue, increased consultation and clarification should have occurred.

In addressing the Requesters' claim that the Project was associated with encroachment onto areas intended to be included in the *comarca*, the Panel found that Management had been made aware of these concerns in early 2008 and that the delay of a response was due to inadequate Project supervision. The Panel further found that if the delimitation of the area had occurred in a timely manner, the Ngäbes' position concerning the later loss of land would have been improved.

The Panel reviewed the claim of the Requesters that changes in the legal framework of Panama were weakening their territorial rights. The Panel found that, in order for Management to meet the policy requirements concerning project supervision, they should have followed up on several unclear legal developments affecting the Requesters. In failing to do this, the Bank policies were breached.

## MANAGEMENT'S RESPONSE AND RECOMMENDATIONS

On October 28, 2010, Management submitted its Report and Recommendations in response to the Panel's findings. Management acknowledged the need for a stand-alone IPDP as well as the need to improve the quality of project supervision. To address the areas of noncompliance, the Bank proposed that a more comprehensive IPDP be created and that the funds related to consultations during project supervision be declared ineligible and that they be returned. Management also stated that a recommendation should be made to the government to increase awareness among indigenous peoples of Law No. 72, that the land claims of the Naso and the Ngäbe be addressed by the National Authority of Land Administration, and that Management verify, on-site, that the consultations have been carried out appropriately. In its statement at the Board, Management indicated that "addressing the unresolved issues related to the Naso territory and the Ngäbe Annex Areas in Bocas del Toro province demands immediate attention by the newly created Land Authority (ANATI) in Panama." They stated that



Management will incorporate the Panel's findings into future similar projects in the area and that Management will continue to be engaged with indigenous groups in Panama.

## BOARD MEETING

On February 3, 2011, the Bank's Executive Directors met to discuss the Panel's Investigation Report and the Management Report and Recommendation. The Bank's Executive Directors approved the Management Action Plan in the Bank's Management Response to the Panel's findings.

## SYSTEMIC ISSUES

---

A few years ago, the Panel initiated the practice of concluding its Investigation Reports with a section discussing the systemic issues relevant to its findings on noncompliance.<sup>1</sup> These discussions focus on the “why” of noncompliance, that is, factors encountered by the Panel during the course of its investigation that help explain why policy objectives were not met. The Panel hopes that these observations offer valuable insights to the Board and Management on ways to improve policy compliance.

### **Supervision: Inattention to Warning Signs, Lack of Safeguard Expertise**

In several recent cases, the Panel has found recurrent instances of noncompliance with Management’s obligations to supervise projects, largely by failing to identify and adequately respond to emerging issues. In the case of Panama’s PRONAT Project, the Panel pointed to several critical events and risk factors affecting the local population that were not reported accurately in the middle years of Project supervision.<sup>2</sup>

For example, in regards to the Naso, the Panel observed that the Management reverted to supporting an alternative law (Law No. 72) when the Naso Comarca bills failed to pass through the Panamanian National Assembly without formally analyzing the implications arising from the Naso bill’s rejection. By failing to assess the potential need for concrete mitigation measures to protect the Naso territory during the legislative vacuum at the time of the bill’s rejection (rather than after the Request for Inspection), the Bank missed an opportunity to advance the cause of indigenous collective land tenure security to the best of its ability.<sup>3</sup> Similarly, in regards to the Ngäbe, the failure of Management to react to early warnings relating to the Annex Areas led to a delay in the Project that ultimately compromised both the Ngäbe land rights in Bocas del Toro and the resulting consultation efforts.

In the same vein, as first noted in the report *The Inspection Panel at 15 Years*, the Panel has often found inattention to warning signs to be linked to inconsistent safeguard expertise within the Project team in the course of Project implementation, as happened in the cases of Panama and Cambodia.

Social experts are particularly essential in cases that potentially affect marginalized and vulnerable segments of the population. In both the Panama PRONAT and Cambodia LMAP cases, the need

for social (anthropology) experts to accompany project teams on site visits was explicitly stated in the PAD; however, in both cases, the Panel found that supervision visits did not include social specialists for a significant part of Project implementation.<sup>4</sup> These are instances when the recommendations intended to mitigate risks for vulnerable populations were not heeded. The Panel’s findings underline the importance of enlisting the help of social and technical experts during all stages of the project in order to design projects that effectively address sensitive social, political, or environmental issues.

Finally, the Panel noted that, in general, supervision is renewed and strengthened after the receipt of a Request for Inspection.

### **Application of the Bank’s Indigenous Peoples Policy**

Noncompliance with the Indigenous Peoples Policy occurs largely because the project fell short of adequately identifying and consulting with the affected indigenous populations in the project area. In one recent project the decision not to prepare a separate Indigenous Peoples Development Plan under OD 4.20 the Panel’s Investigation Report observed:

“... [N]o stand-alone IPDP was developed during Project preparation, on the grounds that the subcomponent of the Project dealing with indigenous territories would serve as the IPDP. While the Panel understands why Bank staff may have adopted this approach, our investigation has shown that this lack of a stand-alone IPDP prepared through a participatory process led to adverse consequences, especially for the Ngäbe people of the Annex Areas. As this case suggests, safeguard policies, particularly in land projects involving indigenous people, play a crucial role in anticipating and preventing harm and thereby avoiding possible future grievances. This reinforces the need to ensure that not only the content, but the purpose of safeguard policies and the *potential consequences* of policy noncompliance, are properly understood by staff.”<sup>5</sup>

Proper application of Bank Policy on Indigenous Peoples also requires that project teams take a “proactive role to ensure that its provisions are applied, including provisions on the informed participation of and representation of indigenous communities.”<sup>6</sup> The IPDP is intended to provide a critical safeguard in light of special risks and vulnerabilities that indigenous communities face in their home countries.

---

<sup>1</sup> *Inspection Panel at 15 Years*. World Bank Inspection Panel. 2009. p 64.

<sup>2</sup> Panama PRONAT Investigation Report. p 85.

<sup>3</sup> Panama PRONAT Investigation Report. p 86.

<sup>4</sup> Panama PRONAT Investigation Report (p 87) and Cambodia LMAP Investigation Report (p 74).

<sup>5</sup> Panama PRONAT Investigation Report. p 88.

<sup>6</sup> Panama PRONAT Investigation Report. p 88.

## Challenges of Land Management and Administration Projects

The Panel's investigations of two recent projects highlighted the challenges inherent in land management and administration projects. As noted in the Panama PRONAT and Cambodia LMAP investigation reports, although land projects may constitute an important contribution to social and economic development, in developing countries they not only pose significant operational risks but they are also often politically controversial. While this warning should not deter the Bank from continuing to innovate new approaches to land management, future projects need to ensure managing social, economic and political risks involved in land management projects. The Panel suggests "strengthened technical support, a more systematic assessment of operational risks and risks of a political economy nature, and the allocation of adequate trained staff and resources."<sup>7</sup>

## Delineating the Project's Area of Influence

The Panel has encountered several cases where the delineation of a project's area of influence, required under Bank Policy on Environmental Assessment, was in practice inadequate. More specifically, problems have arisen when the negative impacts of a project on a community or a population were not adequately assessed and, therefore, not addressed as part of the harm avoidance and mitigation elements of the project. One example is the Peru's BRT project, where the Panel noted that:

"Little attention was paid to assessing impacts and identifying harm that might take place beyond the bus corridor itself as a result of changes in traffic patterns, a shortcoming that had particular implications for the Barranco District, given its difficult geography and the fact that the Project would cause significant traffic rerouting."<sup>8</sup>

The Panel has identified similar circumstances in other projects, including most recently in the Albania Power Sector Generation Project (Albania Vlora Project), where Management's omission of a cumulative impact analysis led to an incomplete assessment of medium- and long-term economic, environmental, and social risks that would arise if future investment in Vlora TPP should occur. Most notably, the Bank did not consider the high touristic potential for Vlora Bay that could be attracted by the Project's expansion of power generation, thus overlooking some potentially major consequences that could directly or indirectly result from the Project.<sup>9</sup> The task of designating the project's area of influence is not based strictly upon the geographical extent of a project, and instead must be considered in terms of the project's short-, medium- and long-term impacts at each stage of implementation.

<sup>7</sup> Cambodia LMAP Investigation Report. p 75.

<sup>8</sup> Peru BRT Investigation Report. p 50.

<sup>9</sup> Albania Vlora Project Investigation Report. p 95.

## Time Pressure and Passing Risks on to Implementation

The report *The Inspection Panel at 15 Years* notes that critics of the Bank commonly observe that project development is too-often rushed, without due diligence being paid to Bank policy, as a result of the Bank's incentive structure to "move the money" and its "culture of approval."<sup>10</sup> These forces pressure Management to hurry through risk management plans and inadequately address supervision and safeguard policies.

In the case of Peru's BRT, the Panel noted in its Investigation that, "[i]ndeed, recognition of the significant economic, social and environmental benefits of the Project appears to have had the effect of making the analysis downplay possible adverse effects to one of the affected communities, Barranco, and thus not fully fulfill one of the EA's key objectives—to help prevent or reduce possible future harm in specific locations through the development of appropriate plans to avoid, mitigate or compensate for such adverse effects."<sup>11</sup>

The Albania Vlora Project suffered from similar oversights as a result of hurried risk assessments. "The Project failed to examine, inform about, and effectively address the medium- and long-term risks inherent in TPP's operations beyond its construction phase.... The environmental, economic, and social risks defined by the Panel as medium- and long-term risks will not cease to exist when the construction phase of the Project ends; rather, they will begin to make themselves felt in the post-construction operation phase of the TPP. The Panel considers, however, that opportunities exist for prompt and well-tailored actions to deal with issues of risk management and the concerns expressed by the Requesters."<sup>12</sup>

<sup>10</sup> *Inspection Panel at 15 Years*. World Bank Inspection Panel. 2009. p 64.

<sup>11</sup> Peru BRT Investigation Report. p 49.

<sup>12</sup> Albania Vlora Project Investigation Report. p 96.



**REQUESTS RECEIVED IN FISCAL YEAR 2011**



## ARGENTINA: SECOND NORTE GRANDE WATER INFRASTRUCTURE PROJECT

---

REQUEST NO. 73 • IBRD No. 8032-AR

On May 4, 2011, the Inspection Panel received a Request for Inspection from the Comunidad Los Flores. The Request was submitted on behalf of residents of neighborhoods in the city of Santiago del Estero, Argentina. Notably, the Requesters asked that the Panel keep their names as confidential.

The Requesters raise concerns related to the Argentina: Second Norte Grande Water Infrastructure Project ("the Project"), and specifically, about one of the subprojects expected to be financed under the Project in the city of Santiago del Estero, where the Requesters reside.

The Requesters state that they could suffer harm as a result of the Bank's failures and omissions in the design and preparation of the Project, because these alleged failures of the Bank will, in turn, adversely affect the design, as well as worsen the social and environmental impacts of subprojects financed under the Project.

The Requesters further complain about the Project's Framework, because, in their view, it has a number of shortcomings and mistakes that were not corrected by the Bank. The Requesters also complain that there is no information on public hearing mechanisms ensuring that potentially affected people would be consulted. Where hearings are provided, the way in which people will participate is not clear.

The Requesters also inform that they have had several exchanges with the Bank in which they raised these issues. However, they point out that they are not satisfied with the response from Management.

At the time of preparing this report, Management had presented its Response to the Request for Inspection (July 28, 2011), and the Panel was preparing its Eligibility Report.

---

### PROJECT INFORMATION

#### Second Norte Grande Water Infrastructure Project

Region:	Latin America and the Caribbean
IBRD Loan Amount:	US\$ 200m
Board Approval Date:	April 5, 2011
Closing Date:	April 30, 2017

# INDIA: MADHYA PRADESH WATER SECTOR RESTRUCTURING PROJECT

---

REQUEST NO. 72 • IBRD Loan No. 4750-IN

On June 2, 2010, the Inspection Panel received the first of several communications from a resident of Gwalior city, India, regarding the Water Quality Enhancement Project of Swarn Rekha River, a Bank-funded subproject under the India: Madhya Pradesh Water Sector Restructuring Project ("MPWSRP," or the "Project"). The Project's development objective is to improve productivity of water for sustainable growth and poverty reduction in selected river basins of Madhya Pradesh. The Project includes the Water Quality Enhancement Project of Swarn Rekha River, a Bank-funded subproject to line the Swarn Rekha River, which runs through the city of Gwalior, to improve its water quality and drainage capacity so that it can transfer water to an irrigation scheme near Gwalior to eventually benefit 2,500 households. The Panel responded by informing the Requesters about the need to bring their concerns to Management's attention as per Panel procedures.

On August 31, 2010 the Panel received a formal Request for Inspection ("Request") from several residents of Gwalior city regarding the MPWSRP. As the complainants had still not raised concerns with Management, the Panel responded by informing the Requesters once again of the need to make prior contact with Bank management. The Request claimed that raw sewage in the Swarn Rekha

River is accumulating near their homes located on the banks of the river, posing a health hazard to them. The Requesters allege that this situation is a result of sewerage pipes that were broken by the contractor of the subproject. The Requesters further complain about a reduction in the water table caused by the concrete lining of the river, which, according to them, prevents natural recharge of the aquifer and has caused several tube wells in the area to dry up. They also raise concerns about Management's supervision and Project design.

The Panel notes that Management has been proactive in trying to resolve the problems since the matter was brought to their attention by the Requesters and by the Inspection Panel. Consequently, on May 17, 2011, the Inspection Panel submitted a Memorandum to the World Bank Board of Executive Directors in which it informed the Board about these ongoing efforts by Management and the Requesters' willingness to engage with Management despite their concerns about the slow pace of remedial actions. In light of Management's efforts and the Requesters' qualified willingness to engage with Management, the Inspection Panel, as stated in this Memorandum, decided not to register the Request at the time, and instead to await further developments in the efforts to resolve the problems raised in the Request.

---

## PROJECT INFORMATION

### Madya Pradesh Water Sector Restructuring Project

Region:	South Asia
IBRD Loan Amount:	US\$ 396m
Board Approval Date:	September 7, 2004
Closing Date:	Extended until December 31, 2011

# LEBANON: GREATER BEIRUT WATER SUPPLY PROJECT P103063

REQUEST NO. 71 • IBRD Loan No. 7967-LB

## THE REQUEST

On November 4, 2010, the Inspection Panel (the "Panel") received a Request for Inspection relating to the proposed Lebanon: Greater Beirut Water Supply Project (GBWSP) (the "Project"). The Request was submitted by Mr. Fathi Chatila on behalf of himself and on behalf of around 50 residents of the Greater Beirut area, who expressed their fear that they are likely to suffer harm as a result of failures and omissions of the Bank in the design and preparation of the Project.

According to the August 2010 Project Information Document, the proposed Project's objective is to "increase the provision of potable water to the residents in the project area [Greater Beirut] including those in the low-income neighborhoods of Southern Beirut, and to strengthen the capacity of the Beirut Mount Lebanon Water Authority in utility operations." This objective is to be achieved by Project's three main Components through building a conveyor, a water treatment plant, storage reservoirs, and distribution networks to deliver water from the Litani and Awali Rivers to the Greater Beirut region.

The Requesters raise issues of compliance and harm related to the proposed Project because they believe that their rights and interests are likely to be directly and adversely affected by the GBWSP as a result of failures or omissions of the World Bank in the design and preparation of the Project.

The Requesters questioned the adequacy of the Environmental Assessment, in particular the environmental analysis of alternatives and the consultation process. The Request also raised an issue with respect to the application of the involuntary resettlement policy to lands that were expropriated in the late 1990s or lands for which expropriation is still to be carried out in order to implement Project activities. With respect to the economic analysis, the Requesters stated that it is not clear whether the Project is the least costly option because, in their view, the proposed alternatives are not exhaustive.

## PROJECT INFORMATION

### Greater Beirut Water Supply Project

Region:	Middle East and North Africa
IBRD Loan Amount:	US\$ 200m
Board Approval Date:	December 16, 2010
Closing Date:	June 30, 2016

## MANAGEMENT RESPONSE

In its response, Management acknowledged that it had an extensive exchange of information with the Requesters' Representative on the issues raised by him prior to the Request for Inspection and is fully aware of them.

Management disagreed, however, that the harmful consequences described by the Request will result from the Project. According to Management's response, "there is no tariff increase proposed under the GBWSP; the water being delivered under the Project will be treated following national and international quality standards; provisions have been included in the project to mitigate potential economic and social impacts of the GBWSP; and no water will be diverted away from irrigation. The Project meets the least cost approach and does not preclude other longer term measures for water supply that are under review." The Response also stated that a Resettlement Action Plan was prepared and that it includes mitigation measures for social and economic impacts deriving from land acquisition under the Project.

Moreover, Management stated that the Request should be considered ineligible because, as Management stated, "none of the Requesters is shown to be an 'affected party' because of their inability to demonstrate any right or interest that is or will be harmed" and because the Request is essentially a "disagreement over the water source and project design chosen by the Borrower and a procurement decision of the Borrower."

## THE PANEL'S ELIGIBILITY REPORT AND BOARD DISCUSSION

As part of determining the eligibility of the Request and to better understand the facts of the issues raised in it, Panel Member Alf Jerve, together with Senior Operations Officer Tatiana Tassoni, visited Lebanon from January 3 through January 8, 2011. During its visit, the Panel team met with the Requesters' Representative and other signatories of the Request, officials of the Ministry of Finance and Ministry of Energy and Water, officials of the Council on Development and Reconstruction and of the Beirut Mount Lebanon Water Establishment, and Bank staff in the Beirut Country Office. The Panel team also visited the areas where the Project will be implemented and structures will be constructed and visited other areas that according to the Requesters are relevant to their claim of noncompliance and related harm included in the Request



for Inspection. In particular, the Panel team visited the area of the Qaraoun Lake and Dam, the existing power plant and reservoir at Joun, and the proposed locations of the Bisri Dam and of the treatment plant to be constructed under the Project. The Panel also visited the site of the dam on the Damour River proposed by the Requesters' Representative.

The Eligibility Report stated that the Request raises serious concerns about potential harm and serious issues of noncompliance. The Panel also noted that the Request and Management's Response contain different views on the assessment of the likelihood and potential seriousness of the harms alleged. In the Panel's view, in order to ascertain compliance or lack thereof with Bank policies and procedures in the design and implementation of the Project, *"the Panel must conduct an appropriate review of all relevant facts and applicable policies and procedures. This can be done only in the course of an investigation."*

The Panel submitted its Eligibility Report on January 20, 2011, and recommended that an investigation be carried out. Pursuant to the request made by an Executive Director, this Eligibility Report was discussed at a meeting of the World Bank's Board of Executive Directors on March 11, 2011. During the meeting, Management proposed to expand a Management-commissioned study already ongoing on water quality issues to cover the issues of water availability and costs. In light of this, acknowledging the legitimacy of the Requesters' concerns, the Board invited the Inspection Panel to return by July 2011 after considering and taking into account the analysis of the study commissioned by Management on the water quality, availability, and cost, in order to inform the Board on whether or not subsequent investigation is warranted, and if so, on its precise focus.

# UZBEKISTAN/TAJIKISTAN: ENERGY LOSS REDUCTION PROJECT (ROGUN HPP)

REQUEST NO. 70 • Credit Nos. 40930-TJ and H1780-TJ

## THE REQUEST

On October 8, 2010, the Inspection Panel (the “Panel”) received a Request for Inspection (the “Request”) related to the Energy Loss Reduction Project. The Request was submitted on behalf of the Ecological Movement of Uzbekistan, representing “more than 100 NGOs” (the “Requesters”).

The Project, which was approved on June 30, 2005, and later restructured to expand its objectives, is supported by two different Credits for a total amount of US\$18 million. According to the Project documents, objectives of the Project are (i) to assist in reducing the commercial losses in the electricity and gas systems in Tajikistan and to lay the foundation for the improvement of the financial viability of Tajikistan’s electricity and gas utilities in a socially responsible manner; and (ii) to assist in the viability assessment of the Rogun HPP.

The Requesters claimed that the Bank is making “a one-sided evaluation of the tender procedures for environmental assessment of construction of hydroelectric power station, and do not take into account the interests of all parties, including those countries which are located in the downstream of Amu Darya river.” They also stated that the “draft design of the power station was developed 40 years ago, which completely did not take into account ecological aspects of this project.” The Requesters stated that the dam, if completed, will be on the main currents of a transboundary river, Amu Darya, which is part of the Aral Sea basin. Therefore, the Requesters insisted, the construction of the Rogun station would aggravate the present unfavorable environmental conditions in the entire region and even cause numerous social, ecological, and humanitarian disasters. The Requesters further stated that the “deterioration of the gene pool, conditions for flora and fauna, disappearance of large areas of riparian (tugay) forests, [and] sharp reduction of biodiversity” would become the most catastrophic

consequences of the construction of Rogun hydroelectric power station, if completed.

The Panel, in its Notice of Registration, stated that the claims brought by the Requesters may constitute noncompliance by the Bank with various provisions laid out in Operational Policy/Bank Procedure (OP/BP) 4.01 on Environmental Assessment, OP/BP 4.04 on Natural Habitats, OP/BP 4.12 on Involuntary Resettlement, OP/BP 4.37 on Safety of Dams, and OP/BP 7.50 on Projects on International Waterways.

## MANAGEMENT RESPONSE

On November 22, 2011, Management submitted its Response addressing the issues raised by the Requesters. In its Response, Management asked that the Panel consider the Request ineligible for investigation “because the issues raised by the Requesters focus on potential harm that could derive from the construction, operation and/or failure of the proposed Rogun HPP itself, but not from the Assessment Studies that the Bank intends to finance.” The Response also stated that since Management had made no decision on whether to finance the proposed Rogun HPP as of the date when the Response was submitted, it does not “understand the harm that the Requesters allege could derive from these Assessment Studies.” The Response further stated that the Assessment Studies have not yet been started, and therefore the application of Bank policies and procedures has not taken place. Notably, Management stated that “an inspection at this stage of the project preparation would undermine the Bank’s policy by replacing the independent and integrated environmental and social assessment mandated by the Bank’s operational policies with a limited review of the concerns and issues expressed by one stakeholder group.” Management has acknowledged that the Requesters raised “legitimate and important issues” regarding the Rogun station, and that the proposed Assessment Studies “are exactly designed to address” these concerns.

## PROJECT INFORMATION

### Energy Loss Reduction Project

Region:	Europe and Central Asia
IDA Credit:	US\$ 18m
Board Approval Date:	June 30, 2005
Closing Date:	June 30, 2012

## ELIGIBILITY REPORT AND RECOMMENDATION

To help determine the eligibility of the Request and to better understand the facts of the issues raised in the Request, Panel Chairperson Roberto Lenton and Panel Senior Operations Officer Serge Selwan visited Tashkent, Uzbekistan, as well as Dushanbe and Rogun, Tajikistan, between December 13 and 18, 2010. The Panel team met with the Requesters and with key government officials,

including the first deputy prime minister of Uzbekistan and the first deputy prime minister of Tajikistan. The Panel also met with the staff of the Bank Country Offices in Tashkent and Dushanbe. The Panel confirmed that the Requesters are legitimate parties under the Resolution to submit a Request for Inspection to the Inspection Panel. The Panel further noted that the only issues of harm that the Panel can consider in this Eligibility Report are those related to the Assessment Studies that will be carried out under the Project. The Panel noted that the Bank facilitated extensive consultations with the governments of the riparian countries, including Uzbekistan, and that, as part of these consultations, the government of Uzbekistan submitted its Expert Opinion, which was considered and integrated into the terms of reference of the studies. The Panel further stated that an important goal of the studies was to address the issues and concerns about the potential harms that might be associated with the Rogun HPP and to consider possible alternatives. In the Panel's view, there is adequate evidence of the Bank's intention to comply with applicable Operational Policies. Accordingly, the Panel considered that the requirement of Paragraph 9(b) of the 1999 Clarifications had not been met.

Based on the above analysis, the Panel concluded that the Request was not eligible, and therefore, the Panel did not recommend an investigation of whether the Bank had complied with its operational policies and procedures. The Panel noted, however, that its recommendation did not preclude the possibility of future claims in the event that the Assessment Studies deviate from Bank policy requirements in a way that could lead to harm to affected communities, or relating to compliance and harm in the event that the Bank decides to finance activities for the construction of the Rogun HPP or a related alternative.



Pursuant to a request made by an Executive Director, this Eligibility Report was discussed and approved during a meeting of the World Bank's Board of Executive Directors on February 3, 2011. In his statement during this meeting, Inspection Panel Chairperson Roberto Lenton briefed the Board on the content of the Eligibility Report and emphasized that *"at this stage the only issues that are relevant, and can be considered under the purview of the Panel are those related to activities currently supported through Bank-financing, namely the Assessment Studies and their related issues of harm."*

All documents and reports relevant to this case are available on the Inspection Panel's website.

# LIBERIA: DEVELOPMENT FORESTRY SECTOR MANAGEMENT PROJECT (2010)

REQUEST NO. 69 • Trust Funds Nos. TF057090-LR; TF096154-LR; and TF096170-LR

## THE REQUEST

On September 24, 2010, the Inspection Panel received a Request for Inspection relating to the Development Forestry Sector Management Project. The Request was submitted by the Sustainable Development Institute (SDI), acting on behalf of the communities of Central River Cess Statutory District, River Cess County, Liberia (the "Requesters"). The Request for Inspection included (i) a letter, dated July 31, 2010, signed by 54 representatives of the communities of Central River Cess Statutory District, asking the Panel to investigate the Project; (ii) a report prepared by the nongovernmental organization (NGO) Global Witness, dated September 24, 2010; and (iii) a list of the communications from SDI and/or Global Witness in which they expressed concerns. The 54 representatives stated that they are worried about their personal security and asked the Panel to keep their complaint anonymous.

The Project is supported by three different Grants for a total of US\$ 2.8 million. According to the Letter of Agreement, the purpose of the Grant is "to assist the Beneficiary in building robust and transparent economic and fiscal governance structures as a foundation for good governance, and economic recovery and growth, within its forestry sector." The Requesters stated that they were filing this Request for Inspection in reaction to increasing frustrations among communities living within recently awarded logging concessions. They added that they learned that the Bank "worked with the Government to predict how much money the Government can make from logging (...) [and] have been told that these numbers may be too high." They were worried that this will lead the government to allow the companies awarded concessions "to log too much of the forest." According to the Requesters, the Project "has helped to create a logging industry in Liberia that will not work and is violating [their] rights." In short, the Requesters raised two issues of harm—that they have not received their rights

in terms of sharing in benefits from commercial logging in their area, and that their natural environment is being degraded. The Requesters claimed that these issues of harm were partly caused by Management's actions and omissions, and noncompliance with the following Bank policies: Environmental Assessment, Forests, Natural Habitats, and Supervision.

## MANAGEMENT RESPONSE

Management submitted its Response on November 1, 2010. In its Response, Management asked that the Panel consider this Request ineligible for investigation, because Management did not have the opportunity to address the concerns raised by the Requesters before the Request was filed.

Management's Response emphasized that Management shares the Requesters' concerns regarding the nondelivery of benefits to communities under the social agreements, but that it "fails to see how these grievances relate to any component of the technical assistance project financed by the Bank." Furthermore, Management's Response stated that "Management... is unable to find any actual or potential harm derived from project design or implementation" and it "...believes that the Requesters' rights or interests have not been adversely affected by a failure of the Bank to implement its policies and procedures." In its Response, Management commented on most of the substantive issues raised by the Requesters and prepared a relevant Management Action Plan, which was designed to strengthen safeguards, as well as manage environmental and social risks.

## ELIGIBILITY REPORT

As part of determining the eligibility of the Request and to better understand the facts of the issues raised in it, Panel Member Eimi Watanabe and Panel Senior Operations Officer Serge Selwan visited Monrovia, Liberia, between November 15 and 21, 2010. During the visit, the Panel team met with the Ministry of Finance, the Forestry Development Authority, representatives of multilateral and bilateral organizations, and NGOs. In addition, the Panel met with staff of the Bank Country Office and staff of SDI in Monrovia. The Panel team visited Neezuin in River Cess County and met with members of communities of three districts: Central River Cess, Timbo, and Yarnee Statutory Districts.

## PROJECT INFORMATION

### Development Forestry Sector Management Project

Region:	Africa
TFLIB Grant:	US\$2.0m
Grant Agreement Signed:	September 20, 2006
Closing Date:	June 30, 2011



In its Eligibility Report, the Panel confirmed that the Request asserted, in substance, a serious violation by the Bank, which led or is likely to lead to material adverse effects on the Requesters. The Panel concluded that, in substance, the Request is eligible for investigation. The Panel's analysis also took into consideration actions proposed by Management to address issues raised in the Request. In the Panel's view, these actions constituted a meaningful platform for dialogue to address issues raised in the Request that pertain to the Project and possibly to influence the design of future Bank-financed operations in the sector. The Panel's report further stated that such proactive engagement "could help ensure that Liberian forest management becomes more sustainable, and transparent, and to the benefit of the affected communities." In conclusion, the Panel's Eligibility Report recommended that no investigation be conducted owing to Management's proactive commitment and SDI's willingness to engage with Management as the implementation of the Project moved forward.

Pursuant to a request made by an Executive Director, this Eligibility Report was discussed and approved, with a clarification, at a meeting of the World Bank's Board of Executive Directors on February 3, 2011.





**REQUESTS RECEIVED IN PREVIOUS FISCAL YEARS**





## **POLAND: THIRD EMPLOYMENT, ENTREPRENEURSHIP AND HUMAN CAPITAL DEVELOPMENT POLICY LOAN**

---

REQUEST NO. 68 • IBRD Loan No. 7949-PL

### **THE REQUEST**

On June 14, 2010, the Panel received a Request for Inspection (the "Request") related to the above-referenced operation. The Request for Inspection, dated June 8, 2010, was submitted by Dr. Irena Mausner and Mrs. Magda Acher on their own behalf and on behalf of the extended Fryman, Mirski, Mausner and Acher families. The Requesters state that their property at Chocimska 6 Warsaw, Poland, was expropriated in the 1970s without the payment of any compensation. They further claim that this property is likely to be "privatized" by the Polish Government with the active support of the World Bank through this operation. The Requesters further state that they owned extensive tracts of agricultural land in Silesia and that land was also expropriated without payment of compensation. They claim that Polish Government refused to discuss either claim with them. The Requesters add that they are not complaining about the Polish Government's expropriation of the property in the 1970s but rather about what they believe to be the Bank's decision in 2010 to provide significant funding and technical assistance to the Polish Government to privatize properties without even having checked the provenance of such properties. They add that it is this omission on the part of the Bank which is likely to have a material adverse effect on them, thereby making it more difficult for them to obtain restitution or compensation. The Panel reviewed the Re-

quest and the Program Document for the Loan, which was made public shortly after Board approval of the Loan on June 17, 2010. By the end of the fiscal year, the Panel was still considering the Request for Inspection in light of the Loan's Program Document.

### **DECISION NOT TO REGISTER THE REQUEST**

On July 23, 2010, the Panel Chairperson determined that there is no nexus between the Bank-financed operation and the claims concerning privatization in the Request for Inspection to the Panel. Under the Panel's eligibility criteria, the Panel may not hear complaints with respect to actions which are the responsibility of other parties, such as a borrower, or potential borrower, and which do not involve any action or omission on the part of the Bank. Because of this lack of nexus, the Panel did not register the Request in the Panel's Register. In its notice informing the Board, the Panel noted Management's willingness to write to the Government of Poland informing it that this dispute was brought to its attention and to express the hope that such disputes be resolved between the parties concerned, without expressing any view on the merits. The Panel informed the Requesters of the decision of non-Registration and of the action proposed by Bank Management in relation to the concerns raised in their Request.

# CHILE: QUILLECO HYDROPOWER PROJECT

REQUEST NO. 67 • Trust Fund No. TF56272-CL

## THE REQUEST

Between November 11, 2009, and May 26, 2010, the Inspection Panel received several letters complaining about negative effects resulting from different hydropower projects on the Biobío River in Chile. On April 21, 2010, the Panel received a formal Request for Inspection, which was complemented by clarifications in May 2010. The Request was submitted by residents of Tucapel, Santa Bárbara, Ralco Lepoy, and Concepción (the “Requesters”) in the Biobío region of Chile. Two of the Requesters are representatives of the Pehuenche indigenous community affected by some of the Projects. The Requesters have asked in their correspondence that the Panel keep their names confidential. The Request refers to a number of existing or proposed hydropower projects in the Biobío basin: the Angostura project, the Quilleco project, the Panguel/Ralco projects, and the Laja project. Of these Projects, one (Quilleco) is supported by the International Bank for Reconstruction and Development (IBRD).

The Requesters stated that the region where they live has been, and will be, negatively impacted by Bank-supported hydroelectric projects. They added that the Bank’s involvement has been “the object of enormous public concern and numerous and far reaching internal investigations.” They stated that the developers and operators of these Projects should “comply with WB environmental and social standards, and immediately cancel their plans for future irresponsible damming [sic] of the Biobio, particularly in lands of special spiritual and strategic value such as the El Piulo sector.” They further added that the perceived noncompliance is contrary “to the findings and recommendations of the WB investigations that have taken place in 1995–1996 (Downing Report), 1997–1998 (Hair Report) and in the period of 1999–2000 and 2002–2003 (CAO Office investigations).” According to the Requesters, these findings and recommendations point not only to the extremely valuable

ecological and cultural resources of the area, but also to the shortcomings of the Environmental Impact Assessments. Finally, the Requesters stated that all of their claims refer to “serious violations of Bank policies and procedures in the preparation, appraisal and supervision of these projects and actual and/or potential ecological, environmental, economic and social harm.”

The Panel registered the Request on June 18, 2010.

## MANAGEMENT RESPONSE

On July 20, 2010, Management submitted its Response, which included a plan of proposed actions. In this Response, Management asked the Panel to consider the Request ineligible on the basis that Management did not have the opportunity to respond to specific claims regarding the Quilleco Project.

To address the issues raised by the Requesters, Management proposed additional actions. Management expressed its commitment that it will “analyze as a first step the impact of the Quilleco diversion on the local hydrology and geohydrology, and, as a second step, the consequences, if any, on the availability of water to the agricultural and livestock activities of the local population living in the project area.” In addition, on the basis of the results of this analysis, Management proposed to explore potential follow-up actions. Management stated that this analysis and follow-up will take no longer than six months.

On August 23, 2010, the Panel received an Addendum to the Management Response stating Management’s understanding of the Requesters’ claims and describing a series of additional actions that Management intends to carry out in order to address the Requesters’ concerns. In particular, in this Addendum, Management stated that it “understands from discussions with the Inspection Panel that the concerns regarding water availability have crystallized around the potential impact of the Quilleco plant,” and that “Members of the Laja community have expressed concerns to the Inspection Panel that they believe that the Quilleco project is adversely affecting water availability.”

Notably, the Management Response stated that “additional due diligence should be carried out with respect to the issue of dam safety regarding the dams located upstream of the Quilleco project” and that Bank staff will consult with Endesa and the responsible Chilean authorities.

## PROJECT INFORMATION

### Quilleco Hydropower Project

Region:	Latin America and the Caribbean
Board Approval Date:	May 31, 2006
Closing Date:	December 31, 2012

## THE PANEL'S ELIGIBILITY REPORT AND RECOMMENDATION

Panel Chairperson Roberto Lenton and Panel consultant Eduardo Abbot visited Chile between August 8 and 12, 2010. During their visit, they met with a number of Requesters, officials from the Ministry of Finance and CONAMA, and officials from Colbún in Santiago, Chile. The Panel team also visited Santa Barbara, Tucapel, Valle del Laja, El Peumo, Los Notros, and the Alto Biobío, and met with communities affected by hydroelectric projects in those areas. The Panel submitted its Eligibility Report on August 23, 2010.

In its Eligibility Report, the Panel elaborated on the scope of its purview over this Request, as it was filed by a diverse group of affected people and raised issues related to different subprojects funded by various international financial institutions. Taking into consideration these factors, the Panel reasoned that regardless of how reasonable and justified the positions of all Requesters may be, *"it is not within the purview of the Panel to investigate allegations of policy noncompliance and related harm related to projects not financed by IBRD"* and that therefore, *"[a]ll references to the Requesters, the Request and the Project hereinafter relate only to the Quilleco Project."*

The Panel determined that the Requesters meet the criteria set forth in the Panel's Resolutions and Clarifications. The Panel's Eligibility Report stated that conflicting assertions and differing views on the issues of harm and compliance have been raised in the Request itself, Management's Response, and on-the-ground discussions with affected people during the Panel's visit to Chile. The Panel also noted Management's positive approach in responding to the grievances of the Requesters through the set of actions proposed by Management themselves.

On this basis, the Panel recommended deferring its decision on whether to recommend an investigation until more time has elapsed to determine if the issues and concerns raised by the Request can be addressed by Management's proposed actions.

## MANAGEMENT'S PROGRESS REPORT

On April 12, 2011, Management submitted its Progress Report to update the Board and the Panel on the actions undertaken by Management to address the Requesters' concerns. The Progress Report stated that the Bank had undertaken a study to reexamine whether the Quilleco Project *"has affected the hydrology and hydrogeology in areas surrounding the plant and, on that basis, to assess the impact on local communities (in part through a study on livelihoods)."* According to Management, these studies indicate two key conclusions: that *"[t]here is no relationship between the construction or operation of the Quilleco plant and either the water flow in the springs or the supply of well water"* and that *"the construction and operation of the Quilleco plant have not had any discernable impact on the Community's agricultural and livestock activities."*

In its Progress Report, Management made a commitment to continue to work with Colbún to enhance its communication and outreach to the communities and to ensure compliance with the social and environmental considerations of the ERPA. Management concluded that based on these studies and actions, the Bank has made diligent efforts to apply its policies and standards in the context of the Project and that the *"Requesters' rights or interests have not been adversely affected, nor are they at risk of being adversely affected, by a failure of the Bank to implement its policies and procedures."*

The Inspection Panel is in the process of finalizing its Recommendation Report to the Board.

# SOUTH AFRICA: PROPOSED ESKOM INVESTMENT SUPPORT PROJECT

REQUEST NO. 65 • IBRD Loan No. 78620-ZA

## THE REQUEST

On April 6, 2010, the Inspection Panel received a Request for Inspection related to the then proposed South Africa: Eskom Investment Support Project, to be financed by the International Bank for Reconstruction and Development (IBRD). The Request was submitted by community members living in the Project area in Lephalale in Limpopo Province through groundWork and Earthlife Africa, two nongovernmental organizations (NGOs) based in South Africa. The Panel registered the Request on April 7, 2010.

The Requesters contend, in the context of compliance with Bank policies, that local people living in the area of the Medupi Coal Fired Power Plant, a component of the Project, will be detrimentally affected. They state that communities in the area are concerned about potential health impacts from emissions from the Medupi power plant, the plant's use of already scarce water resources, destruction of grave sites and sources of traditional medicines owing to construction, involuntary resettlement caused by transmission lines, and impacts on livelihoods caused by negative effects from the plant on agriculture and eco-tourism. Their concerns are compounded by the cumulative impacts of multiple planned and existing power generation facilities in the area.

In addition, the Requesters express concern about environmental issues such as acid mine drainage, whether technology used in Medupi will sufficiently control emissions, and whether the World Bank's financing is consistent with Bank policy commitments relevant to the issue of climate change. The Request also lists economic concerns, including South Africa's ability to repay the IBRD loan and whether the Project will enhance energy access for the poor. Moreover, the Requesters are concerned that the Project is not consistent with the provisions and requirements of Bank policy on the Use of Country Systems, and express particular concern about Borrower capacity and past "track record."

---

## PROJECT INFORMATION

### Eskom Investment Support Project

Region:	Africa
IBRD Loan Amount:	US\$3.75 billion
Board Approval Date:	April 30, 2009
Closing Date:	October 31, 2015

## THE PROJECT

The Project seeks to support the government of South Africa's poverty alleviation and economic growth efforts by providing financing to Eskom Holdings Limited, a parastatal agency, so that it can meet the country's energy needs. The Project also seeks to support the government's efforts to mitigate the effects of climate change by providing concessional financing under the Clean Technology Fund for renewable energy projects. The Project has been processed by the World Bank under Operational Policy/Bank Procedure (OP/BP) 4.00 on Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank Supported Projects and consists of three components: the 4,800-megawatt Medupi coal-fired power plant with associated infrastructure; investments in two renewable energy projects and associated infrastructure; and low-carbon energy efficiency investments, including construction of a railway line for coal transportation and technical assistance for supply-side efficiencies.

## MANAGEMENT RESPONSE

Management submitted its Response to the Request on May 27, 2010, after receiving an extension from the Board of Executive Directors. In its Response, Management asserts that compliance with Bank guidelines, policies, and procedures has been assured.

Management explains that South African regulations require air quality impact analysis to examine cumulative impacts and that the impact of air emissions from the Medupi power plant on human health would be low. Management states that it is convinced that other local impacts of the Medupi Power Plant, such as water concerns and the conservation of cultural resources, would be negligible and would be appropriately managed by South Africa's various oversight departments and regulations. Management also asserts that South Africa has the legal and regulatory framework, and Eskom the institutional capacity, to carry out such a Project while adequately mitigating adverse impacts.

According to Management, climate change impacts of the Project have been carefully and adequately addressed in its design, and the government is committed to following a low-carbon path to economic development. Management believes presently there are no domestically available alternatives for energy generation other than coal, and that coal will "dominate" the energy mix in South Africa for the next 10 to 15 years. Management states that



the Project meets all six criteria of the *Development and Climate Change: A Strategic Framework for the World Bank Group*, which is required before the Bank can consider financing a coal power project

On the issue of economic impacts of the Project, Management states that the Project will not put undue stress on the poor or on the country's economic situation. Management writes that the payment on the principal amount of the loan will be no more than 0.1 percent of the country's total exports in any given year, and that though the Project will not finance new electricity connections to households, the government has made provisions for connecting the remaining 19 percent of unconnected households, the majority of whom are poor, by 2014.

Management reaffirms that extensive due diligence was carried out in the preparation of this Project and that the Requesters' rights have not been, nor will they be, directly and adversely affected by the Project.

### **THE PANEL'S ELIGIBILITY REPORT AND BOARD'S DECISION**

A Panel team visited South Africa from May 10 to 13, 2010. During its visit, the Panel met with the Requesters, government officials,

Eskom Holdings staff, Bank staff, and staff of groundWork and Earth-life Africa. The Panel also visited Lephalale in Limpopo Province, where the Requesters live, and met with local councilors, traditional chiefs, representatives of local NGOs, business forums, unions, and local residents claiming to be affected by the Medupi power plant. The Panel also met with members of national and local NGOs and academics in Johannesburg.

The Panel submitted its Report and Recommendation to the Board on June 28, 2010. In its Eligibility Report, the Panel recommended that an investigation be conducted owing to "*conflicting assertions and differing views on issues of harm and compliance with policies and procedures raised in the Request.*" The Panel's Eligibility Report emphasized that such investigation will also "*report on any steps and actions taken by Management during the course of the investigation to address the issues of compliance and the concerns raised by the Requesters.*" On July 29, 2010, the Board approved an investigation of the issues raised in the Request that relate to allegations of violations of World Bank operational policies and procedures.

### **INVESTIGATION**

The Panel is in the process of finalizing its Investigation Report.

# INDEPENDENT STATE OF PAPUA NEW GUINEA: SMALLHOLDER AGRICULTURE DEVELOPMENT PROJECT

REQUEST NO. 62 • IDA Credit No. 43740-PNG

## THE REQUEST

On December 8, 2009, the Inspection Panel received a Request for Inspection related to the Papua New Guinea: Smallholder Agriculture Development Project financed by the International Development Association (IDA). The Request was submitted by the Ahora/Kakandetta Pressure Group, affected customary landowners from Oro Province, and affected smallholders in one of the three project areas (the "Requesters"). The Requesters asked that their identities be kept confidential and that the Center for Environmental Law and Community Rights (CELCOR), a nongovernmental organization from Papua New Guinea, act as their designated representative. The Inspection Panel registered the Request on December 17, 2009.

The Requesters contend that the Project would limit their economic opportunities and pressure them to produce oil palm even though they believe oil palm cultivation will not raise their standard of living. They claim that under the Project, farmers will be unable to "enhance their living standards" given their "dependent relationship" and "unfair revenue sharing arrangement" with the estate mill, and that the Project will "reinforce" the Fresh Fruit Bunch pricing system, which, in their view, favors the milling companies over the smallholders. They also believe that the Project will cause environmental degradation and additional economic hardship by requiring growers to pay for road maintenance fees. Thus, in their view, by "embedding" these dependent relationships and raising levies, the Project will not enable smallholders to "lift themselves out of poverty" and will contribute to the existing poverty paradox, wherein high cash incomes do not translate to improved standards of living.

According to the Requesters, the "in-filling" aspect of the Project, or practice of planting oil palm adjacent to existing access roads, amounts to oil palm expansion, which will cause further indebtedness for smallholders. The Requesters add that the Project

has identified approximately 9,000 hectares of "vacant" land for new planting, rather than promoting more productivity on existing blocks. The Requesters state that the significant investment by the World Bank in the oil palm industry over the years has done "little to provide material improvement in smallholders' lives."

The Requesters claim that "World Bank and project sponsor have not consulted with claimants and other locally affected communities" and "project information was not broadly disseminated prior to project approval and is still not available, nor was it ever delivered in any language other than English." Despite the fact that they are indigenous people and customary landowners, the Requesters said that the World Bank did not provide them with an opportunity to provide input into the Project or discuss with them the impacts of the Project. The Requesters note that they have raised their concerns with the World Bank on a number of occasions, but state that they had not received any satisfactory response.

## THE PROJECT

The Project seeks to increase the income and improve livelihoods of smallholders already involved in oil palm production by enabling them to plant additional oil palm through "in-filling," rehabilitating and maintaining rural access roads, and improving local-level service provision and infrastructure through community participation. "In-filling" refers to planting new blocks of oil palm between established blocks of oil palm along existing access roads in the Nucleus Estate Scheme areas. The Project objectives are to be met through three components: smallholder productivity enhancement, local governance and community participation, and project management and institutional support. The Project will be implemented in three areas in Oro and West New Britain provinces over five years.

## MANAGEMENT RESPONSE

On February 8, 2010, Management submitted its Response to the Request for Inspection. In its Response, Management stated that it believed it had made "diligent efforts to apply its policies and procedures and to pursue concretely its mission statement in the context of the Project" and that "the Requesters' rights or interests have not been adversely affected by a failure of the Bank to implement its policies and procedures." That said, Management noted several areas for improvement.

---

## PROJECT INFORMATION

### Smallholder Agriculture Development Project

Region:	East Asia and Pacific
IDA Credit:	US\$ 27.5m
Board Approval Date:	December 18, 2007
Closing Date:	December 31, 2012

Management acknowledged that the Project was considered to be ambitious and “high risk” at appraisal, as it sought to address the issue of poorly maintained agricultural access roads through the introduction of a Road Maintenance Trust Fund (RMTF), and because of the weak institutional capacity of Project counterparts. This is why, according to Management, several conditions of effectiveness have been put in place to ensure these issues are addressed.

Management believes World Bank investment in the oil palm sector in Papua New Guinea since 1969 has had an overall positive impact and that oil palm is the best vehicle to improve rural livelihoods. Management states that the Project will continue to provide benefits in an environmentally and socially sustainable manner. Investment in rural access roads will also have an overall positive impact, as it will improve access to services such as health and education. Management claims improved roads will reduce costs of production because of lower transportation costs, thereby contributing to poverty reduction.

Management stated that a vast majority of the population living in the Project area was considered indigenous per Bank policy, and the government of Papua New Guinea undertook a social assessment and other necessary steps to ensure free, prior, and informed consultations, resulting in broad community support at all major stages of Project development. However, Management acknowledged that some requirements of the Operational Policy 4.01 on Environmental Assessment were not fully met and that further consultations would be undertaken as part of upcoming Project activities.

In light of the Request, Management agreed that there were areas for improvement and proposed several courses of action. The Bank will ensure that key documents are translated and made available by the Oil Palm Industry Corporation (OPIC) in the Project areas and that OPIC radio programs communicate key aspects of the Project to smallholders, and that an analysis of the impact of increased effluents resulting from Project activities will be undertaken. Management stated that it will also provide inputs to OPIC to ensure

that the design of the RMTF is done in a consultative way with the objective of ensuring sustainability, that the process will continue to involve smallholders, that adequate provisions will be made for the independent social and environmental audits, and that the grievance mechanisms under the Project will be strengthened.

## **THE PANEL'S ELIGIBILITY REPORT AND BOARD DECISION**

A Panel team visited Papua New Guinea from February 16 to 20, 2010. During its visit, the Panel team met with CELCOR, government officials, Bank staff, and representatives of the Oil Palm Industry Corporation. The Panel team also visited Popondetta in Oro Province where the Requesters live, and met with the signatories of the Request for Inspection and other smallholders. The Panel team also met with a representative of the local administration in Popondetta, the representatives of the OPIC field office, and representatives of the Popondetta Oil Palm Growers Association.

The Panel determined that the Requesters and the Request meet the eligibility criteria set forth in the Resolution that established the Inspection Panel and the 1999 Clarification. The Panel also noted that there are conflicting assertions and differing views on issues of harm and compliance with policies and procedures raised in the Request for Inspection, as evidenced by the various statements made in the Request, in the Management Response, and in the Panel's meetings with the Requesters, other smallholders, and Bank staff.

In light of these observations, on March 10, 2010, the Panel submitted its Report and Recommendation to the Board, in which it recommended that an investigation take place of the issues raised in the Request. On March 25, 2010, the World Bank Board of Executive Directors approved, on a no-objection basis, the Inspection Panel's Report and Recommendation.

## **INVESTIGATION**

The Panel is in the process of finalizing its Investigation Report.

# CONGO (DRC): PRIVATE SECTOR DEVELOPMENT AND COMPETITIVENESS PROJECT

REQUEST NO. 54/55/63 • IDA Credit No. 3815-DRC

## THE REQUESTS

Between February 27, 2009, and December 15, 2009, the Panel received three Requests for Inspection and a "petition" related to the Congo (DRC): Private Sector Development and Competitiveness Project (the "Project"). The first two Requests and the "petition" were submitted by former employees of the state-owned enterprise Générale des Carrières et des Mines (Gécamines). These employees were all affected by a retrenchment operation (the Voluntary Departures Program, VDP) supported by this Project. The third Request for Inspection related to another retrenchment operation financed by the same Project affecting former employees of three state-owned banks: the *Banque de Credit Agricole*, the *Banque Congolaise du Commerce Exterieur*, and the *Nouvelle Banque de Kinshasa*.

The Requesters claimed that as a result of the Project, the full amounts owed to them were not paid, and what was paid was not paid within the delays agreed upon. The Requesters stated that this operation led to "disastrous social conditions" for the affected ex-employees. Further, they referred to recalculations of the Congolese Labor Inspector, who estimated that the total amount that should be paid to the retrenched workers is higher than what was actually paid.

## MANAGEMENT RESPONSES

Management submitted two separate Responses. The first, dated April 27, 2009, was in relation to the Gécamines Requests (the First Response) and the second, dated March 9, 2010, was in relation to the Banks Request (the Second Response). This latter Response also included an update relating to the Gécamines Requests, a section on the social costs of public enterprises reforms in DRC, and a section on lessons learned in the context of this Project.

## PROJECT INFORMATION

### Private Sector Development and Competitiveness Project

Region:	Africa
IDA Credit:	US\$120m equivalent
Board Approval Date:	June 29, 2003
Closing Date:	December 31, 2012

In its First Response, Management stated that it "made every effort to apply its policies and procedures and to pursue concretely its mission statement in the context of the Project." Management added that "the Requesters' rights or interests have not been, nor will they be, directly and adversely affected by a failure of the Bank to implement its policies and procedures."

According to Management, the VDP took place between March 2003 and February 2004. Management stated that Gécamines had initially calculated the cost of terminating employment on a voluntary basis for 11,000 employees at around US\$120 million. As this represented an impossible financial burden, the government decided to put in place a program of mutually agreed separation. Management proposed to undertake a new survey of Gécamines *partants volontaires* (PVs) to gain a better understanding of their current situation. This survey would then help analyze whether special actions are needed for the PVs. The results of the survey would also provide a basis for further dialogue with the government on any specific actions that might be needed. Management also proposed to provide best practices technical assistance to the government on other retrenchment plans.

In its Second Response, Management provided an update on actions taken and actions to be taken concerning the VDP. Management stated that by September 2002, the government intended to place the three public sector banks identified as nonviable into liquidation. The government requested the World Bank's support to carry out the liquidation of the state-owned banks by (i) financing the liquidators and (ii) supporting the financing of severance packages for the banks' employees. Management proposed certain actions, such as providing technical assistance to the former employees of the liquidated banks to access the national pension system and providing support to the government to undertake a qualitative survey of former employees of the banks to gain a better understanding of their current situation. In the conclusion of its Second Response, Management stated that it believed that it followed the guidelines, policies, and procedures applicable to the matters raised by the Request. Concerning the ex-employees of Gécamines, Management stated that following the socioeconomic survey it conducted on the PVs, it proposed to the government additional measures for follow-up in the Project. These additional measures include assistance to the PVs to get access to health, education, and national pension

benefits. Management also proposed including assistance to the government in elaborating a strategy to address the social dimension of the ongoing public enterprise reform and the provision of technical assistance to reform the national pension system. This strategy, according to Management, would aim at building a consensus within the government and with the social partners, while being fiscally sustainable. This proposed strategy includes (i) settlement of social debts, (ii) sound management of redundancy programs, and (iii) review of the legal and regulatory framework for human resources management. Concerning the lessons learned, Management stated that it learned important lessons from the retrenchment programs of Gécamines and the three banks, and has integrated these lessons into the design of new operations.

### **THE PANEL'S ELIGIBILITY REPORTS AND BOARD DECISION**

On May 27, 2009, the Panel submitted to the Board of Executive Directors an initial Report and Recommendation regarding the eligibility of the Gécamines Requesters and Requests. In that report, the Panel determined that Requests and Requesters met the eligibility criteria set forth in the Resolution establishing the Panel. The Panel noted that Management stated its willingness to undertake a survey for the purpose of analyzing the need for special actions for the Gécamines ex-employees, and to enter a dialogue with the government on any specific actions. Furthermore, the Requesters stated their willingness to see whether this survey would lead to an effective resolution of their concerns. On this basis, the Panel recommended that, in fairness to all parties concerned, it will not take a position at that time on whether the issues of noncompliance and harm raised in the Requests merited an investigation. On June 11, 2009, the Board approved, on a no-objection basis, the Panel's recommendation.

On April 5, 2010, the Panel submitted to the Board of Executive Directors its Second Report and Recommendation regarding the eligibility of the Requesters and Request of the former employees of three state-owned banks. In this second eligibility report, the

Panel determined that the third Requesters are legitimate parties under the Resolution to submit a Request for Inspection to the Inspection Panel. The Panel also noted that the Requests for Inspection submitted nearly one year earlier had triggered or stimulated several actions and proposals to address the concerns of the Requesters. The Panel noted that it could not present definitive views on the socioeconomic survey of the Gécamines' ex-employees but noted some of the analysis it contained. The Panel noted that Management provided the Panel a legal note on January 13, 2010, which stated that (i) the VDP was a legally valid operation, even if certain benefits owed to the participants were not taken into consideration in the negotiations; (ii) the VDP was a negotiated process which included salary arrears and other benefits. However, it did not include the amounts that were due between the date of calculation of indemnities and the date of effective payment of compensation; and (iii) the VDP did not preclude ex-employees from claiming rights or benefits at a later stage before competent courts. The Panel further noted that Management's Second Response was very constructive in the sense that it contained an action plan, a strategy to support the government of DRC in its reform of public enterprises, and lessons learned in the context of this Project.

The Panel further noted that Management's proposed actions will take additional time to be operational. This required the Panel to wait until some progress could be observed in order to issue an opinion on the effectiveness of the proposed measures. On April 19, 2010, the World Bank Board of Executive Directors approved the Recommendation of the Panel to provide additional time for Management to implement the proposed action plan and strategy to address concerns of affected people raised in the three separate Requests relating to this Project.

On May 5, 2011, the Panel received Management's Progress Report on the implementation of this action plan. At the time of the draft of this Annual Report, the Panel was in the process of considering Management Progress Report in order to determine its Recommendation.





## ACTIONS ON EARLIER REQUESTS

*Management Progress Reports*

# ALBANIA: INTEGRATED COASTAL ZONE MANAGEMENT AND CLEANUP PROJECT

---

REQUEST NO. 47/48 • IDA Credit No. 4083-ALB

## PROGRESS REPORT No. 3

### Implementation of Management Action Plan in Response to Inspection Panel Investigation Report

On July 1, 2009, Management submitted its first Progress Report on the developments in implementation of the Action Plan. On February 26, 2010, Management presented the second Progress Report on the same issue. The third Progress Report (hereinafter, "the Progress Report") was submitted on February 16, 2011, and like the previous two Progress Reports, it provided information on the implementation of actions of the Management Action Plan discussed by the Executive Directors on February 17, 2009 in response to the Inspection Panel Investigation Report.

The focus of the Progress Report was on the actions requiring continuous monitoring related to the implementation of the Letter Agreement with the government of Albania concerning the independently monitored judicial review of the Requester's claims affected as a result of the 2007 demolitions. The Progress Report also provided information on the implementation of the restructured Project approved by the Board of Executive Directors on March 22, 2010.

The Progress Report stated that the World Bank continues to provide assistance for an independently observed case-by-case review before the Albanian Judiciary of the Requesters' claims. The Progress Report also stated that all nine Requesters have filed cases in Tirana District Court and that these cases started and are progressing at different times and speeds between December 2009 and March 2010.

The Progress Report informed that the consultants delivered the Social and Vulnerability Assessment study (SVA) to the Ministry of Labor, Social Welfare and Equal Opportunities in January 2011. According to the Management, the key products of this SVA include "(i) development of a methodology to assess vulnerability, including a vulnerability index which can be applied at the household and individual levels; and (ii) four scenarios for assessing and mitigating vulnerability based on guiding principles for decision-makers needed to provide acceptable solutions going forward." The Progress Report also stated that the Bank will be following up with the Ministry Staff to discuss their reactions to the study and will then explore with key government decision makers their thinking about possible implementation of the different options and principles suggested in the study.

According to the Progress Report, the Albania Coastal Zone Management and Cleanup Project was restructured in March 2010 in close collaboration with the government of Albania, and suspension on the disbursements of International Development Association funds was lifted in June 2010. The Progress Report stated that the implementation resumed with validation of the designs of large infrastructure investments prepared in 2007 and 2008 to ensure that proposed investments are up-to-date with current needs and compatible with environmental and social safeguards. The Progress Report also informed that Management will report to the Board with the next Progress Report on the implementation of the Management Action Plan by the end of 2011.



## UGANDA: PRIVATE POWER GENERATION PROJECT

---

REQUEST NO. 44 • Guarantee No. BO130-UG

### **Second Progress Report to the Board of Executive Directors on the Implementation of Management's Action Plan in Response to the Inspection Panel Investigation Report**

The Inspection Panel submitted its Investigation Report No. 44977-UG on the Uganda: Private Power Generation (Bujagali) Project to the Board of Executive Directors on August 29, 2008. On November 7, 2008, Management submitted its Report including a detailed Management Action Plan (MAP), developed in response to the Inspection Panel's Investigation Report. On December 4, 2008, the Executive Directors discussed the above reports and endorsed the MAP proposed by Management with additional specific actions as summarized in the joint press release issued after the Board meeting. The Board also asked that Management report on the progress in implementing the MAP every six months. The first such report was submitted on September 17, 2009. The second Progress Report was submitted on April 1, 2011 (hereinafter, "the Progress Report").

The Progress Report further informed about the progress of actions and outcomes since the First Progress Report submitted in August 2009, and also stated that the following Management Action Plan activities comprise the priority programs and continue to be monitored:

- (a) Implementation of the Sustainable Management Plan for the Kalagala Falls Offset;
- (b) Implementation of a stand-alone Cultural Property Management Plan;
- (c) Assessment of socioeconomic impacts on affected communities, specifically, progress in achieving livelihood restoration, community development, and assistance to vulnerable groups; and
- (d) Implementation of an acceptable program for resolving cultural and spiritual issues.

The Progress Report also provides a summary of supervision issues and measuring outcomes with information on the estimated financing of mitigation measures, as well as gives a time line of activities for addressing the cultural and spiritual issues. Finally, the Progress Report informed that Management will update the Board of Executive Directors on the Action Plan progress in 12 months in its final Progress Report.

The Progress Report can be found on the Panel's website at [www.inspectionpanel.org](http://www.inspectionpanel.org).

## NIGERIA: WEST AFRICA GAS PIPELINE

---

REQUEST NO. 40 • Guarantee No. B-006-0-GH

### **Third Progress Report to the Board of Executive Directors on the Implementation of Management's Action Plan in Response to the Inspection Panel Investigation Report on the West African Gas Pipeline (WAGP) Project**

On April 25, 2008, the Inspection Panel submitted its Investigation Report No. 42644-GH on the West African Gas Pipeline (WAGP) Project to the Board of Executive Directors. On June 30, 2008, Management submitted its Report and Management Action Plan (MAP), developed in response to the Inspection Panel's Investigation Report.

On August 5, 2008, the Executive Directors discussed the above reports and endorsed the MAP proposed by Management. The Board also asked that Management report on the progress in implementing this action plan in six months. The first Progress Report, covering the period August 2008–January 2009, was submitted in February 2009, and the second, covering the period February 2009–August 2009, was submitted in October 2009.

According to the Progress Report, significant progress has been made on the physical works: *"(i) while Takoradi (Ghana) station had already started free flow gas in April 2009, it was followed by Tema (Ghana) in August 2010; (ii) facilities at Lome (Togo) were pressured up ready to commence free flow in October 2010, while Cotonou (Benin) was completed in December 2010; (iii) all works at Itoki in Nigeria (the inlet point for WAGP system) have been completed; (iv) Lagos Beach Compressor Station (LBCS) is also completed and commissioning activities are underway, after which compressed gas would be delivered to Benin, Togo and Ghana."*

With regard to the implementation of the MAP, the Progress Report describes a number of accomplishments related to social resettlement and compliance, as well as actions that aim at strengthening the social compliance of WAGP as identified by the independent Environment and Social Advisory Panel.

The Progress Report also points out that while the Project is in an advanced stage of completion, the only major challenge in implementing the MAP relates to the development and operationalization of livelihood restoration strategies, and ensuring the functionality and sustainability of the Community Development Projects.

According to the Progress Report, there are two issues external to the Project that can enhance the value of the Project for the contracting countries such as government of Nigeria's attention to address vulnerability of the gas transmission infrastructure and an increasing gas throughput in the pipeline over and above the 133 mmcf/d currently planned to meet projected higher demand for gas by Benin, Togo, and Ghana. The Progress Report also stressed that *"the Bank Task Team has drawn attention of all stakeholders to the contractual framework, and is encouraging them to enter into commercial negotiations for any additional supplies."*

The Final Report acknowledged that maintaining strong supervision, close monitoring, and high-level dialogue are critical for the Project. Therefore, since the Project is expected to be fully operational in the first quarter of 2011, Management proposed to report to the Executive Directors for one final time by December 2011.

# CONGO (DRC): TRANSITIONAL SUPPORT FOR ECONOMIC RECOVERY GRANT AND EMERGENCY ECONOMIC AND SOCIAL REUNIFICATION SUPPORT PROJECT

REQUEST NO. 37 • IDA Credit No. 3824-DRC; IDA Grant No. H-064-DRC

## **Second Progress Report to the Board of Executive Directors on the Implementation of Management's Action Plan in Response to the Democratic Republic of Congo Inspection Panel Investigation Report on Economic Reunification Project**

**March 2011**

On August 31, 2007, the Inspection Panel submitted its Investigation Report, which addressed compliance with Bank policies with respect to specific forestry sector activities in two Bank-financed projects in the Democratic Republic of Congo (DRC). On November 19, 2007, Management submitted its Report and Recommendations in response to the Inspection Panel's Investigation Report. On January 10, 2008, the Board discussed the Inspection Panel Investigation Report and Management's Report, endorsed the Action Plan, and asked that Management report back on the progress with implementation of this Action Plan after one year. The first Progress Report was submitted to the Inspection Panel and the Executive Directors in March 2009.

The Progress Report provides a summary of the status of implementation of the Action Plan and describes in detail four main areas such as improving and scaling up work in the region on safeguards and sound environmental and social design and implementation of the portfolio, scaling up the work on indigenous peoples in DRC and ensuring that the relevant safeguards are appropriately triggered, supporting the forest policy reform agenda in DRC, and scaling up the forestry work, and improving outreach and communications.

When describing safeguards, the Progress Report stated that progress has been made in increasing staffing and decentralizing environmental and social specialists to ensure that safeguards are adequately and promptly addressed during project preparation and implementation. Moreover, according to the Progress Report, rosters of environmental and social experts are in the process of being finalized, allowing task teams to draw on such resources.

According to the Progress Report, a "Framework for a National Development Strategy for Pygmy Communities in DRC" was developed by the Bank with the government and development partners, and after consultation of key stakeholders. The Framework aims to analyze factors that threaten the cultural identity of Pygmy populations and contribute to their impoverishment, and develop a set of proposed actions to mitigate them. The Progress Report also stated that this Framework would provide an informed basis on which a national and longer-term strategy would be developed by the government in 2011.

The DRC government has continued to pursue the reform agenda defined in the "Forests in Post-Conflict DRC: Analysis of a Priority Agenda," moving toward a more modern approach to forest management supporting a mosaic of different uses.

Concerning forest concessions, Management's first Progress Report stated that there had been a "dramatic reduction" in area of forest under logging concession management. In its Second Progress Report, Management indicated that 80 out of 156 concessions have been validated by the Government, and that the area of long term forest management concessions in DRC has been reduced to 12.2 million hectares. These converted areas are validated on the condition that the concessionaires are able to successfully negotiate social responsibility contracts with local and indigenous populations. Management also added that no cases of breach of the moratorium have been observed by the Bank since January 2008.

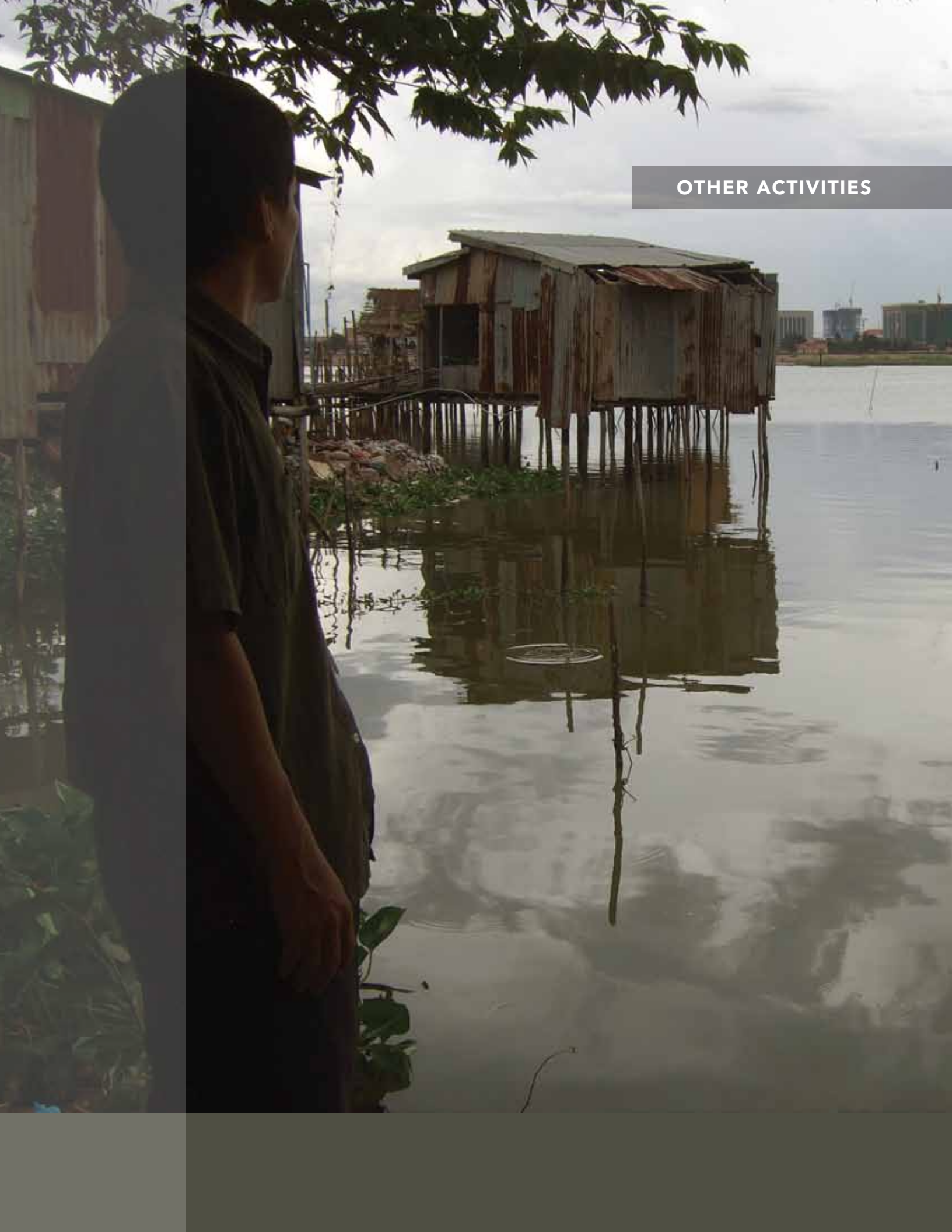
In terms of Independent Monitoring, Management stated that the Government hired Global Witness in 2007 to learn more about independent monitoring and test its relevance in DRC. According to Management, this work revealed that legal and administrative instruments and implementation arrangements were inadequate to protect DRC's forests from illegal logging. Management added that this test convinced the Government of the need to bring in an international independent observer. This was reinforced by the conclusions of a July 2009 Forest Monitor workshop in Kinshasa which was attended by 19 national civil society organizations as well as international NGOs.

Describing outreach and communication, the Progress Report pointed out that the Bank has scaled up its work both outside and especially inside DRC. According to the Progress Report, the Ministry of Environment will use part of the Forest and Nature Conservation Project grant to develop a communications plan, including a website, to be upgraded regularly, to make available basic information on forest management.

In the conclusion, the Progress Report stressed that over the coming year, Management will continue monitoring and strengthening the capacity of the above-described areas, as it is critical for the Project.

The Progress Report also informed that Management will prepare another progress report in 12 months' time on the progress in the implementation of the Action Plan.





**OTHER ACTIVITIES**

## OUTREACH ACTIVITIES

---

### **Meeting of Accountability Mechanisms**

On June 22–23, 2011, the Panel participated in the Eighth Annual Meeting of Independent Accountability Mechanisms. The meeting, which was hosted by the Independent Consultation and Investigation Mechanism of the Inter-American Development Bank (IADB) at the Enrique V. Iglesias Conference Center, included the participation of more than 10 mechanisms of different international financial institutions. This two-day meeting included discussions of topics such as compliance review, solution seeking, advisory function, and upstream engagement.

### **Symposium on the Challenges of International Accountability: Lessons from Independent Accountability Mechanisms**

The Inspection Panel and the American University Washington College of Law (AU WCL) cosponsored a symposium on the “Challenges of International Accountability—Lessons from Independent Accountability Mechanisms.” The symposium was held at AU WCL on June 24, 2011.

The objective of the symposium was to exchange ideas and best practices on the accountability of international institutions involved in the work of sustainable development. The symposium provided an opportunity to learn about, and reflect critically upon, the experiences of independent international accountability mechanisms (IAMs) at international financial institutions (IFIs) around the world. These IAMs, which integrate problem-solving and compliance review functions, offer an independent forum for affected citizens and communities to seek grievance redress and accountability of IFIs to comply with their policies and procedures designed to avoid harm to people and the environment, in support development effectiveness in IFI operations.

The symposium began with an “IAM Marketplace” and was followed by speakers presenting on the role of accountability mechanisms in international financial institutions.

The symposium considered the work of these IAMs, addressed questions at the cutting edge of international accountability, and considered opportunities to transfer lessons to other organizations, including the private sector. Participants included members of the IAMs and participants from the financial, development, and academic communities.

The Symposium included three sessions on the following topics:

1. IAMs’ Effectiveness and Credibility
2. Sovereignty and Accountability
3. Accountability and the Private Sector

The “IAM Marketplace,” cohosted by the Compliance Review Mechanism of the Asian Development Bank, was an informal gathering during which different IAMs exposed information about their mechanisms. Participants had an opportunity for informal and individual dialogue.

The symposium served as an excellent forum for experts in the field of international accountability, and offered a meaningful discussion on the future of IAMs at IFIs. More than 140 people attended the event. More information and a video of the symposium can be found at The Panel’s website: [www.inspectionpanel.org](http://www.inspectionpanel.org).

### **UN Permanent Forum on Indigenous Peoples**

On May 18, 2011, Inspection Panel Executive Secretary Peter Lallas participated as speaker in a side event to the UN Permanent Forum on Indigenous Peoples on the topic of “Multilateral Development Banks and the Recourse Mechanisms: Opportunities and Challenges for Indigenous Peoples.” Mr. Lallas introduced the Panel and described its availability and work over the years in responding to grievances from indigenous communities affected by World Bank–financed projects. The session was widely attended, and included presentations by representatives of recourse mechanisms at other IFIs. Additional information can be found on the website of the Indigenous Peoples’ International Centre for Policy Research and Education, Tebtebba, at [www.tebtebba.org](http://www.tebtebba.org).

### **Conference on UN Millennium Goals**

On November 12, 2010, Inspection Panel Executive Secretary Peter Lallas participated as speaker in a discussion on “The UN Millennium Goals in Perspective” during a conference on “Global Problems, Global Solutions,” sponsored by Carnegie Mellon University, La Roche College, and others, in Pittsburgh, Pennsylvania. The session was attended by a large gathering of students and faculty, members of civil society, and development specialists, and provided an opportunity to build awareness about the existence and role of independent accountability and recourse mechanisms in the work of international development.

### **American University's Washington College of Law Summer Session Presentation**

On June 7, 2011, the Inspection Panel hosted 40 students from American University's Washington College of Law Summer Session. Having learned the basics about the Panel during their summer course, the students were mostly interested in learning about the difference the Inspection Panel makes, and the impact it has had on the World Bank as an institution. They were also keen to know how Bank Management responds to complaints filed with the Inspection Panel and how solutions to grievances are arrived

at. Another interesting topic discussed was around discerning the trends in the policies and procedures that constitute Panel claims and the types of problems Requesters are commonly raising.

### **The Panel's Newsletter**

In addition to the above outreach activities, the Panel published its fourth *Update Newsletter*, which contained a summary of Panel cases and the Panel's process in reviewing its Operating Procedures. To subscribe to the Panel's newsletter, please send an e-mail to the Inspection Panel staff at [ipanel@worldbank.org](mailto:ipanel@worldbank.org).

## REVIEW OF THE OPERATING PROCEDURES

---

In the past fiscal year, the Inspection Panel embarked on a public dialogue and consultation process to review and enhance the effectiveness and efficiency of its operational work, within the ambit of the Resolution establishing the Panel and its subsequent Clarifications. The process is designed to create opportunities for dialogue and consultation with stakeholders who are interested in the Panel's work and issues of public accountability of international financial institutions, and will result in an update by the Panel of its Operating Procedures.

The dialogue will build upon Panel experience and practice over the years, a brainstorming session in December 2010 on "The Panel in the 21st Century," and some recent innovations in the Panel's work. It will also provide an opportunity to take into account an external review of oversight and accountability units of the World Bank, a self-assessment of these units carried out last year, and evolving World Bank initiatives in the areas of lending instruments, operational policies, and grievance redress, all of which have implications for accountability and the Panel process. The update process will consist of the following stages:

- Internal analysis of the existing framework to clarify the basis and boundaries for the update of the Operating Procedures, and preparatory discussions on the proposed process (March–May 2011, completed).
- Targeted discussions on the Panel process with Board members, Management, Requesters, and other stakeholders, to identify issues, concerns, and opportunities for enhancing the Panel process (May–September 2011). This phase will result in a short paper describing the key features of a proposed updated Panel process based on the input received (October 2011).
- Release of draft updated Operating Procedures by the Panel, taking into account above discussions and input (late fall 2011), followed by consultations on the draft (winter 2011/2012). The Panel will finalize the new operating procedures, inform the Board, and publicly release the procedures (by end June 2012).

These steps will be led by the Panel and coordinated on an operational basis by the Panel Executive Secretary and staff. The targeted discussions and consultations will reach out to internal stakeholders (World Bank Board, Senior Management, and staff) and external stakeholders (Requesters, civil society, peers in the public accountability field, etc.). As part of the process, the Panel will explore opportunities to "pilot" new ideas and procedural approaches in specific casework that may arise, always within the Panel's mandate and Resolution.

The Panel is planning to create a space on the Panel website with further information on this process and how to provide comments. Initial topics for consideration are—

- Improving public awareness of the Panel's availability as an accountability and recourse mechanism;
- Supporting due diligence and interaction with Requesters at the registration phase of the Panel process;
- Ensuring clarity of information in describing findings on eligibility;
- Fostering opportunities for Management to address problems during the early stages of the Panel process, building on (or codifying) recent Panel practice and lessons from other accountability mechanisms;
- Speeding up the investigation process;
- Improving transparency, including Requesters' access to Panel investigation findings when action plans to address these findings are being developed;
- Promoting effective interaction with the Board, Management, governments, and Requesters throughout the Panel process;
- Finding additional means to promote corporate learning as a result of Inspection Panel investigations and work; and
- Fact-finding follow-up to investigations to check results on the ground, and inviting inputs from all parties on the effectiveness and outcomes of the process.



## APPENDIXES



## BIOGRAPHIES OF THE PANEL MEMBERS AND THE EXECUTIVE SECRETARY



**Mr. Roberto Lenton** (Argentina) was appointed to the Panel in September 2007 and became its chair in November 2009, succeeding Werner Kiene in this role (see appreciation, page xvi). He earned a civil engineering degree from the University of Buenos Aires and a Ph.D. from the Massachusetts Institute of Technology (MIT). A specialist in water resources and sustainable development with more than 30 years of international experience in the field, he serves

as chair of the Water Supply and Sanitation Collaborative Council and member of the board of directors of WaterAid America, and served until July 2009 as chair of the technical committee of the Global Water Partnership. Mr. Lenton is a coauthor of *Applied Water Resources Systems* and coeditor of "Integrated Water Resources Management in Practice," and a lead author of *Health, Dignity and Development: What Will it Take?*, the final report of the United Nations Millennium Project Task Force on Water and Sanitation, which he cochaired. Earlier, Mr. Lenton was director of the Sustainable Energy and Environment Division of the United Nations Development Programme in New York, director general of the International Water Management Institute in Sri Lanka, and program officer in the Rural Poverty and Resources program of the Ford Foundation in New Delhi and New York. He has served as adjunct professor in the School of International and Public Affairs at Columbia University and assistant professor of civil and environmental engineering at MIT.



**Mr. Alf Jerve** (Norway) was appointed to the Panel in November 2008. Mr. Jerve brings to the Panel close to three decades of work in the field of development. A social anthropologist by training, he has been engaged in a wide range of development activities, including extensive field research in Africa and Asia. Among his assignments was a three-year posting to Tanzania with the Norwegian Agency for Development Cooperation as coordinator of a rural development

program. From 1993 to 1995, he was responsible for resettlement and rehabilitation issues with projects in Bangladesh during an assignment with the World Bank. In 1995, he became Assistant Director, and served as Director in 2005 and 2006, at the Christian Michelsen Institute in Norway, an internationally recognized development research institution, where he has also devoted his energies and expertise to research and analysis of a wide variety of policy and program issues affecting people in developing countries. Over the years, Mr. Jerve has led and participated in numerous independent evaluations commissioned by bilateral and multilateral development agencies, and served as a member of the Roster of Experts for the Asian Development Bank's Inspection Function. He earned his magister degree in social anthropology from the University of Bergen, and his bachelor's degree is in the areas of environmental science and biology. His publications have focused on rural development, decentralization, and poverty reduction and most recently on issues of ownership in development aid cooperation.



**Ms. Eimi Watanabe** (Japan) was appointed to the Inspection Panel on November 1, 2009. Throughout her career, Ms. Watanabe has demonstrated a commitment to applying analytical as well as participatory approaches to development programs, and a strong track record of working collaboratively with civil society organizations, governments, and other development organizations. A sociologist by training, she has been involved in a wide range of substantive areas, at both the project and policy levels, including poverty

reduction, governance, gender, child health and nutrition, capacity development, environment, and international migration. Ms. Watanabe earned an M.Sc. and Ph.D. from the London School of Economics and received a B.A. in sociology from the International Christian University in Tokyo. From 1998 to 2001, she served as assistant secretary general and director of the United Nations Development Programme (UNDP) Bureau for Development Policy. Prior to that, she was UN resident coordinator and UNDP resident representative in Bangladesh, and UNICEF Representative in India. Recently she has served as a member of the Strategic and Audit Advisory Committee of the United Nations Office for Project Services. Ms. Watanabe brings to the Panel more than 30 years of experience in the field of development.



**Mr. Peter Louis Lallas** (United States) became the Inspection Panel's Executive Secretary on January 1, 2007, following the retirement of the Panel's longtime Executive Secretary Mr. Eduardo Abbott. Mr. Lallas has nearly two decades of experience in the fields of international cooperation and law, working in a variety of institutions, settings, and countries. He has held positions as legal adviser on international law and organizations in the United Nations Food and Agriculture Organization (FAO) in Rome; as

Director of the International Environmental Law Office of the U.S. Environmental Protection Agency (EPA) in Washington, DC; in the European Commission in Brussels; and in an active Brussels law practice in international law, trade law, and European Community law. Mr. Lallas served as the Inspection Panel's deputy executive secretary prior to becoming executive secretary. He holds a J.D. from Harvard University Law School (1986) and a B.A. in economics with distinction and honors from Stanford University (1981). Over the years, Mr. Lallas has taught on international law and policy issues, including as adjunct professor on international environmental policy in the Masters of Science Program of Georgetown University. He has authored and coauthored a number of publications on international law, cooperation, and sustainable development, and has been honored many times for his work.

## GUIDANCE ON HOW TO PREPARE A REQUEST FOR INSPECTION

The Inspection Panel needs some basic information in order to process a Request for Inspection:

1. Name, contact address, and telephone number of the group or people making the request.
2. Name and description of the Bank project.
3. Adverse effects of the Bank project.
4. If you are a representative of affected people, attach explicit written instructions from them authorizing you to act on their behalf.
3. Are you familiar with Bank policies and procedures that apply to this type of project? How do you believe the Bank may have violated them?
4. Have you contacted or attempted to contact Bank staff about the project? Please provide information about all contacts, and the responses, if any, you received from the Bank. You must have done this *before* you can file a Request.
5. Have you tried to resolve your problem through any other means?
6. If you know that the Panel has dealt with this matter before, do you have new facts or evidence to submit?

These key questions must be answered:

1. Can you elaborate on the nature and importance of the damage caused by the project to you or those you represent?
  2. Do you know that the Bank is responsible for the aspects of the project that has or may affect you adversely? How did you determine this?
- Please provide a summary of the information in no more than a few pages. Attach as separate documents as much other information as you think necessary. Please note and identify attachments in your summary.

*You may wish to use the accompanying model form.*

**MODEL FORM:  
REQUEST FOR INSPECTION**

To: Executive Secretary, The Inspection Panel  
1818 H Street NW, MSN 10-1007, Washington, DC 20433, USA  
Fax No.: 202-522-0916;  
or The Inspection Panel, P.O. Box 27566, Washington, DC 20038, USA  
or c/o the appropriate World Bank Country Office

1. We **[insert names]** live and/or represent others who live in the area known as **[insert name of area]**.  
Our addresses are attached.
2. We have suffered, or are likely to suffer, harm as a result of the World Bank's failures or omissions in the **[insert name and/or brief description of the project or program]** located in **[insert location/country]**.
3. **[Describe the damage or harm you are suffering or are likely to suffer from the project or program.]**
  
4. **[List (if known) the World Bank's operational polices you believe have not been observed.]**
  
5. We have complained to World Bank staff on the following occasions **[list dates]** by **[explain how the complaint was made]**. We have received no response, **[or]** we have received a response and we are not satisfied that the explanations and answers solve our problems for the following reasons:
  
6. We request the Inspection Panel recommend to the World Bank's Executive Directors that an investigation of these matters be carried out.

Signatures:

Date:

Contact address, telephone number, fax number, and e-mail address:

List of attachments

We **[do/do not]** authorize you to disclose our identities.

## THE INSPECTION PANEL BUDGET

JULY 1, 2010–JUNE 30, 2011

Salaries <sup>a</sup>	\$1,104.18
Benefits <sup>a</sup>	552.02
Communications & IT Services	97.42
Office Occupancy	172.51
Equipment and Building Services	1.49
Temporaries	68.65
Consultants <sup>b</sup>	886.44
Travel	413.16
Representation and Hospitality	5.88
Publications	54.17
Contractual Services	69.92
Other Expenses	0.59
<b>Total</b>	<b>\$3,426.42</b>

Note: Numbers may not add to totals due to rounding.

<sup>a</sup>. Includes Chairperson's salary and benefits.

<sup>b</sup>. Includes Panel Members' fees.



The Inspection Panel 

1818 H Street, NW  
Washington, DC 20433 USA

Telephone: 202.458.5200  
Facsimile: 202.522.0916  
E-mail: [ipanel@worldbank.org](mailto:ipanel@worldbank.org)  
Internet: [www.inspectionpanel.org](http://www.inspectionpanel.org)



THE WORLD BANK

A free publication

SKU 32619