



The Inspection Panel 

Annual Report

JULY 1, 2011–JUNE 30, 2012



THE INSPECTION PANEL

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JULY 1, 2011–JUNE 30, 2012

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ABBREVIATIONS AND ACRONYMS

BP	Bank Procedure
BEL	Bujagali Energy Limited
BKL	Boeung Kak lake
CAO	Compliance Advisor Ombudsman (of the International Finance Corporation)
CDP	Community Development Projects
CELCOR	Center for Environmental Law and Community Rights
DRC	Democratic Republic of Congo
EBML	Establishment of the Water of Beirut Mount Lebanon
EIA	Environmental Impact Assessment
EISP	Eskom Investment Support Project
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
FGD	flue gas desulphurization
GBWSP	Greater Beirut Water Supply Project
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IPP	Indigenous Peoples Plan
ISWMS	Integrated Solid Waste Management Strategy
KPP	Kosovo Power Project
LPTAP	Lignite Power Technical Assistance Project
MCWAP	Mokolo-Crocodile Water Augmentation Project
MPWSRP	Madhya Pradesh Water Sector Restructuring Project
NET	National Environmental Tribunal
NGO	nongovernmental organization
NRRA	Njumbi Road Residents' Association
OD	Operational Directive
OMS	Operational Manual Statement
OP	Operational Policy
OPIC	Oil Palm Industry Corporation
OpMemo	Operational Memoranda
OPN	Operational Policy Note
RAP	Resettlement Action Plan
RMTF	Road Maintenance Trust Fund
RSDS	Read Sea–Dead Sea Water Conveyance
SADP	Smallholder Agriculture Development Project
SDR	Safeguard Diagnostic Review
SNGWIP	Second Norte Grande Water Infrastructure Project
VDP	Voluntary Departures Program
WAGP	West African Gas Pipeline Project
WB	World Bank
WBG	World Bank Group



Papua New Guinea: Smallholder Agriculture Development Project

LETTER OF TRANSMITTAL

The Annual Report of the Inspection Panel for the period July 1, 2011, to June 30, 2012, 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 steadfast 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 expresses special appreciation to Requesters and to Bank staff for their constructive cooperation during the course of its work.



Kazakhstan: South-West Roads: Western Europe—Western China International Transit Corridor—
section of the road being widened

MESSAGE FROM THE PANEL

It is our pleasure to present the Inspection Panel Annual Report for the past fiscal year. Our work program included new and ongoing cases, a review of the Panel's Operating Procedures, and activities to build awareness of the Panel.

The role of the Inspection Panel is to respond to concerns of people and communities affected or likely to be affected by projects funded by IBRD and IDA. The Panel continued to provide an important "check and balance" function for the Board of Directors on matters of compliance with Bank policies.

As this report describes, the Panel dealt with 11 cases in the past year. Specifically, it completed two investigations, received and addressed four new complaints—i.e., Requests for Inspection—and completed its work on five Requests that had been filed in previous years. In addition, the Bank management submitted progress reports to the Board of Directors on six cases, following the outcomes of Panel investigations of previous years.

Infrastructure projects, related to power generation and distribution, water management and supply, and transport, continue to dominate Requests that the Panel receives. However, projects affecting traditional users of land, through zoning, conservation, forest or agriculture concessions, or land titling, have generated Requests more frequently. Although we fully appreciate the challenges of designing and implementing complex projects that inevitably involve changing land use and access to land-related resources, it is important to give voice to the people who may suffer from the unintended consequences of such development interventions. In that respect, the Panel is available to help the Bank address the concerns of affected people and to serve as an accountability and

recourse mechanism to improve the developmental impact of the Bank's projects worldwide.

The past year has also been a time of reflection and assessment of the Panel process. As part of a review and update of its Operating Procedures, the Panel has conducted a series of consultations both within the Bank and with civil society organizations, former Requesters, and other external stakeholders. Along with valuable inputs on how to make the Panel process more efficient and effective from the perspectives of the various parties engaged in Panel cases, this exercise will help us to foster more constructive interactions with those involved in the Panel process and to describe our operational practices within the Panel mandate.

At the Rio+20 Summit in June 2012, the international development community debated how to manage finite global resources amid increasing demand and threats of climate change. As many at the Rio meeting advocated, the quest for sustainable development raises important issues of accountability and transparency. In light of that debate, it is noteworthy that the Inspection Panel, jointly with other Independent Accountability Mechanisms of International Financial Institutions, and building on their experience, worked to promote and raise awareness of the principle of citizen-driven accountability in international development, both at the Summit and through other forums and networks.

We thank all those with whom we have worked during the past year: the Requesters for their trust, cooperation, and patience throughout the Panel process; the Board of Directors for their lasting support and appreciation of our work; our civil society partners for their insights and observations; and the Bank management and staff for their efforts in addressing the concerns of people in often complex and challenging projects.

Alf Jerve, Chairperson
Roberto Lenton, Panel Member
Eimi Watanabe, Panel Member
June 30, 2012

SUMMARY OF PANEL CASES THIS FISCAL YEAR:

INVESTIGATIONS COMPLETED

Papua New Guinea: Smallholder Agriculture Development Project

The Panel concluded an investigation of issues raised in a Request for Inspection submitted by the Ahora/Kakandetta Pressure Group, affected customary landowners from Oro Province, and affected smallholders in one of the Project areas. The Requesters contended that the Project would limit their economic opportunities and pressure them to produce oil palm, even though they believe that oil palm cultivation will not raise their standard of living. The Board of Executive Directors discussed the findings of the Investigation Report and Management's Report and Recommendation. The Board approved the Action Plan produced by Management in response to the Panel's findings and welcomed the actions set out in annex 1 of the Management Report and Recommendation.

South Africa: Eskom Investment Support Project

The Panel concluded an investigation of issues raised in a Request for Inspection submitted by community members living in the impact area of the 4,800 MW Medupi power plant, which is a core component of the Bank-financed Eskom Investment Support Project. The Request contained claims alleging potential harm as a consequence of the Project and related issues of Bank policy compliance. The Board of Executive Directors discussed the Panel's Investigation Report, Management's Report and Recommendation, and Management's Supplemental Note. The Board emphasized the strategic importance of the Project to South Africa and the region and the value of the Inspection Panel as an accountability mechanism.

REQUESTS RECEIVED IN FISCAL YEAR 2012

Argentina: Santa Fe Infrastructure Project and Provincial Road Infrastructure

The Panel received the fourth Request for Inspection related to this Project. The Request was submitted by residents of the Zona Rural (Paraje la Vigilancia) along National Road 19, in the Province of Santa Fe, Argentina, in which the Requesters claimed various adverse effects of the Project. In compliance with its Resolution, the Panel did not register the Request because at the time that it was submitted to the Panel, the disbursement of the Project loan exceeded 95 percent.

Kazakhstan: South-West Roads: Western Europe–Western China International Transit Corridor

The Panel interacted with Management and the Requesters, represented by Mr. Bauyrzhan Isaliev, a member of the nongovernmental organization National Analytical Information Resource, and 24 project-affected people, who submitted a Request for Inspection that raised issues of adverse impacts from the Project. In its

Eligibility Report, the Panel did not recommend an investigation, as it noted that Management had acknowledged the Requesters' concerns and had demonstrated that actions were being taken to resolve them. The Requesters also stated that the engagement of the Panel had brought more attention to their grievances and that they were satisfied that their concerns were either resolved or in the process of being resolved.

Kenya: Energy Sector Recovery Project

The Panel received a Request for Inspection that raised a number of claims relating to the construction of an electric power substation in Lavington, Nairobi. The Request was sent by Mr. Peter Usher, on behalf of the Njumbi Road Residents' Association (NRRA). The Request stated that this substation poses risks to the residents' health and safety. Management submitted its Response to the Request for Inspection. At the time of preparation of this report, the Panel was in the process of reviewing the Request and the Management Response and finalizing its recommendation to the Board of Executive Directors.

Proposed Kosovo Power Project

The Panel received a Request for Inspection from representatives of local villages and three civil society organizations from Kosovo that raised concerns about social, economic, and environmental impacts related to the Project. While acknowledging the Requesters' concerns as legitimate and important with respect to potential future impacts of the proposed Project, the Panel did not recommend an investigation, noting that the early stage of Project preparation, and prior to the start of important analytical studies for the Project, meant that no key World Bank activities or decisions have been undertaken relevant to the concerns raised in the Request that the Panel could review as a matter of policy compliance.

West Bank/Gaza: Red Sea–Dead Sea Water Conveyance Study Program

The Panel interacted with Management and the Requesters, represented by two Palestinian civil society organizations and an international human rights nongovernmental organization. The Request stated a number of claims relating to policy noncompliance and potential harm resulting from the design of the Study Program. The Panel considered that the Requesters had raised legitimate concerns, such as potential adverse effects on the environment and on sources of water. The Panel, however, did not recommend an investigation of whether the Bank has complied with its operational policies and procedures related to the Study Program because of the stage at which the studies were.

REQUESTS ADDRESSED THAT WERE RECEIVED IN PREVIOUS FISCAL YEARS

Argentina: Second Norte Grande Water Infrastructure Project

The Panel interacted with Management and the Requesters, represented by residents of Santiago del Estero, on a Request for In-

spection that raised concerns related to social and environmental harm as a consequence of a proposed sewage works and wastewater treatment plant. Management informed the Panel that it had recommended that the government reconsider the proposed technical solutions and update the environmental assessment. The Panel noted that Bank Management had unambiguously stated that it would not finance the proposed subproject as currently designed. That being the case, the Panel concluded that it could not recommend an investigation related to a subproject that the Bank had declared ineligible for financing under the Project.

Democratic Republic of Congo: Private Sector Development and Competitiveness Project

The Panel submitted its final Eligibility Report relating to this Request for Inspection. The Request claimed that severance packages under the Project did not comply with provisions of the Congolese Labor Code and related Bank policy. The Panel noted Management's acknowledgment that the Bank's supervision and support of the implementation of retrenchment operations could have been more robust. The Panel did not recommend a further investigation, as it noted and welcomed Management's concern for the Requesters' claims and its further commitment to a timebound plan combined with robust supervision.

Chile: Quilleco Hydropower Project

The Panel issued its Final Eligibility Report on a Request for Inspection, submitted by residents of the Biobío region of Chile, claiming negative impacts of the Project supported in part by the Bank through Emissions Reduction Purchase Agreement. The Panel's report addressed the issue of whether Management's actions were adequate to ensure compliance with applicable operational policies and procedures. The Panel did not recommend an investigation, as it noted the progress that Management had made in

enhancing the capacity of the private company Colbún to communicate and interact with the affected community and Management's commitment to continued active participation in addressing the Requesters' concerns. The Panel also noted that the dialogue had not yet yielded concrete results and that more time and effort were needed to fully address the concerns expressed.

India: Madya Pradesh Water Sector Restructuring Project

The Panel issued its Eligibility Report on a Request for Inspection submitted by residents of Gwalior city expressing concern that raw sewage had entered the Swarn Rekha River and had accumulated near their homes, posing a health hazard. Although the Panel identified a clear causal link between the existing sewage system and the problem of sewage in the river and related harms, it was of the opinion that the Bank-financed subproject did not cause the problem of raw sewage in the river as alleged in the Request. Consequently the Panel did not recommend an investigation.

Lebanon: Greater Beirut Water Supply Project

The Panel interacted with Management and the Requesters, residents of the Greater Beirut area, who submitted a Request for Inspection expressing concerns about impact of the Project on water quality, water availability, and cost. Pursuant to the request made by an Executive Director, the Panel's Eligibility Report was discussed at a meeting of the World Bank's Board of Executive Directors, where Management proposed to expand a study on water quality to cover the issues of water availability and cost. Management will report to the Board by the end of January 2013 on progress in Project implementation and in the implementation of the risk mitigation and management measures. The Panel therefore decided to await further developments, in light of the actions proposed by Management.



India: Madhya Pradesh Water Sector Restructuring Project—Panel team at the subproject site

THE PANEL: COMPOSITION AND STRUCTURE

The Inspection Panel consists of three members, who are appointed by the Board of Directors for nonrenewable terms 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 World Bank Management, and their exposure to development 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 the member has a personal interest or in which he or she 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 World Bank Management and reports solely to the Board of Directors. In addition, Panel members are prohibited from 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). The members are required to select their Chairperson annually. The present Chairperson is Mr. Alf Jerve. The Panel Chairperson works full-time, and the other two Panel members work part-time, as the need arises.

Former Members: Former members of the Panel are Richard Bissell (1994–97), Alvaro Umaña (1994–98), Ernst-Günther Bröder (1994–99), Jim MacNeill (1997–2002), Edward Ayensu (1998–2003), Maartje van Putten (1999–2004), Edith Brown Weiss (2002–07), Tongroj Onchan (2003–08), and Werner Kiene (2004–09).

Secretariat: The Panel has a permanent Secretariat, headed by Executive Secretary Peter Lallas. The office also consists of Deputy Executive Secretary Dilek Barlas; Senior Operations Officers Serge Selwan and Tatiana Tassoni; Operations Officer Mishka Zaman; Operations Analyst for Communications and Research Dilya Zoirova; Program Assistants Luis Schunk and Robert Dickerson; and Institutional Consultant Eduardo Abbott. The Secretariat provides operational and administrative support to the Chairperson and Panel members and assists the Panel in processing Requests, conducting investigations, and 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 Panel members.

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 assess 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.

MISSION, ROLES, RESPONSIBILITY, AND AREAS OF FOCUS

The Panel serves as an independent forum to provide accountability and recourse for communities affected by IBRD/IDA-financed projects, and to address harms resulting from policy noncompliance. The availability of the Panel promotes 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

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 the Panel’s role in assessing compliance, the Panel process as a whole plays a critical role in helping to resolve problems facing project-affected people. Problem-solving may occur at various stages: preregistration (affected people must approach Management first); eligibility; investigation; and follow-up. The Panel process places responsibility and creates opportunities for Management to take effective responsive actions to address problems.

Check and balance for the Board: The Panel provides an independent, technically based check and balance for the 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 the independent venue for affected people to raise concerns to the highest decision-making levels of the Bank.

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

Key Panel outputs and practices:

Report and Recommendation/Eligibility Reports: The Panel assesses the eligibility of the Request and provides a recommendation on whether to investigate the matters alleged in Request. The “eligibility” stage includes an initial Management Response to the Request and yields opportunities for early problem solving.

Investigation Reports: It includes the Panel’s independent investigation and fact-finding on project-level policy compliance and related harm. Findings are reported directly to the Board.

Bank Management Response and Action Plan: In response to Panel findings on compliance and harm, Bank Management prepares a Response, which includes actions to address findings. Panel and Management Reports are made available to requesters, affected people, and the public.

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

Public Awareness: The Panel produces publications to inform the public of its activities and for outreach (Annual Report, press releases, etc.).

Institution-wide incentives/impacts: The availability of the Panel creates incentives for the 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:

The Board of Executive Directors

Management

Requesters

Authorities of borrowing countries

THE PANEL

FIGURE 1: INSPECTION PANEL PROCESS

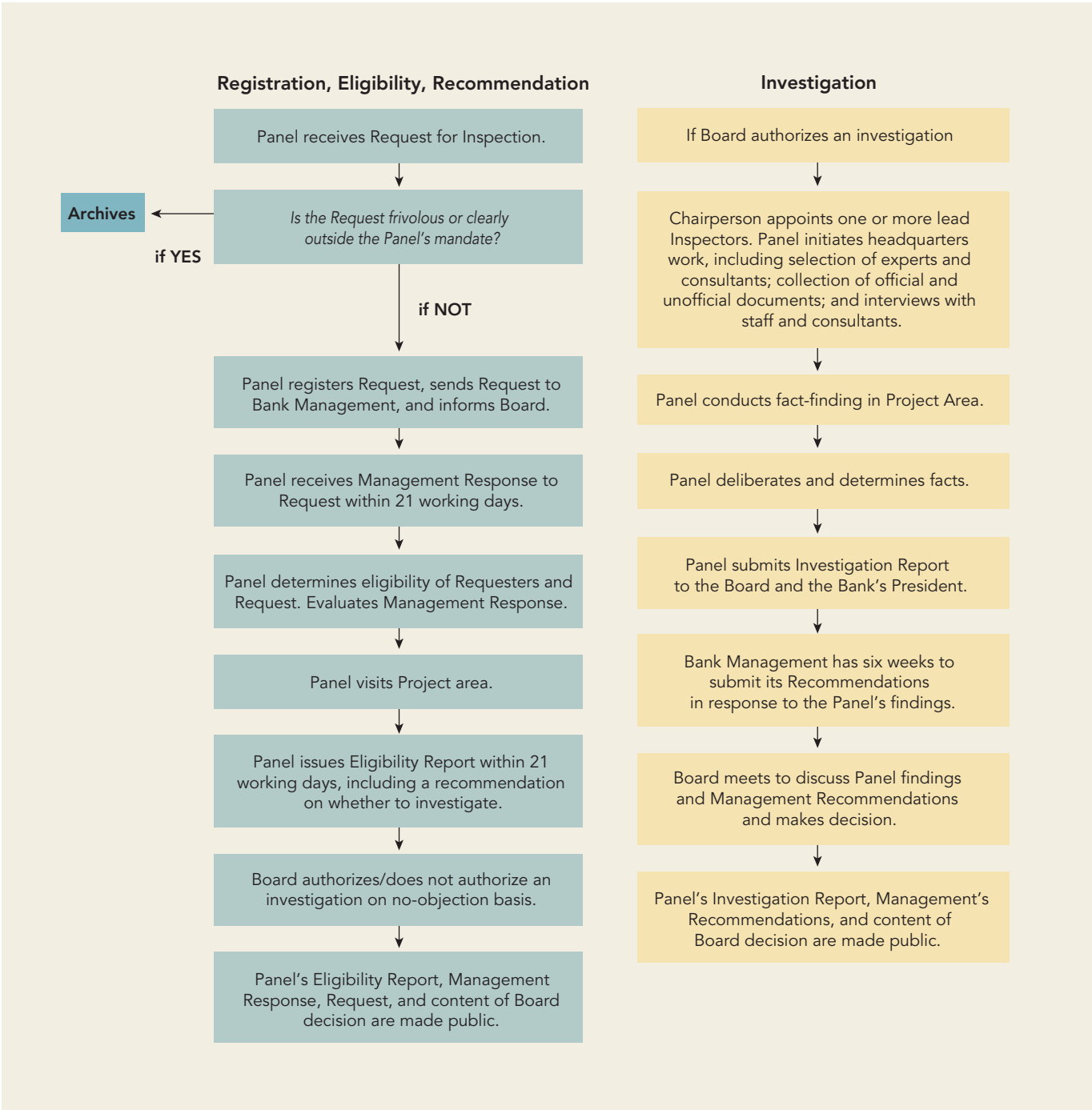


TABLE 1

SUMMARY OF INSPECTION PANEL CASES *as of Request No. 37¹*

June 30, 2012

	Request (Short Form)	Request Received	Request Registered	Inspection Panel Recommendation and Its Approval by the Board	Panel's Activity	Policies and Procedures Raised in the Request for Inspection
37.	Democratic Republic of Congo: Transitional Support for Economic Recovery Grant and Emergency Economic Social Reunification Support Project	November 19, 2005	Yes	Investigation Yes	Eligibility Report Investigation Report	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.	Nigeria: West African Gas Pipeline Project	April 27, 2006	Yes	Investigation Yes	(First) Eligibility Report and Final Eligibility Report Investigation Report	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.	Uganda: Private Power Generation Project	March 5, 2007	Yes	Investigation Yes	Eligibility Report and Investigation Report	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. & 48.	Albania: Integrated Coastal Zone Management and Clean-Up Project	July 30, 2007 August 13, 2007	Yes Yes	Investigation Yes	Eligibility Report and Investigation Report	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) Management of cultural property in Bank-financed projects (OPN 11.03)
49.	Ghana: Second Urban Environment Sanitation Project (UESP II)	August 16, 2007	Yes	Investigation Yes	Eligibility Report and Investigation Report	Project appraisal (OMS 2.20) Environmental assessment (OP/BP 4.01) Involuntary resettlement (OP/BP 4.12)

1. Data in this table begin from the earliest Request discussed in this Annual Report.

	Request (Short Form)	Request Received	Request Registered	Inspection Panel Recommendation and Its Approval by the Board	Panel's Activity	Policies and Procedures Raised in the Request for Inspection
54,55 & 63	Democratic Republic of Congo: Private Sector Development and Competitiveness Project	February 25, 2009	Yes	No investigation	First Eligibility Report	Poverty reduction (OD 4.15)
		March 13, 2009	Yes	Yes	Second Eligibility Report	Bank financing (OP/BP 6.00)
		December 15, 2009	Yes		Third and Final Eligibility Report	Financing severance pay in public sector reform operations (OpMemo) Project supervision (OP/BP 13.05) Indigenous peoples (OD 4.20)
60.	Cambodia: Land Management and Administration Project	September 4, 2009	Yes	Investigation Yes	Eligibility Report Final Eligibility Report Investigation Report	Involuntary resettlement (OP/BP 4.30) Project supervision (OP/BP 13.05)
62.	Papua New Guinea: Smallholder Agriculture Development Project	December 17, 2009	Yes	Investigation Yes	Eligibility Report Investigation Report	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)
65.	South Africa: Eskom Investment Support Project	April 6, 2010	Yes	Investigation Yes	Eligibility Report Investigation Report	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)
67.	Chile: Quilleco Hydropower Project	May 26, 2010	Yes	No Investigation Yes	Eligibility Report Final Eligibility Report	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)
71.	Lebanon: Greater Beirut Water Supply Project	November 4, 2010	Yes	Investigation No Following Board discussion and the commissioning by Management of specific studies, the Panel was called by the Board to review its recommendation. The Panel determined to await further developments.	Eligibility Report Inspection Panel Report— Follow-up to Board Decision	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)

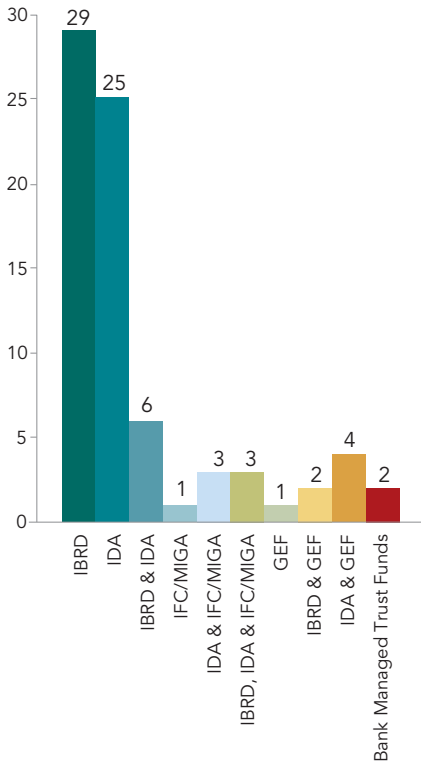
	Request (Short Form)	Request Received	Request Registered	Inspection Panel Recommendation and Its Approval by the Board	Panel's Activity	Policies and Procedures Raised in the Request for Inspection
72. & 75.	India: Madhya Pradesh Water Sector Restructuring Project	July 26, 2011 August 31, 2011	Yes Yes	No investigation Yes	Eligibility Report	Poverty reduction (OP 1.00) Environmental assessment (OP/BP 4.01) Project supervision (OP/BP 13.05) Project appraisal (OMS 2.20)
73.	Argentina: Second Norte Grande Water Infrastructure Project	May 4, 2011	Yes	No investigation Yes	Eligibility Report	Environmental assessment (OP/BP 4.01) Project appraisal (OMS 2.20) The World Bank Policy on Access to Information (July 2010)
74.	Kazakhstan: South-West Roads: Western Europe-Western China International Transit Corridor	August 17, 2011	Yes	No investigation Yes	Eligibility Report	Environmental assessment (OP/BP 4.01) Natural habitats (OP/BP 4.04) Involuntary resettlement (OP/BP 4.12) Project supervision (OP/BP 13.05) Project appraisal (OMS 2.20) The World Bank Policy on Access to Information, July 1, 2010
76.	West Bank and Gaza: Red Sea–Dead Sea Water Conveyance Study Program	June 24, 2011	Yes	No investigation Yes	Eligibility Report	Environmental assessment (OP/BP 4.01) Natural habitats (OP/BP 4.04) Indigenous peoples (OP/BP 4.10) Projects on international waterways (OP/BP 7.50) Projects in disputed areas (OP/BP 7.60) The World Bank Policy on Access to Information, July 1, 2010
77.	Argentina: Santa Fe Infrastructure Project and Provincial Road Infrastructure	September 6, 2011	No The Panel did not register the Request because at the time the Request was submitted to the Panel, the disbursements of the loan financing the project exceeded 95%.	—	—	Environmental assessment (OP/BP 4.01) Project supervision (OP/BP 13.05)
78.	Republic of Kosovo: Kosovo Power Project (Proposed)	March 29, 2012	Yes	No investigation —	Eligibility Report	Environmental assessment (OP/BP 4.01) Involuntary resettlement (OP/BP 4.12) Economic evaluation (OP/BP 10.04) Project appraisal (OMS 2.20)
79.	Kenya: Energy Sector Recovery Project	May 10, 2012	Yes	—	—	Project appraisal (OMS 2.20) Environmental assessment (OP/BP 4.01) Project supervision (OP/BP 13.05)

Source: Inspection Panel.

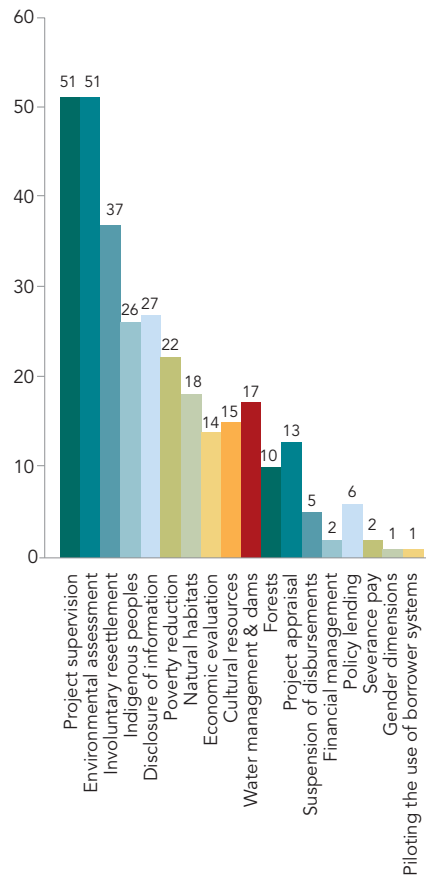
Note: BP = Bank Procedure; OD = Operational Directive; OMS = Operational Manual Statement; OP = Operational Policy; OpMemo = Operational Memoranda; OPN = Operational Policy Note.

FIGURES

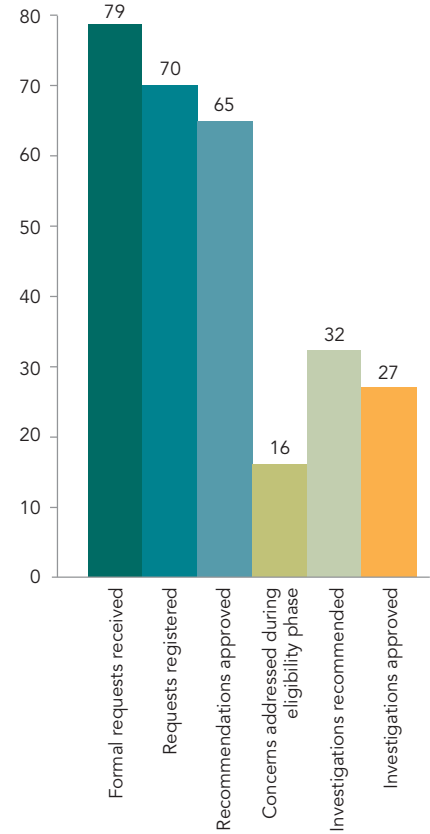
Financing for Projects Subject to Requests
As of June 2012



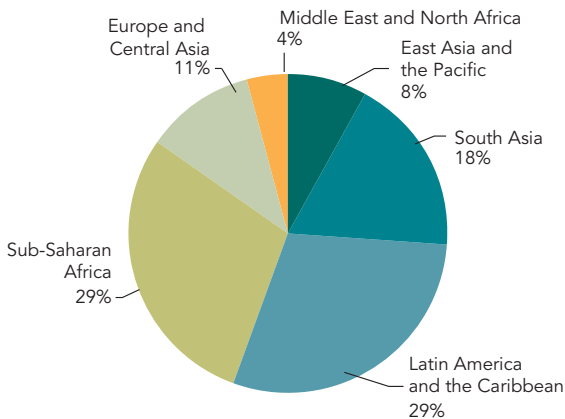
Policy-Related Issues Most Often Raised in Requests
As of June 2012



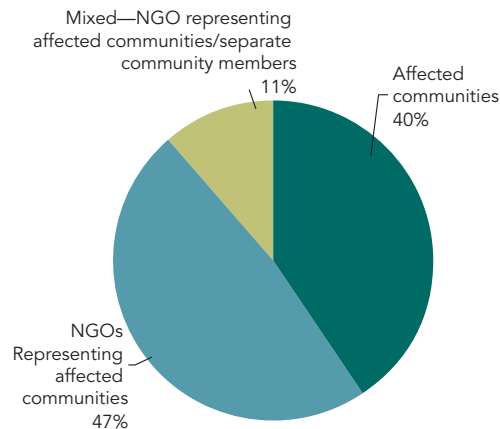
Requests Received
As of June 2012



Percentage of Requests Received per Region
As of June 2012



Description of Requestors
As of June 2012



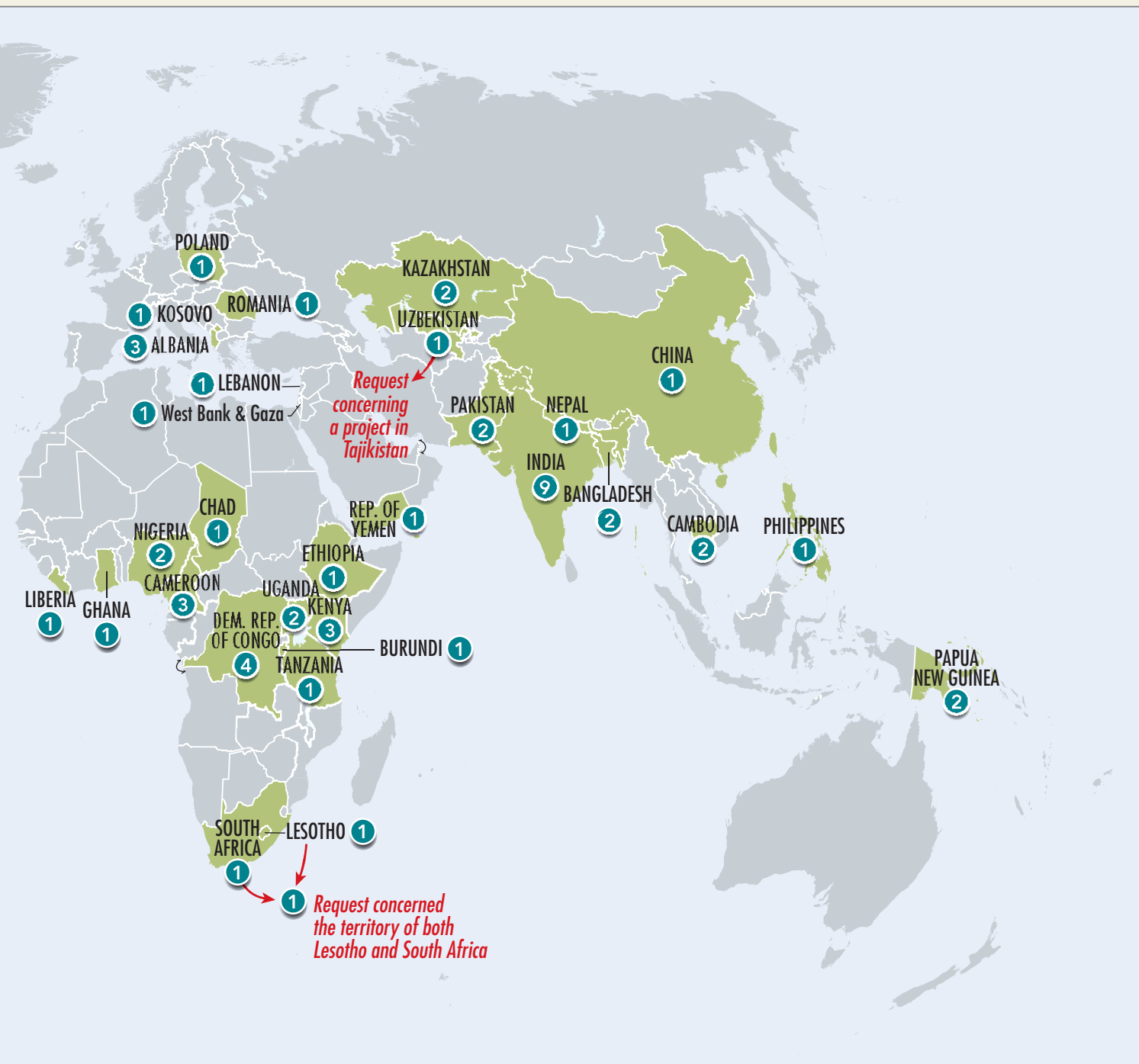
Note: Mixed = The Request was made by an NGO on behalf of some of the affected community. Unrepresented individuals were also part of the Request.

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

Affected Communities = The Request was brought directly by members of the affected community.

GEOGRAPHICAL DISTRIBUTION OF REQUESTS FOR INSPECTION







INVESTIGATIONS COMPLETED

PAPUA NEW GUINEA: SMALLHOLDER AGRICULTURE DEVELOPMENT PROJECT

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

THE REQUEST AND INVESTIGATION SCOPE

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 that 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 fees for road maintenance. 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, that is, the 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 claimed that "World Bank and project sponsor have not consulted with claimants and other locally affected communities." They further claimed that "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, the World Bank did not provide them with an opportunity to provide input into the Project or discuss the Project's impacts with them. The Requesters noted that they have raised their concerns with the World Bank on a number of occasions, and they stated that they had not received any satisfactory response.

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. Management acknowledged that the Project was considered ambitious and "high risk" at appraisal because 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.

For those reasons, according to Management, several conditions of effectiveness have been put in place to ensure that the issues are addressed. Management believes that World Bank investment in the oil palm sector in Papua New Guinea since 1969 has had a positive impact overall and that oil palm is the best vehicle to improve rural livelihoods. Management stated that the Project will continue to provide benefits in an environmentally and socially sustainable manner. Investment in rural roads will also have positive effects overall, as it will improve people's access to services such as health and education. Management claimed that improved roads will reduce the costs of production because of lower transportation costs, thereby contributing to poverty reduction. Man-

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, 2013



Papua New Guinea: Smallholder Agriculture Development Project—Panel team meeting with community members

agement stated that a vast majority of the population living in the Project area was considered indigenous according to Bank policy and that the Government of Papua New Guinea had undertaken a social assessment and other 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 areas for improvement existed 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. An analysis of the impact of increased effluents resulting from Project activities will also be undertaken. Management stated that it will provide inputs to OPIC to ensure that the Road Maintenance Trust Fund is designed through a consultative process, with the objective of ensuring sustainability; that the process will continue to involve smallholders; that adequate provisions will be made for independent social and environmental audits; and that 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 and with representatives of the OPIC field office and 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 assertions conflict and views differ on issues of harm and of compliance with policies and procedures, as evidenced by the various statements made in the Request for Inspection, 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 an investigation 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 submitted its Investigation Report to the Board of Directors on September 19, 2011.

Since the smallholders were all members of indigenous communities, the Panel drew on the Indigenous Peoples Policy (OP 4.10) for much of the compliance analysis. And, given that midway through the Project period, none of the major Project activities had been initiated on the ground, the investigation mainly pertained to the design, planning, and appraisal phases.

The Panel found that the analysis of the legal and institutional framework of customary law; leadership, decision-making, and dispute resolution processes; and the gathering of baseline information on indigenous communities had fallen short of requirements, which may have affected consultation processes. Management also failed to provide relevant information prior to consultations in a culturally appropriate manner, form, and language. Further, the Panel was unable to find in Project documents, including the Social and Beneficiaries Assessments, any information documenting how broad community support was achieved. The Panel found this not to be in compliance with OP 4.10.

The Panel also found that whereas the Project aims to increase the income of smallholders, in compliance with Bank Policy on Poverty Reduction, it was not in compliance with the Indigenous Peoples Policy, which requires the Bank *“to ensure that the Indigenous Peoples receive social and economic benefits that are culturally appropriate and gender and intergenerationally inclusive.”* It is the Panel’s view that the Project design should have made provision for responding to the significant differences among the Project areas.

Further, Management did not conduct a review of the mill companies’ institutional and financial viability, thus leaving the Project without a sound basis for revenue sharing, and this has consequences for both the Fresh Fruit Bunch pricing review and

the Road Maintenance Trust Fund. In addition, the Project did not include measures to promote an effective savings mechanism or to diversify the income of smallholders, although those had been identified in the Social Assessment as critical means of improving smallholder livelihoods.

Although the Panel appreciates the Requesters’ claims of environmental harms, given the history of deforestation, pollution of waterways, and other negative environmental impacts from past oil palm production, it found the Project to be mainly in compliance with the Bank’s Policy on Environmental Assessment, except with respect to the issue of mill effluents. The Panel notes that the Agreed Action Plan provided in the July 2011 Effluent Study addresses the issue of potential negative effects from mill effluent and that when implemented, the plan could bring the Project into compliance.

The Panel recognized and agrees with Management’s view that establishing a system for the regular maintenance of the road network is critical for smallholders and the industry. However, the Panel found that Management had left the design of this essential element of the Project until the implementation phase, and that the proposed 25 percent contribution by the smallholders was arrived at without full assessment of the smallholders’ ability to pay. Given that there is no way of ensuring that the provincial governments and the mill companies will make contributions into the RMTF, the Panel was concerned that the burden of risk would fall entirely on the smallholders. The Project includes a capacity development component for the Oil Palm Industry Corporation, recognizing the organization’s capacity gaps, and that is in compliance with policy requirements. However, the significant delays in Project implementation indicate that, as the Bank shifts from supervision to “implementation support,” it becomes even more incumbent upon Management to increase its own capacity to identify problems promptly, with a view to their early resolution.

MANAGEMENT REPORT AND RECOMMENDATION

Management submitted its Response to the Panel’s Investigation Report on October 31, 2011. In its Response, Management stated that it will continue to act to address the concerns of affected communities, such as ensuring proper documentation of consultations and translation of relevant documents into Tok Pisin, and will support and monitor the implementation of the Effluent Action Plan. Management also expressed its commitment to maximize benefits to the smallholders from the Project.

BOARD DISCUSSION

On December 13, 2011, the Board of Executive Directors discussed the findings of the Investigation Report and Management’s Report and Recommendation. The Board approved Management’s Action Plan in response to the Panel’s findings and welcomed the actions set out in Annex 1 of the Management Report and Recommendation. Management agreed to report to the Board on the implementation of the Action Plan and Annex 1 of the Management Report during Project implementation.

SOUTH AFRICA: ESKOM INVESTMENT SUPPORT PROJECT

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

THE REQUEST AND INVESTIGATION SCOPE

On April 6, 2010, the Inspection Panel received a Request for Inspection from community members living in the impact area of the 4,800 MW Medupi power plant, which is a core component of the Bank-financed Eskom Investment Support Project (EISP).

The Request contained 15 claims alleging potential harm as a consequence of the Project and related issues of Bank policy compliance. The potential harms alleged were mostly local in nature, but some related to national or wider impacts. The Requesters contended, 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 stated that communities in the area are concerned about potential effects on health from emissions of 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 necessitated by transmission lines, and impacts on livelihoods caused by negative effects of the plant on agriculture and ecotourism. They further stated that their concerns were compounded by the cumulative impact of multiple planned and existing power generation facilities in the area.

In addition, the Requesters expressed 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 concerning climate change. The Request also listed 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 were concerned that the Project is not consistent with the provisions and requirements of Bank policy on the Use of Country Systems, and they express particular concern about Borrower capacity and past "track record."

As its mandate requires, the Inspection Panel assessed all of the claims and concluded that 11 of them warranted an investigation

of the Bank's compliance with its relevant policies. A key feature of the Panel's investigation was the application of the policy *Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects—OP 4.00* (or "Use of Country Systems"). This was the first Panel investigation related to this policy, posing methodological challenges to assessing compliance at both a "system" and "project" level, as provided in OP 4.00.

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 asserted that compliance with Bank guidelines, policies, and procedures had been ensured. Management explained 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 stated that it is convinced that other local effects of the Medupi power plant, such as those concerning water 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 asserted 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 effects 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 that 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. On the issue of economic impacts of the Project, Management stated that the Project will not put undue stress on the poor or on the country's economic situation. Management believes 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 although the Project will not finance new electricity connections to households, the government has made provisions for connecting the remaining 19 percent of households that are not connected, the majority of which are poor, by 2014. Management reaffirmed that extensive due diligence was carried out in the preparation of this Project and

PROJECT INFORMATION

Eskom Investment Support Project

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

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 May 13, 2010. During its visit, the Panel met with the Requesters, government officials, Eskom Holdings staff, Bank staff, and staff of groundWork and Earthlife 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, and 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 submitted its Investigation Report to the Board of Executive Directors on November 21, 2011.

The Panel found that at the *system level*, that is, the Bank Management's assessment of the country's legal and institutional framework, Management's view that the South African system is

equivalent and acceptable, supporting the application of the "Use of Country Systems" policy, was well founded.

However, the Panel identified three shortcomings in the Bank's assessment (the Safeguard Diagnostic Review) and related gaps that were linked to risk and impact management and oversight.

First, Bank policy requires that appropriate studies be undertaken proportional to, among other things, cumulative impacts, which were a major concern of the Requesters. At the time that the Medupi Environmental Impact Assessment (EIA) was prepared, no equivalent requirement existed in South African law, and the project's EIA did not reflect these important impacts. Second, the Panel found that Management's assessment of capacity at provincial and local authority levels was inadequate. Although the national level of government is responsible for decision making on the project and for enforcement of conditions of environmental authorization, the subnational authorities play a crucial role in managing air quality and water services, as well as in oversight and compliance monitoring to enforce environmental (including water) laws. Third, Bank policy calls for the use of an independent advisory panel of international experts in the preparation and implementation of projects that are highly risky or that involve serious environmental and/or social concerns. South African law contains no such requirement.

At the *project level*, the Panel found lack of compliance with provisions of Bank policy with respect to three main issues of potential harm:

Water supply to the plant and related impacts. Operation of the power plant, including the technology for removal of sulphur dioxide from emissions (flue gas desulphurization, or FGD), will place an additional strain on water resources in an area that is already suffering from water scarcity. The Panel is of the view that although Management recognized the risk concerning water availability to the plant, it did not fully consider the impacts and risks of water supply alternatives to other local water users. The Panel's understanding from the project documentation is that the operation of FGD is dependent on the completion of Phase 2 of the Mokolo-Crocodile Water Augmentation Project (MCWAP). The apparent postponement of Phase 2 of MCWAP adds considerable risks to the success of the Project in terms of both air quality and health issues. Bank Management has not provided adequate information on alternative sources of water for the plant and the environmental and social implications of drawing on them, other than stating that Phase 1 of MCWAP (with possible augmentation from groundwater and municipal wastewater) will be sufficient for these purposes.



South Africa: Eskom Investment Support Project—site of Medupi Power Plant

Air pollution. Emissions from the Medupi plant pose a health risk to local communities, adding to present levels of air pollutants from the existing Matimba power plant and other sources. The Panel commended Management for insisting on incorporating FGD in the plant design, but it noted that complete installation of FGD was only planned for three years after the power plant is in full operation, and that the choice of “wet” FGD technology significantly increases the water requirement. Delays or interruptions in water supply may extend the interval without emissions reduction.

Public services and infrastructure. The influx of people related to the project and the associated expansion of the Grootegeluk coal mine places additional strain on public services and infrastructure in the local municipality. By its own recognition, the municipality is poorly equipped in terms of financial and human resources to accommodate the increasing needs. The Panel noted that the EIA had identified this as a concern involving highly significant risks, and it found that Management had not adequately assessed identifying and implementing commensurate mitigation measures.

MANAGEMENT RESPONSE

Management submitted its Report and Recommendation in Response to the Panel Investigation Report on March 2, 2012, and a Supplemental Note on May 16, 2012.

Management stated in its Report and Recommendation that it welcomed the Panel’s finding of broad concurrence with Bank policies and procedures applicable to the Project, but was of the view that any impacts—should they materialize—can be effectively addressed by the responsible South African authorities through the country’s legal and regulatory system. Hence, Management decided not to prepare an Action Plan to address such issues, as it felt that an Action Plan would replicate the mitigation measures that the appropriate authorities have already put in place pursuant to South Africa’s regulatory requirements. Management also expressed its commitment to providing intensive support for project implementation, covering technical issues and environmental and social safeguards, including monitoring the project through 2022. This will be achieved through a review of emissions monitoring, annual ambient air quality monitoring

reports, and working closely with counterparts in the Department of Environmental Affairs and Department of Water Affairs.

In its Supplemental Note, Management provided details on how it intends to supervise and monitor the implementation of the Project in cooperation with the South African authorities. Management agreed to provide the Board with a summary of progress on Project implementation in the context of the Country Partnership Strategy progress reports.

BOARD DISCUSSION

The Board met on May 22, 2012, to discuss the Panel’s Investigation Report and Management’s Report and Recommendation. The Executive Directors agreed on the strategic importance of the Project to South Africa and the region and on the value of the Inspection Panel as an accountability mechanism. The Board also recognized South Africa’s strong capacity and role in implementing this Project and noted the positive message that the Investigation had sent in advancing the implementation of Use of Country Systems policy.

LESSONS OF INSTITUTIONAL SIGNIFICANCE FROM PANEL CASES

Inspection Panel cases allow a glimpse of the “why” of non-compliance, that is, factors the Panel encountered during its investigations that help explain why Bank operational policies were not fully complied with. The Panel hopes that these observations offer insights to the Board and Management on important aspects of policy interpretation and application.

The Borrower/Country Systems Policy

The Policy on Use of Borrower/Country Systems (OP/BP 4.00) is still at a pilot stage and may be revised under the Safeguard Policy consolidation and upgrading exercise that Management has initiated. The investigation of the Eskom Investment Support Project (EISP) was the first Inspection Panel case under this policy. The Panel’s investigation highlighted the importance of focusing not only on the borrower and country systems, but also on appraisal and supervision at project level, in accordance with OP/BP 4.00 and other operational policies of the Bank. The Panel findings suggest that whereas a borrower/country system for environmental safeguards in general may meet the equivalence and acceptability criteria under OP/BP 4.00, the specifics of a particular project may fall short of meeting the requirements of that system, presenting a risk to the Bank of noncompliance with its policies.

Second, the Panel’s investigation pointed to the importance of being specific about the timeline that is being used when evaluating the equivalence of borrower/country systems with those of the Bank. Management must identify any discrepancies between the systems that are in place at the time the project’s environmental impact assessment is carried out and the systems in place when the Bank is approached for financial assistance and its own analysis of equivalence and acceptability (i.e., the Safeguard Diagnostic Review) is carried out. In the case of EISP, the equivalence analysis did not adequately make that distinction, and gaps that were in the system at the time of the Medupi Environmental Impact Assessment (EIA) were not properly addressed.

Associated Impacts, Facilities, and Activities

The Panel has encountered several cases in which the delineation of a project’s area of influence, required under the Bank Policy on Environmental Assessment, was inadequate. This issue came up again in the EISP investigation when the Panel encountered a number of facilities and activities that are clearly linked to the Medupi power plant and/or on which the plant depends. The Panel felt that poten-

tially significant environmental and social impacts of these activities and facilities should have been assessed and included in the scope of the Bank’s appraisal. Furthermore, the investigation found that the close proximity to the project of these activities/facilities creates a greater potential for significant cumulative impacts in the area of influence, strengthening the need to treat these as “associated” with the project.

Hence, the Panel’s investigation raised questions about the Bank’s understanding of what constitutes an “associated impact,” “associated facility,” or “associated activity,” as the Bank does not seem to have a clear definition of these terms.

Assessing Impacts on Water Resources

Several requests recently received by the Panel have raised concerns that Bank-financed projects in non-water sectors may affect local water regimes in ways that negatively affect people’s livelihoods. The EISP investigation raised concerns about the way in which Bank Management analyzed the impact of that project on water resources. This case highlighted the manner in which projects in sectors other than water, such as energy, can have a significant impact on water regimes. The Panel’s investigation of a Request for Inspection related to the Argentina: Santa Fe Road Infrastructure Project in 2009 focused on potentially increased flood risk to those living nearby. Likewise, the Panel’s recent investigation of the Smallholder Agriculture Development Project in Papua New Guinea included an examination of local concerns that oil palm development in the area would lead to chemical and biological pollution of local streams.

In the EISP case, the Panel’s investigation focused on the concern of local residents that the power plant will require more water than is available in that water-scarce area, affecting the supply and quality of water to current users for agriculture and other purposes. The Panel’s investigation found that in its consideration of water issues Management had focused principally on ensuring that the Medupi power plant had a reliable water supply, giving insufficient attention to the plant’s potential effects on the amount and quality of water available to other users.

Hence, as demonstrated in both the Argentina: Santa Fe (2009) case and the Eskom Investment Support Project, the Panel’s investigations raised the issue of whether Management had focused on examining water-related risks to the project, with less attention to impacts on local water regimes and the risks to people dependent on them.

Applying the Indigenous Peoples Policy to Projects Where Indigenous People Are the Main Beneficiaries

The Panel's investigation of the Papua New Guinea Smallholder Agriculture Development Project (SADP) led to systemic observations on two important issues pertaining to the application of the Indigenous Peoples Policy (OP 4.10), namely, (1) how to apply the Policy to projects where indigenous people are the main beneficiaries, and (2) how to manage risks associated with weak capacity of implementing institutions.

Management did not prepare an Indigenous Peoples Plan (IPP) for the SADP, since the project in its entirety benefits indigenous communities. While the objective of OP 4.10 is to ensure that projects include measures to avoid potentially adverse impacts on indigenous people, or to minimize, mitigate, or compensate for such effects where avoidance is not feasible, the Policy also states that *"Bank-financed projects are also designed to ensure that the Indigenous Peoples receive social and economic benefits that are culturally appropriate and gender and intergenerationally inclusive."* The Panel noted in its report that staff may become less focused on the latter part of this set of objectives (i.e., *"social and economic benefits"*) in projects where *"adverse effects"* are not obvious and, for this reason, there is no need to develop an IPP.

A key concern of the SADP Requesters was the consultation process. The Request raised questions of whether the standard of *"free, prior and informed consultation"* had been met, whether *"broad community support"* by indigenous communities had been obtained, and whether consultations had focused properly on *"benefits."* The Panel's investigation found the consultations deficient in scope, content, and form, as well as in not taking adequate account of customary structures and in lacking documentation of broad community support. The Panel stated that it might be useful to formulate clearer guidelines for application of OP 4.10 to projects where a separate IPP is not warranted.

Managing Risks Associated with Weak Capacity of Implementing Institutions

In its investigation report the Panel noted the significant delays in implementing the Papua New Guinea SADP. That suggests two systemic issues relevant for Management: First, how did Management assess the risks associated with weak counterpart capacity, in view of the complexity of project design? And second, did Management mobilize resources commensurate with those risks in supervising the project?

The Panel found that Management recognized the capacity issue during project design by specifically including a component that addressed capacity development by the implementing agency. Yet at the time of the Panel investigation, in the fourth year of the project, major capacity-building components had not been designed, let alone implemented, despite the fact that the project had been flagged as a *"high risk project"* owing to *"project complexity."* A Quality Enhancement Review carried out by Management for projects in the Pacific region in 2008 led to a recommendation that

projects in the region should be kept *"straightforward and simple."* Keeping projects simple, however, would not mean that risks should not be taken. The Panel noted that the burden of risk should not fall on the poor, as in the case of the road maintenance fund under SADP, as initially conceived, where the financial burden and risk fell disproportionately on the smallholders.

Although the Panel was uniformly impressed by the caliber of individual World Bank staff members who were engaged with the project, it felt greater capacity was needed to respond to the challenges that are certain to arise during project implementation in complex and challenging settings, such as in Papua New Guinea.

Lessons Contributing to Follow-Up of the World Bank Group Framework on Engagement in the Oil Palm Sector

The Request for Inspection of the Papua New Guinea project was received shortly after the November 2009 World Bank Group moratorium on new oil palm projects. Given that the SADP had already been launched, the moratorium did not apply. Subsequently, in March 2011, the World Bank Board of Executive Directors approved a WBG Framework for Engagement in the Palm Oil Sector. The Panel investigation touched on three issues where the investigation report may contribute to the follow-up to the WBG Framework, namely, capacity for implementation and supervision, income diversification, and structural inequalities.

An important lesson from the SADP investigation was that the implementation capacity of borrower institutions and the capacity of the Bank to carry out adequate implementation support determine whether a project is implemented as designed and whether adverse social and environmental impacts are prevented. The WBG Framework does not explicitly point to such factors in its presentation of the need for strengthened early assessment or in the new Good Practice Note for Staff. Also, the list of *"Possible Solutions for Improving Social Impacts of Oil Palm Development"* is primarily about enhancing smallholder productivity and gains from the oil palm industry. As the SADP Investigation Report discussed, for many smallholders in Papua New Guinea, oil palm is one among a range of livelihood strategies, showing the need to emphasize income diversification when designing project interventions.

Last, the WBG Framework mentions among *"Solutions for Improving Impacts of Oil Palm Development"* the need to strengthen the negotiating capacities of smallholder representatives and smallholder cooperatives. The Panel's investigation confirmed that the smallholders' lack of influence over the pricing policy and the determination of revenues levied on them, combined with lack of confidence in their formal representatives, is a legitimate concern that the SADP has not been able to address adequately.



REQUESTS RECEIVED IN FISCAL YEAR 2012

KAZAKHSTAN: SOUTH-WEST ROADS: WESTERN EUROPE–WESTERN CHINA INTERNATIONAL TRANSIT CORRIDOR

REQUEST NO. 74 • Loan: IBRD 7681-KZ

THE REQUEST

Between February 16, 2011, and April 19, 2011, the Inspection Panel received several complaints related to impacts of the Kazakhstan South-West Roads: Western Europe–Western China International Transit Corridor Project. On June 15, 2011, the Panel received a formal Request for Inspection. This was the second Request the Panel received relating to the same Project. This Request was submitted by Mr. Bauyrzhan Isaliev, a representative of the nongovernmental organization National Analytical Information Resource (NAIR), on his own behalf and on behalf of NAIR and 24 project-affected people. Issues raised in the Request for Inspection related to loss, or potential loss, of assets and livelihood from land acquisition for the Project and potential adverse environmental impacts from work on sections of the road in Turkestan, Sairam, Yntymak, and Temirlanovka.

MANAGEMENT RESPONSE

Management submitted its Response on September 16, 2011, stating that the Bank has undertaken diligent efforts to apply its policies and procedures in the planning and implementation of this Project. The Panel carefully considered the Request for Inspection and the Management Response. Panel Member Alf Jerve and Panel Senior Operations Officer Serge Selwan visited Kazakhstan between September 26 and October 1, 2011. During the visit, the Panel team visited Turkestan, Sairam, Yntymak, and Temirlanovka and met with the Requesters. The Panel team also met with government officials in Astana and Shymkent and with the Akimat in Turkestan.

PROJECT INFORMATION

South-West Roads: Western Europe–Western China International Transit Corridor

Region:	Europe and Central Asia
IBRD Loan:	US\$2.1billion
Board Approval Date:	April 30, 2009
Closing Date:	December 31, 2013



Kazakhstan: South-West Roads: Western Europe–Western China International Transit Corridor—Panel team meeting with Requesters in Turkestan

THE PANEL'S ELIGIBILITY REPORT AND BOARD DECISION

The Panel submitted its Eligibility Report to the Board of Executive Directors on October 18, 2011. The Panel noted that Management in its Response acknowledged the Requesters' concerns relating to the four road sections specified. In the Panel's view, Management demonstrated that actions were being taken to resolve the concerns raised in the Request. The Panel also noted that during its field visit, the Requesters said that the engagement of the Panel had brought more attention to their grievances and that they were satisfied that their concerns were either resolved or in the process of being resolved. That being the case, the Panel did not recommend an investigation into whether the Bank has complied with its operational policies and procedures. On November 1, 2011, the Bank Board of Executive Directors approved the Panel's recommendation.

WEST BANK AND GAZA: RED SEA–DEAD SEA WATER CONVEYANCE STUDY PROGRAM

REQUEST NO. 76

THE REQUEST

On August 10, 2011, the Panel received a Request for Inspection submitted by two Palestinian civil society organizations—Stop the Wall Campaign and the Palestinian Farmers Union—and an international human rights NGO, the Global Initiative for Economic, Social and Cultural Rights. The two Palestinian organizations represented many Palestinian residents and farmers of the West Bank. Their Request for Inspection stated a number of claims relating to policy noncompliance and potential harm resulting from the design of the Study Program concerning the Red Sea–Dead Sea (RSDS) Water Conveyance and resulting from the potential implementation of an RSDS Project. The Panel registered the Request on October 20, 2011.

MANAGEMENT RESPONSE

Management submitted its Response on November 15, 2011. The Panel carefully reviewed the Request for Inspection and the Management Response. In addition, the Panel Chairperson, Alf Jerve, together with Panel Member Eimi Watanabe, Deputy Executive Secretary Dilek Barlas, and Senior Operations Officer Serge Selwan, visited Israel, the West Bank, and Jordan between January 29 and February 6, 2012. During that visit, the Panel team met with representatives of the two requesting Palestinian civil society organizations, Stop the Wall Campaign and the Palestinian Farmers Union. The Panel met with villagers and farmers around Jericho and other representatives of Palestinian civil society organizations in Ramallah. The Panel team also met with officials representing the three Beneficiary Parties (Israel, Palestinian Authority, and Jordan).

PROGRAM INFORMATION

Red Sea–Dead Sea Water Conveyance Study Program

Region: Middle East and North Africa
Product Line: Trust Fund



West Bank/Gaza: Red Sea—Dead Sea Water Conveyance Study Program—Meeting with community members in Wadi Uja

THE PANEL'S ELIGIBILITY REPORT AND BOARD DECISION

The Panel considered that the Requesters are raising legitimate concerns, such as potential adverse environmental effects on the Dead Sea and on sources of water for the population in the West Bank, and concerns regarding legitimizing the current off-take of water in the Jordan River Basin and from the Dead Sea. However, the Panel did not recommend an investigation of whether the Bank has complied with its operational policies and procedures related to the Study Program because of certain special circumstances.

The Panel noted that the Study Program was ongoing and that the remaining phases involve negotiations and reaching an agreement among the Beneficiary Parties, followed by disclosure and a period for public hearings. The Panel also considered that key issues pertaining to the design and scope of a future RSDS Project were still under scrutiny and that financing decisions were yet to be made. The Panel acknowledged that the Study Program is a politically complex process that is still ongoing.

The Panel noted that its recommendation does not preclude the possibility of a future claim relating to compliance and harm, in the event that the Bank decides to support the proposed RSDS Project or a related alternative.

On February 29, 2012, the Bank Board of Executive Directors approved the Panel's recommendation with respect to the allegations contained in the Request for Inspection.

ARGENTINA: SANTA FE INFRASTRUCTURE PROJECT AND PROVINCIAL ROAD INFRASTRUCTURE

REQUEST NO. 77 • IBRD Loan No. 7301-AR

THE REQUEST

On September 6, 2011, the Panel received the fourth Request for Inspection related to this project. The Request was submitted by residents of the Zona Rural (Paraje la Vigilancia) along National Road 19, in the Province of Santa Fe, Argentina. The Requesters claimed that the new path of Road 19, at km 44, is dangerously close to a school, a chapel, and a commercial establishment, jeopardizing the lives of the students and patrons. They added that this situation creates difficulties of access and parking near these establishments and, as a consequence, is also a danger to vehicles traveling the road at high speed.

DECISION NOT TO REGISTER THE REQUEST

Pursuant to its Resolution, the Panel did not register the Request because at the time the Request was submitted to the Panel, the loan financing the project was more than 95 percent disbursed.

PROJECT INFORMATION

Santa Fe Infrastructure Project and Provincial Road Infrastructure

Region:	Latin America and Caribbean
IBRD Loan:	US\$126.7 million
Board Approval Date:	February 13, 2007
Closing Date:	June 30, 2012

KOSOVO: KOSOVO POWER PROJECT (PROPOSED)

REQUEST NO. 78

THE REQUEST

On March 29, 2012, the Inspection Panel received a Request for Inspection concerning two Projects: the proposed Kosovo Power Project (KPP) and the Lignite Power Technical Assistance Project (LPTAP). The Request was submitted by representatives of the villages of Dardhishte, Lajthishte/Sibovc, Palaj/Cerna Vidoca, Hade of Obiliq Municipality, and the town of Obiliq in Kosovo; by the Kosovo Energy Corporation's independent Kosovo Energy Trade Union; and by three Kosovar civil society organizations: the Institute for Development Policy (INDEP), the Institute of Advanced Studies, and the Forum for Civic Initiative.

The Requesters stated that they were concerned about the "very serious" social, economic, and environmental impacts related to KPP and LPTAP and that they have "already felt the impacts of these projects and are worried about what will happen after KPP has been built." The Requesters also raised concerns about the already-high level of environmental degradation in the Project area. They also were concerned about loss of jobs related to the proposed privatization of energy generation and mining.

The Panel registered the Request on April 12, 2012, noting that the IDA grants for the LPTAP closed on December 31, 2011, and in accordance with Paragraph 14 (c) of the Resolution, the Panel's registration did not cover LPTAP.

PROJECT INFORMATION

Republic of Kosovo: Kosovo Power Project (proposed)

Region:	Europe & Central Asia
Product Line:	Guarantees
Board Approval Date:	N/A
Closing Date:	N/A

MANAGEMENT RESPONSE

Management submitted its Response on May 21, 2012 (after receiving an extension for the submission).

Management stated that the Project is presently at a concept stage and that major parts of project assessment are yet to be completed. Therefore, according to Management, it would not be able to decide for another year whether to propose the Kosovo Power Project for Board consideration. Management asserted that because the Project was at this early stage, no violation of Bank operational policies and procedures has occurred to cause harm to the Requesters. Management stated that it is aware of the severe adverse environmental legacy and ongoing environmental concerns associated with the existing Kosovo A and B power plants, which have caused significant deterioration of air, soil, and water quality in their vicinity, and that a comprehensive Environmental and Social Impact Assessment (ESIA) will be undertaken for the proposed Project, which will meet all requirements of OP 4.01 (Environmental Assessment).



Proposed Kosovo Power Project—a view of the existing Kosovo A and B power plants

THE PANEL'S ELIGIBILITY REPORT AND RECOMMENDATION

A Panel team visited Kosovo from May 31 to June 2, 2012, and submitted its eligibility report to the Board of Directors on June 20, 2012.

The Panel noted that the Request raises a diverse set of issues and that different groups represented in the Request have distinct concerns. The Panel met with all the groups, to understand whether a causal link is likely between the harms alleged and the proposed Project, and the Bank's lack of follow-up of its operational policies.

The Panel recognized the legitimacy and significance of the Requesters' concerns about the potential future impacts of the proposed project, and noted that noncompliance with Bank policies, if it were to occur, could potentially contribute to the harms of the type specified in the Request and noted in the Panel report. The Panel report stated that important analytical work, such as the Environmental and Social Impact Assessment (ESIA), the Resettlement Action Plans (RAPs) for villages that may be resettled, and a

proposed labor study, has yet to begin. The Panel also noted Bank Management's explanation that it intends to ensure that all analytical and relevant preparatory work will comply with Bank policies and procedures moving forward. The Panel understands that this commitment also implies ensuring that ongoing and future resettlement will be implemented in accordance with Bank policy and provisions, as laid out in the respective RAPs and land acquisition and compensation agreements with the affected households.

Taking this into consideration, the Panel's assessment was that, at this early stage in the Project preparation process and prior to the start of the ESIA, there were no key World Bank activities or decisions relevant to the concerns raised in the Request that the Panel can review as a matter of policy compliance.

The Panel therefore did not recommend an investigation of whether the Bank has complied with its operational policies and procedures. The Panel noted that affected people will have recourse to the Panel at a later stage in the project cycle if they wish.

The Board of Directors approved the Panel's recommendation on a no-objection basis on July 6, 2012.

KENYA: ENERGY SECTOR RECOVERY PROJECT

REQUEST NO. 79 • Loan: IDA 3958-KE

THE REQUEST

On May 10, 2012, the Inspection Panel received a Request for Inspection relating to the Kenya—Energy Sector Recovery Project and its subsequent additional financing. The Request was sent by Mr. Peter Usher, on behalf of the Njumbi Road Residents' Association (NRRRA). In addition to the Request, the Panel received several attachments. The Request stated a number of claims relating to the construction of an electric power substation in Lavington, Nairobi. The Requesters consider that this substation poses risks to their health and safety. They state that their properties have lost value because of it. They also state that they had filed a lawsuit at the National Environmental Tribunal (NET) over the substation and that the NET had issued a "Stop Order" in regard to its construction. However the construction continued. The Request was registered on May 24, 2012.

STATUS OF THE CASE

On June 25, 2012, Management submitted its Response to the Request for Inspection. At the time of the draft of this Annual Report, the Panel was reviewing the Request and the Management Response and in the process of finalizing its recommendation to the Board of Executive Directors.

PROJECT INFORMATION

Energy Sector Recovery Project

Region:	Africa
IDA Credit:	US\$80m
Additional Financing	
IDA Credit:	US\$80m
Board Approval Date:	July 13, 2004
Closing Date:	September 30, 2013



Kenya: Energy Sector Recovery Project—Meeting with community members



REQUESTS IN PROCESS: RECEIVED IN PREVIOUS FISCAL YEAR

LEBANON: GREATER BEIRUT WATER SUPPLY PROJECT

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

THE REQUEST

On November 4, 2010, the Inspection Panel received a Request for Inspection relating to the proposed Lebanon: Greater Beirut Water Supply Project (GBWSP). The Request was submitted by Mr. Fathi Chatila on behalf of himself and approximately 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.

The 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 the Project 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 Project was approved by the Board of Directors on December 11, 2010.

The Requesters raised issues of compliance and harm related to the proposed Project. They questioned the adequacy of the environmental and economic analysis of alternatives, claiming that the raw water to be used by the Project, stored at Qaraoun dam, is not fit as a source for potable water, as it is heavily polluted with high levels of chemicals, bacteria, and carcinogens. They also claimed that the Project, as designed, has not adequately considered the demands for water from the Qaraoun dam for competing needs, including irrigation, and that it is not clear that the Project is the least costly option. The Requesters also raised issues about the consultation process.

MANAGEMENT RESPONSE

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

PROJECT INFORMATION

Greater Beirut Water Supply Project

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

Management disagreed, however, that the harmful consequences described by the Request will result from the Project. According to Management's response, the water being delivered under the Project will be treated following national and international quality standards, and no water will be diverted from irrigation. Management further stated that the Project meets the least-cost approach and does not preclude other, longer-term measures for water supply that are under review.

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, a Panel team visited Lebanon from January 3 through January 8, 2011. The Panel submitted its Report and Recommendation to the Board on January 20, 2011.

The Report stated that the Request raised serious concerns about potential harm and serious noncompliance. The Panel noted that the Request and Management's Response contain different assessments of the likelihood and potential seriousness of the harms alleged. The Panel recommended that an investigation be carried out.

Pursuant to the request of an Executive Director, the 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 under way on water quality issues to cover the matters of water availability and costs. In light of that study, and acknowledging the legitimacy of the Requesters' concerns, the Board invited the Inspection Panel to return by July 2011, after considering the analysis of the study that Management has commissioned on water quality, availability, and cost, to advise the Board whether subsequent investigation is warranted, and if so, on its precise focus.

THE PANEL'S REPORT—FOLLOW-UP TO BOARD'S DECISION OF MARCH 10, 2011

The Report presented an assessment of the three above-mentioned Management studies to verify whether they adequately addressed the concerns expressed in the Request for Inspection that the Panel had found warranted an investigation. The Panel retained three independent experts to assist in the assessment of Management's studies. The Panel noted that the three studies/re-



Lebanon: Greater Beirut Water Supply Project—existing channel from the Qaraoun reservoir

views, according to the assessment of the Panel's experts, taken together, concluded that the Project, as designed and described in the PAD, did not entail unacceptable risks with respect to future guarantees of water quality, availability of water, and financing.

The Panel nonetheless identified important issues that warranted further consideration, including consultation with Project-affected people to ensure the robust determination of risks associated with the Project and the development of corresponding steps to avoid or mitigate them. The issues were (a) the nature and extent of future measures to improve source water quality in the upper Litani River Basin; (b) the need for better analysis and forecasting of future water inflow and water use in the upper Litani River Basin; and (c) the need for better analysis of revenue forecasts for the water utility Establishment of the Water of Beirut Mount Lebanon (EBML) and its likely capacity to contribute to debt servicing.

Prior to submitting the Report, the Panel informed Management of the issues that warrant further consideration, and Management issued a Note that included a summary of the identified risks and risk management measures and a proposed action plan to address them. The Note indicated that Management had reviewed the identified risks, took them very seriously, and was fully committed to addressing them satisfactorily. It also indicated that Management would report to the Board within 18 months (i.e., by the end of January 2013) on progress in project implementation and in the implementation of the risk mitigation and management measures. The Panel therefore decided to await further developments, in light of the actions that Management proposed. In discharge of its responsibilities, the Panel committed to report to the Board by early 2013 on whether subsequent investigation is warranted.

COMPLETED REQUESTS RECEIVED IN PREVIOUS FISCAL YEARS



DEMOCRATIC REPUBLIC OF CONGO: PRIVATE SECTOR DEVELOPMENT AND COMPETITIVENESS PROJECT

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

THE REQUESTS

Between February 25, 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 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 the 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 Extérieur, and the Nouvelle Banque de Kinshasa.

The Requesters claimed that as a result of the Project, the full amounts of money owed to them were not paid, and that 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 by the Congolese Labor Inspector, who estimated that the total amount that should be paid to the retrenched workers is greater 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 three state-owned banks' Request (the Second Response). The latter Response also included an update relating to the Gécamines Requests, a section on the social costs of public enterprise reforms in the Democratic Republic of Congo, and a section on lessons learned in the context of this Project. In its First Response, Management stated that it had "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." However, Management proposed to undertake a new survey concerning the employees affected by the VDP, to gain a better understanding of their current situation. This survey would facilitate analysis of whether special actions are needed. The results of the survey would also provide a basis for further dialogue with the government on any such actions.

In its Second Response, concerning the three state-owned banks, Management proposed certain actions, such as providing technical assistance to the former employees of the liquidated banks to enable them 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. Concerning the ex-employees affected by the VDP, Management provided an update on actions taken and actions to be taken. Management stated that following the socioeconomic survey it conducted, it proposed to the government that the Project include helping the ex-employees affected by the VDP to obtain access to health, education, and national pension benefits. It also proposed assistance to elaborate 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 proposed strategy includes (1) settlement of social debts, (2) sound management of redundancy programs, and (3) review of the legal and regulatory framework for human resources management. Management concluded that it believed it had followed the guidelines, policies, and procedures applicable to the matters raised.

THE PANEL'S ELIGIBILITY REPORTS AND RECOMMENDATION

On May 27, 2009, the Panel submitted to the Board of Executive Directors an initial Report and Recommendation regarding the eligibility of the Gécamines Requests. In that report, the Panel determined that the Requests met the eligibility criteria set forth in the Resolution establishing the Panel. The Panel noted that Management had stated its willingness to undertake a survey for the purpose of analyzing the need for special actions for the Gécamines ex-employees, as well as to enter a dialogue with the government on any specific actions. Furthermore, the Requesters stated their willingness to see whether the survey would lead to an effective resolution of their concerns. On that basis, the Panel recommended that, in fairness to all

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



Democratic Republic of Congo: Private Sector Development and Competitiveness Project—Panel team with affected people in Lubumbashi

parties concerned, it 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 Request also met the eligibility criteria set forth in the Resolution establishing the Panel. The Panel stated that it could not present definitive views on the socioeconomic survey of the Gécamines ex-employees but took note of some of the analysis it contained. The Panel noted that Management had provided the Panel a legal note on January 13, 2010, which stated that the VDP was a negotiated process that 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. The Panel further observed that Management's Second Response was very constructive in the sense that it contained an action plan, a strategy to support the Government of the Democratic Republic of Congo 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, requiring the Panel to wait until some progress could be observed 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 the action plan, which recognized that persons affected by retrenchment operations need to be properly informed and consulted. In the Progress Report, Management provided evidence of concrete efforts that promise to yield positive benefits to the Requesters, including access to education and health benefits and to the national pension system.

On September 12, 2011, the Panel submitted its third and final Eligibility Report relating to this case. The Panel noted Management's acknowledgment that the Bank's supervision and support of the implementation of retrenchment operations could have been better. The Panel welcomed Management's concern for the Requesters' claims and its further commitment to a timebound plan combined with robust supervision. On September 21, 2011, the World Bank Board of Executive Directors approved the Panel's recommendation not to investigate whether the Bank has complied with its policies and procedures with respect to the allegations contained in the three Requests for Inspection.

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 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, in the Biobío region of Chile. Two of the Requesters are representatives of the Pehuenche indigenous community affected by some of the projects. Of the hydropower projects, 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 affected 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 added that the perceived noncompliance is contrary *"to the findings and recommendations of the [World Bank] 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 to address the issues raised by the Requesters regarding the Quilleco project. Management expressed its commitment to *"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, based on the results of this analysis, Management proposed to explore potential follow-up actions. Management stated that this analysis and follow-up would take no longer than six months.

On August 23, 2010, the Panel received an Addendum to the Management Response, describing a series of additional actions that Management intends to carry out to address the Requesters' concerns. In particular, in this Addendum, Management stated that it understands that members of the Laja community are concerned that the Quilleco project is adversely affecting water availability. It recognized 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 stated that Bank staff will consult with the private sector company operating the dam and with government authorities.

THE PANEL'S INITIAL ELIGIBILITY REPORT AND RECOMMENDATION

Panel Chairperson Roberto Lenton and Panel consultant Eduardo Abbot visited Chile between August 8 and August 12, 2010. During their visit, they met with a number of Requesters, government officials, and officials from Colbún, the private sector company operating the dam in 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 which it determined that the Requesters meet the criteria set forth in the Panel's Resolutions and Clarifications.

PROJECT INFORMATION

Quilleco Hydropower Project

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



Chile: Quilleco Hydropower Project

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 legal agreement.

THE PANEL'S FINAL ELIGIBILITY REPORT AND RECOMMENDATION

On August 31, 2011, the Panel issued its Final Report and Recommendation, in which it addressed the issue of whether Management's actions were adequate to ensure compliance with applicable operational policies and procedures. The Panel noted the progress that Management had made in enhancing the capacity of Colbún to communicate and interact with the affected community, as noted in the Management Progress Report. The Panel also noted that the dialogue had not yet yielded concrete results and that more time and effort were needed to fully address the concerns expressed. In light of these factors and Management's representations about continued active participation in addressing the requesters' concerns, the Panel did not recommend an investigation.

INDIA: MADHYA PRADESH WATER SECTOR RESTRUCTURING PROJECT

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

THE REQUESTS

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). On August 31, 2010, the Panel received a formal Request for Inspection from several residents of Gwalior city regarding the MPWSRP.

As the complainants had not raised their concerns with Management at that time, the Panel responded by informing the Requesters of the need to make prior contact with Bank management. The Request claimed, among other things, that raw sewage in the Swarn Rekha River was accumulating near their homes, located on the banks of the river, and posing a health hazard to them.

On May 17, 2011, the Inspection Panel submitted a memorandum to the Board of Executive Directors in which it described Management's ongoing efforts to address the concerns raised by the Requesters and the Requesters' willingness to engage with the Management. The Inspection Panel, as stated in its memorandum, decided not to register the Request at that time, to await further developments aimed at reaching a satisfactory resolution of the problems raised in the First Request.

On July 6, 2011, the Panel received the Second Request for Inspection regarding the sub-project. The Request was filed by the same Requesters, who are residents of Gwalior city. The Requesters stated that despite receiving assurances from the Bank that their concerns about health and sanitation issues would be resolved, they had remained unaddressed for almost a year. They claimed that Bank Management had not complied with its policies and procedures with respect to this subproject, which, in their view, had caused harm to people in the vicinity of the Swarn Rekha River.

The Panel registered the Request on August 22, 2011.

PROJECT INFORMATION

Madhya Pradesh Water Sector Restructuring Project

Region:	South Asia
IBRD Loan:	US\$396m
Board Approval Date:	September 7, 2004
Closing Date:	June 30, 2015

MANAGEMENT RESPONSE

Management submitted its Response on September 21, 2011. Management stated that it considered the Request deficient and ineligible and that the Requesters' rights or interests had not been, and are not likely to be, directly affected by the subproject. Management asserted that there is no causal link between the pollution in the river and the lining works supported under the subproject. The Management Response further stated that there was no evidence that the construction work undertaken by the subproject caused any lasting damage to the sewer line. With regard to Requesters' claims related to health hazards caused by sewage discharge into the river, Management believed that the sewage problem was a pre-existing condition, that was and is unrelated to failure by the Bank to follow its operational policies and procedures. Management acknowledged that delays in the subproject construction work had occurred because of the need to replace the contractor but did not believe that that had affected the Requesters.

Management also pointed out that the Bank has been actively engaged in supervising the subproject, as well as in providing technical assistance and support to the Water Resources Department during the past year.

THE PANEL'S ELIGIBILITY REPORT AND RECOMMENDATION

The Panel issued its Eligibility Report on October 25, 2011. In it the Panel noted that the subproject is inherently different from the other subprojects financed under the Project, in that it focuses not on irrigation and drainage infrastructure as such, but rather on lining a river in an urban setting. The Panel also noted, based on information gathered during its eligibility visit, that the subproject was not identified as one of 300-odd subprojects at the time of Project approval, but had been added approximately one year later.

In its Report, the Panel observed that the sewage problem appears not to have been identified by the Bank until the complaint was received by the Panel, and that subsequently, supervision by Management has been robust. The Panel also noted that Management has been proactive in its efforts to assist in resolv-

ing the problem since the matter was brought to its attention in late 2010.

The Panel observes that the presence of raw sewage in the river signals that the existing sewage system infrastructure, including the sewer trunk line that runs under the Swarn Rekha riverbed and the *nallas* that feed into it, is not functioning properly.

Whereas there is a clear causal link between the existing sewage system and the problem of sewage in the river and related harms, the Panel was of the opinion that the Bank-financed subproject cannot be said to have caused the problem of raw sewage in the river as alleged in the Request. To the contrary, the connection of the *nallas* to the existing sewer trunk line has likely diminished to a certain extent the presence of raw sewage in the river and therefore cannot be regarded as the source of any increase-related harms. In the Panel's view, therefore, there did not appear to be a credible causal link between the Bank-financed lining of the Swarn Rekha River and the alleged harm.

The Panel consequently did not recommend an investigation of the concerns raised in the Request, and the Board of Directors approved the Panel's recommendation on a no-objection basis.



India: Madhya Pradesh Water Sector Restructuring Project—a resident along the Swarn Rekha river subproject

ARGENTINA: SECOND NORTE GRANDE WATER INFRASTRUCTURE PROJECT

REQUEST NO. 73 • IBRD Loan No. 8032-AR

THE REQUEST

On May 4, 2011, the Inspection Panel received a Request for Inspection related to the Argentina: Second Norte Grande Water Infrastructure Project (SNGWIP). The Request was submitted by the Comunidad Los Flores, on behalf of residents of neighborhoods in the city of Santiago del Estero, Argentina.

The Second Norte Grande Water Infrastructure Project aims at increasing sustainable access to sanitation and water supply services in the Norte Grande Region and its nine provinces by financing investments in sanitation infrastructure and supporting institutional development. The Project is partially financed by an IBRD loan of US\$200 million, which was approved by the Board of Executive Directors on April 5, 2011.

The Project is designed as a framework under which a number of sanitation subprojects are to be selected for financing from a list of potential investments and developed during Project implementation. The Request refers to one of those potential subprojects, the Santiago del Estero Sanitation and Wastewater System, which would provide for the construction of a sewage network for the city of Santiago del Estero and would include a wastewater treatment plant.

The Requesters' claims related both to the Project as prepared and to the above-mentioned potential subproject, which would affect the Requesters directly. In general, the Requesters stated that they could suffer harm as a result of the Bank's failures and omissions in the design and preparation of the Project, especially the preparation of the Environmental and Social Management Framework (ESMF), based on which subprojects are selected and prepared. They believed that the alleged failures of the Bank would in turn adversely affect the design and the environmental impact of subprojects financed under the Project, including the proposed

sewage works and wastewater treatment plant in Santiago del Estero. The Requesters believed that this subproject, as envisioned, would cause them harm because, if not planned and designed properly, it would add an additional source of contamination to an already polluted river, the River Dulce, which, they stated, is their source of water and life.

MANAGEMENT RESPONSE

The Management Response was submitted on July 28, 2011. Management stated that *"no official request has been received by the Province or the Federal Government of Argentina (GoA) to consider any potential investment for financing under the SNGWIP."* Management added that the subproject in Santiago—sewerage works and a wastewater treatment plant—had been analyzed during Project preparation to be used in Project appraisal to assess anticipated impacts, to reveal any important gaps in analysis, and to identify capacity constraints at the institutional level. This review revealed that the subproject, as presented, would not be eligible for financing under the Project and the Bank recommended to the government of Argentina to update the subproject design, especially with respect to the 2009 environmental impact assessment, public consultation, and disclosure.

Management questioned the eligibility of the Request for Inspection, stating that the Requesters' assertion that they would suffer harm from the Project was "premature" because the government of Argentina had not submitted the subproject for consideration and approval under the Bank's SNGWIP. As a result, Management claimed, the Bank was not involved in the preparation and implementation of any subproject in Santiago del Estero, and the subject of the Request could not be considered a Project activity under the SNGWIP. With respect to the ESMF, Management clarified that it is a framework document, and as such, it is not expected to contain specific information on potential subprojects.

The Management Response also included a number of actions that Management committed to undertake. They included ensuring that the implementing agency of the province follows the ESMF steps and agreeing with the government, should it submit a request to finance the subproject in Santiago del Estero, to prepare a "road map" for the required studies and consultation, which could be shared with the Requesters.

PROJECT INFORMATION

Second Norte Grande Water Infrastructure Project

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

PANEL'S REPORT AND RECOMMENDATION

As part of determining the eligibility of the Request and to better understand the facts of the issues raised in it, a Panel team visited Argentina from August 19 through August 23, 2011. The Panel submitted its Report and Recommendation to the Board on August 26, 2011.

In its Report, the Panel noted the critical importance of the Project, which focuses on the need to increase access to sanitation services in the Norte Grande region. The Requesters also indicated to the Panel that they were not opposed to the potential subproject as such, but that they were objecting to the way in which it was planned and designed. The Panel noted the measures that Management proposed to take going forward. These include measures

for communication and disclosure, as well as institutional strengthening at the provincial level. Moreover, the Panel observed that Management had informed the Panel that it recommended that the government of Argentina reconsider the proposed technical solutions and update the environmental assessment by following the steps outlined in the Project's ESMF.

The Panel noted further that Bank Management unambiguously stated that it would not finance the proposed subproject as currently designed. In light of this, the Panel concluded that it could not recommend an investigation related to a subproject that the Bank declared ineligible for financing under the Project.

A narrow alleyway between wooden shacks. Laundry is hanging on lines on the left. A motorcycle is parked on the ground. The ground is made of wooden planks. In the foreground, there are several pairs of sandals. The scene is lit by natural light, creating shadows.

ACTIONS ON EARLIER REQUESTS
Management Progress Reports

DEMOCRATIC REPUBLIC OF CONGO: 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

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 Democratic Republic of Congo Economic Reunification Project

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. 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 of implementation of the Action Plan after one year. The first Progress Report was submitted to the Inspection Panel and the Executive Directors in March 2009, and the second in March 2011. On May 14, 2012, Management submitted its third and final Progress Report to the Board.

The third Progress Report provides a summary of the status of implementation of the components of the Action Plan, all of which are marked as "Completed." Management states that the implementation of safeguards was strengthened with the recruitment and decentralization of 20 environmental and 19 social staff to work on safeguards in headquarters and country offices. Management conducted Regional Safeguards portfolio reviews (Environmental and Social Management Framework, Strategic Environmental Assessment) and one country-specific review. It adds that high-risk projects are reviewed quarterly by senior management and that senior safeguards staff are assigned to them. Management adds that all infrastructure, forest, agriculture, and other relevant projects under preparation and supervision are integrating the Indigenous Peoples policy and other safeguards, as appropriate. Management further adds that in collaboration with key stakeholders, including indigenous peoples representatives, the Bank completed and delivered in December 2009 a formal Economic and Sector Work, "Strategic Framework for the Elaboration of a 'Pygmy Development Plan.'"

Management states that the legal review of forest concessions was formally completed in January 2011, with 76 concessions canceled and 80 legally converted. As a follow-up, 39 social responsibility contracts were signed between logging companies and local communities, and negotiations on 41 more are ongoing.

NIGERIA: WEST AFRICA GAS PIPELINE PROJECT

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

Fourth 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 April 25, 2008, the Inspection Panel submitted to the Board of Executive Directors its Investigation Report on the West Africa Gas Pipeline Project (WAGP). On June 30, 2008, Management submitted its Report and Recommendations in response to the Panel's Report. On August 5, 2008, the Board of Executive Directors discussed the reports and endorsed the Action Plan proposed by Management. The Board also asked that Management report progress in implementing the plan. Since February 2009, Management had submitted three Progress Reports, and on March 29, 2012, it submitted its fourth Progress Report on the implementation of the approved Action Plan, covering the period January to December 2011.

Concerning social issues, Management stated that many activities of the Action Plan have been completed, including (1) consultations and sensitization of communities; (2) implementation of a new round of compensation for crops and trees based on fair market value and adjusted prices; (3) updates of the socioeconomic survey of Project-affected persons; (4) assignment of a Project staff member for targeted vulnerable groups during the compensation period; (5) provision of the livelihood restoration program; (6) full

disclosure of the compensation process; (7) engagement of an independent monitor to witness the payment process; and (8) establishment of an adequate grievance mechanism that incorporates the use of alternative and Project-level dispute resolution methods. Management also stated that some social safeguard activities are still ongoing, including (1) implementation of Community Development Projects (CDP) focusing on enhancing income-earning and livelihood-based activities; (2) modifications to the CDP activities to better address the needs of vulnerable groups; (3) periodic discussion with communities and implementation of Resettlement Action Plan (RAP) monitoring, evaluation, and consultation updates; and (4) continued participation of affected communities on the grievance and dispute resolution mechanism.

Management additionally states that all environment-related actions contained in the Action Plan have been completed. Management added that intensive Project supervision has been ensured during the past four years, and at least two missions a year have been undertaken. Multidisciplinary teams, including technical, financial, economic, environmental, and social safeguards specialists, have been constituted with adequate field presence.

Management concluded that it expected to be able to provide a final progress report to the Board by the end of 2013, upon completion of all outstanding Action Plan items.

UGANDA: PRIVATE POWER GENERATION (BUJAGALI) PROJECT

REQUEST NO. 44 • Guarantee No. B0130-UG

The Third Progress Report on Implementation of Management Action Plan in Response to 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 Action Plan developed in response to the Inspection Panel's Investigation Report. On December 4, 2008, the Executive Directors discussed the reports and endorsed the Action Plan proposed by Management. The Board also asked that Management report on the progress in implementing the plan every six months. The first and second Progress Reports were submitted on September 17, 2009, and April 1, 2011.

In the Third Progress Report, Management states that the majority of actions included in the Management Action Plan were completed and that Bujagali Energy Limited (BEL) had completed almost all activities included in the Social and Environmental Action Plan and will finalize a Resettlement Action Plan Completion Report. The latter report is to identify measures to address two remaining compensation claims in the Naminya resettlement site. As part of the Action Plan, activities such as the implementation of the Sustainable Management Plan for the Kalagala Falls and of the Cultural Property Management Plan and associated activities, and completion of the livelihood restoration and community development programs will be monitored. Management added that it will continue to supervise the project closely, in coordination with the other donors.

The next Progress Report on implementation of the Management Action Plan will be provided in one year.

ALBANIA: INTEGRATED COASTAL ZONE MANAGEMENT AND CLEAN-UP PROJECT

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

Fourth Progress Report on 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 plan. The third Progress Report was submitted on February 16, 2011. The fourth Progress Report (hereinafter, the Progress Report) was submitted on January 13, 2012, and as did the previous three 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 Progress Reports noted that all actions of the Management Action Plan were completed, with the exception of the continuing implementation of independently monitored judicial review of the Requester's claims with respect to the 2007 demolitions in Jale.

The Progress Report stated that the District Court has ruled in six of the nine cases. It had (1) decided one case in favor of a Requester; (2) decided four cases in favor of the government; and (3) dismissed one case on procedural grounds. The Progress Report noted that the remaining cases were ongoing. The Progress Report

added that both the Independent Observer and local counsel were working under the Bank's supervision.

According to the Progress Report, implementation of the restructured Albania Coastal Zone Management and Cleanup Project is progressing in several areas: (1) the cleanup of the hazardous waste site in Porto Romano, Durres municipality, was completed in May 2011; (2) the reconstruction works of the passenger port facilities in Saranda is in progress; (3) the second phase of the Coastal Village Conservation and Development Program, which supports community-based investments in small water supply and wastewater infrastructure and village roads, is under way with preparation of the investments in Himara and Saranda municipalities; and (4) the protected areas management plan of Butrint National Park is completed.

It was noted that this was the last Progress Report regarding the implementation of the Management Action Plan. The Progress Report stated that the Bank will continue to monitor the case-by-case judicial review, using a team of independent observers. The Progress Report noted that upon completion of the District Court and Court of Appeals processes, Management will issue a final report to the Board of Executive Directors concerning the outcomes of the cases.

GHANA: SECOND URBAN ENVIRONMENT SANITATION PROJECT

REQUEST NO. 49 • IDA Credit No. 3889-GH

First and Second Progress Reports on Implementation of Management Action Plan in Response to Inspection Panel Investigation Report

In Fiscal Year 2012 Management prepared two Progress Reports on the implementation of the Action Plan in response to the Panel Investigation Report that was submitted to the Board of Executive Directors on March 13, 2009. The first report is dated August 29, 2011 (First Report), and the second is dated June 26, 2012 (Second Report).

First Progress Report (August 2011)

According to the First Report, its submission to the Board was delayed for about 18 months as a result of a number of important events that occurred after the Board meeting in which the Management Action Plan was approved. In February 2010, the First Report notes, it was brought to the attention of the Bank that a high voltage transmission line (T-line), financed by another World Bank project, had been installed across the Kwabenya landfill site. Management states that it had received no information from the government that the T-line would overlap the landfill. Eventually the government of Ghana decided not to construct the Kwabenya landfill because of agitation in the community, the construction of the transmission line, and land encroachment on the proposed landfill area.

The First Report indicates that whereas it was decided not to develop the landfill, no decision was made with respect to the land for construction of the landfill that had already been vested in the President by the issuance of an Executive Instrument. In this context, the Bank informed the government it was still obliged, under the Development Credit Agreement, to conclude the process and compensate affected people in accordance with Bank safeguards. According to the First Report, Management indicated to the government of Ghana that it could fulfill its obligations and comply with OP 4.12 on Involuntary Resettlement either by returning the

land and compensating the owners for any loss incurred, or by keeping the land and compensating the affected people identified in the Resettlement Action Plan (RAP).

With respect to other actions in the Management plan, the First Report notes progress both in the preparation of the Integrated Solid Waste Management Strategy (ISWMS) to address medium- and long-term sanitation problems, and in carrying out activities designed to increase the institutional capacity of local government and community awareness of sanitation issues.

Management indicated that it would provide another progress report in six months.

Second Progress Report (June 2012)

The Second Report states that the Executive Instrument that expropriated the land from owners and lessees is still in effect and that no compensation had been paid to affected people to date. Management also indicates that at the end of August 2011 the government requested the Bank to use the credit proceeds to compensate owners of unfinished structures. Management reports that it found this solution unsatisfactory because the proposal would exclude a number of affected people from payment of compensation and because the government did not clarify whether it intended to keep the land or return it. In April 2012 the government communicated its intention to complete the acquisition and retain the land, asked once again to use credit proceeds to compensate owners of unfinished structures, and committed to compensate the remainder of the affected owners and lessees with its own funds. The Second Report notes that Management authorized the use of the credit proceeds and also authorized an extension of the credit closing date of seven months to allow for processing the payments in accordance with Bank safeguards policies.

Management stated that it will report to the Board on further progress in 12 months.

CAMBODIA: LAND MANAGEMENT AND ADMINISTRATION PROJECT

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

First Progress Report on Implementation of Management Action Plan in Response to Inspection Panel Investigation Report

On September 4, 2009, the Inspection Panel received a Request for Inspection related to the Cambodia Land Management and Administration Project (LMAP). The Requesters were communities living in the Boeung Kak lake (BKL) area in Phnom Penh. The Requesters claimed that some 4,250 families were either evicted or under threat of eviction from their land, as a result of the land being leased to a private developer, in violation of Bank policy on involuntary resettlement.

The Government of Cambodia canceled financing for the project on September 7, 2009, after the Bank suggested joint suspension of the project pending discussions on the application of its safeguard policies for handling resettlement issues.

The Inspection 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, as also acknowledged by Management. In its response to the Panel Investigation Report, dated January 21, 2011, Management noted that there had been little progress with respect to the improvements it had suggested when looking into these events in 2009. Management stated that the main reason for this was that the Government of Cambodia did not agree that the Project's Resettlement Policy Framework applies to the evictions occurring in the Boeung Kak lake area. Management also indicated that the Government of Cambodia is not prepared to work with the Bank to create an Action Plan to remedy the resettlement issues. Because of that deterioration in dialogue, Management acknowledged, the Bank's options to mitigate the harm that people affected by the Project have suffered are limited.

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

Bank Management reported to the Board of Executive Directors on the implementation of the Management Action Plan on May 16, 2011. Management noted that the Municipality of Phnom Penh was examining an on-site development option for remaining BKL residents, and was taking steps to improve resettlement processes more generally in Cambodia with support from some other development partners. The Progress Report noted that it would be appropriate to allow additional time to reach satisfactory progress and that Management would provide a further update when significant new developments warrant, and in any event, within six months.

The Panel understands that in August 2011, the Bank decided to freeze new lending to Cambodia pending the resolution of issues related to the BKL case.

Management issued an Implementation Completion and Results Report (ICR) on December 27, 2011, which concluded that project *"outcomes were moderately unsatisfactory, the risk to development outcome was significant, the Bank performance was moderately unsatisfactory, and the Borrower performance was also moderately unsatisfactory."*

According to the ICR, the Government issued a subdecree (#183) in August 2011, giving over 700 families still living near the lake approximately 12 hectares of land on the planned development site, and the government issued titles to 259 of the families on December 10, 2011.

On May 30, 2012, more than one hundred NGOs wrote to the President of the World Bank urging him not to end the suspension of new World Bank lending to Cambodia until a comprehensive agreement is reached with the Boeung Kak lake community and 15 imprisoned community leaders are released. The Panel understands that these 15 community leaders have since been released. However, the Boeung Kak lake community and NGO support groups continue to demand that more affected families be provided with housing within the 12 ha concession and that all Boeung Kak lake families, many of whom have already been displaced, be provided with "fair and just restitution."



OTHER ACTIVITIES

AWARENESS-RAISING AND OUTREACH ACTIVITIES

The Panel recognizes a critical need to build awareness about its availability, so that affected people are informed of, and exercise, their right to access an independent accountability mechanism reporting to the Board of Executive Directors of the World Bank, if they believe that they have been or are likely to be adversely affected by a World Bank-supported operation. For this reason, the Panel conducts outreach activities with civil society, academia, development practitioners, and other groups. In addition, the Panel has a brochure explaining its mission and providing guidance on filing a Request for Inspection, which can be found in 12 languages on its website: www.inspectionpanel.org.

Outreach Visit to Geneva and Scandinavian Capitals

In March 2012, two Inspection Panel Members and the Executive Secretary visited Copenhagen, Stockholm, and Oslo, where they met with relevant government ministries and several NGO representatives. In Geneva/Gland, they met with the Aarhus Convention Secretariat, as well as with the representatives of the International Union for Conservation of Nature (IUCN). The purpose was to inform these stakeholders about the Inspection Panel and to discuss issues related to citizen-driven accountability in the context of the upcoming Rio+20 Summit.

World Bank/International Monetary Fund Annual and Spring Meetings

During the Annual Meetings and the Spring Meetings of the International Monetary Fund and the World Bank Group, the Panel traditionally hosts a series of events, including its Open House and a Panel–Civil Society discussion, which provide an opportunity for meeting delegates, Bank staff, and civil society representatives to learn about the Panel and exchange ideas.

In addition, at the Spring Meetings in April 2012, the Inspection Panel held a session as part of the Civil Society Forum discussing experiences from Panel cases related to issues of consultation and community participation in World Bank-funded projects.

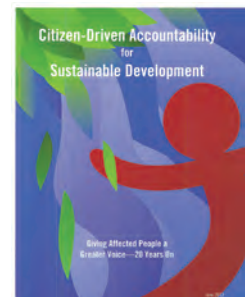


Session of IAMs on Citizen-Driven Accountability for Sustainable Development, Rio de Janeiro, Brazil, June 18 2012

Inspection Panel and Other Independent Accountability Mechanisms at the United Nations Conference on Sustainable Development (Rio+20 Conference)

Jointly with other Independent Accountability Mechanisms (IAMs) of International Financial Institutions, the Panel organized a side event at the Rio+20 United Nations Conference on Sustainable Development. The event, titled *Citizen-Driven Accountability for Sustainable Development*, was hosted by the Brazilian Academy of Sciences. Panelists reviewed the evolution of citizen-driven accountability in development cooperation since the 1992 Earth Summit in Rio, which laid an important foundation for the creation of the Inspection Panel in 1993 and other independent accountability mechanisms subsequently.

Presentations confirmed the importance of environmental justice and access to recourse for equitable and sustainable development outcomes. At the session, the IAMs presented two joint publications as a contribution to the Rio+20 Conference, which can be found on the Panel's website: www.inspectionpanel.org.



In Rio de Janeiro, the Panel Members and Secretariat staff also participated as panelists and speakers at the sessions hosted by the World Resources Institute, the Getulio Vargas Foundation of Brazil, and others, to discuss the work of the Panel and issues of citizen-driven accountability. The meetings were designed to assess progress of Principle 10 of the 1992 Rio Declaration and to discuss the designing of equitable rules for green growth and the rule of law in international and national governance for sustainable development.

Interactions with Students and Academia

The Panel Secretariat staff met with students and academic staff of Columbia University Human Rights Program, American University Human Rights and Undergraduate Programs, and Germany's Jus-

tus Liebig University Giessen, to introduce the Inspection Panel. The meeting also covered issues such as the Panel's role in improving development effectiveness, and the human rights debate within the scope of international law and IFI activities.

The Panel's Update Newsletter

As part of its outreach activities, the Panel published and disseminated its fifth *Update Newsletter*, which contained a summary of its work. To subscribe to the Panel's newsletter, please send an e-mail to the Inspection Panel at panel@worldbank.org.



REVIEW OF PANEL OPERATING PROCEDURES

OVERVIEW OF THE PROCESS

The Inspection Panel is undertaking a review and update of its Operating Procedures, which specify the Panel's operations and practice within the ambit of its mandate. An important goal of the review is to make the Panel process clearer and more user-friendly and accessible.

As a part of the review, the Panel initiated a consultation process, both online and through meetings, to create opportunities for dialogue with stakeholders who are interested in the Panel's work and in public accountability of international financial institutions. The process included the Board and Management at the World Bank and various external stakeholders, such as former requesters, civil society organizations, representatives of other Independent Accountability Mechanisms, members of the academic community, former Panel members, and technical experts who have worked on the Panel investigations.

The objective of this initial consultation process was to identify areas where the Panel has the opportunity to enhance the effectiveness and efficiency of its operation in the years to come, within its existing mandate. The inputs received have provided an important point of reference for its consideration on several key issues, including:

- Improving public awareness of the Panel's availability as an accountability and recourse mechanism

- Enhanced due diligence at the registration phase of the Panel process
- Providing clarity of information and analysis in the eligibility phase of the process regarding the Panel's recommendation on whether an investigation is warranted
- Fostering opportunities for problem solving by Management and Requesters during the early stages of the Panel process
- Speeding up investigations
- Improving transparency and the involvement of Requesters in the process
- Promoting appropriate and effective interactions with the Board, governments, requesters, and Management throughout the Panel process
- Fact-finding during follow-up to the Panel process (if requested by the Board)
- Promoting corporate learning as a result of Panel investigations and work.

Currently, the Panel is engaged in a process of drafting the updated Operating Procedures, involving additional consultations with Board members and Management.



APPENDICES

BIOGRAPHIES OF THE PANEL MEMBERS AND THE EXECUTIVE SECRETARY



Mr. Alf Jerve joined the Panel in November 2008 and assumed the responsibility of Chairperson of the Inspection Panel on February 1, 2012, succeeding Mr. Roberto Lenton. A national of Norway, Alf Jerve brings to the Panel close to three decades of work in the field of development. As a Social Anthropologist by training, he has 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. There 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 also 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.



Mr. Roberto Lenton, a national of Argentina, was appointed to the Inspection Panel in September 2007 and served as Chairperson from November 1, 2009, to January 31, 2012. 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 Water-Aid America and was until July 2009 the

Chair of the Technical Committee of the Global Water Partnership. Mr. Lenton is co-author of *Applied Water Resources Systems* and co-editor of "Integrated Water Resources Management in Practice." He is 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 co-chaired. Mr. Lenton was earlier Director of the Sustainable Energy and Environment Division of the United Nations Development Program 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. Mr. Lenton earned a Civil Engineering degree from the University of Buenos Aires and PhD from the Massachusetts Institute of Technology (MIT). 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.



Ms. Eimi Watanabe a Japanese national, was appointed to the Inspection Panel in November 2009. Ms. Watanabe brings to the Panel more than 30 years of experience in the field of development. Throughout her career, Ms. Watanabe has demonstrated a commitment to applying analytical as well as participatory approaches to development programs, and she has a strong record of experience in 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, both at the project and policy levels, including poverty reduction, gender, child health and nutrition, governance, capacity development, the environment, and migration. From 1998 to 2001 she served as Assistant Secretary General and Director of the UNDP's 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 (UNOPS). Ms. Watanabe earned a PhD from the London School of Economics and received her BA in Sociology from the International Christian University in Tokyo.



Mr. Peter Louis Lallas a United States national, became the Inspection Panel's Executive Secretary in January 2007, following the retirement of 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 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 JD from Harvard University Law School (1986) and a BA 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 an adjunct professor on international environmental policy in the Masters of Science Program of Georgetown University. He has written and cowritten a number of publications on international law, cooperation, and sustainable development.

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.
2. Are you familiar with Bank policies and procedures that apply to this type of project? If you are, how do you believe the Bank may have violated them?
3. Have you contacted, or attempted to contact, Bank staff about the project? Please provide information about all contacts and the responses, if any, that you received from the Bank.
4. Have you tried to resolve your problem through any other means?
5. If you know that the Panel has dealt with this matter before, do you have new facts or evidence to submit?

Before formulating a Request please review the following questions and provide as much relevant information as you may have.

1. Can you elaborate on the nature and importance of the damage caused by the project, to you or those you represent?

Please provide a summary of this information in no more than a few pages. Attach, as separate documents, as much other information as you think necessary. Please note and identify the 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; Email: ipanel@WorldBank.org
or The appropriate World Bank Country/Regional 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 policies 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, 2011–JUNE 30, 2012

Salaries ^a	\$1,141.30
Benefits ^a	\$575.65
Communications & IT Services	\$99.63
Office Occupancy	\$175.20
Equipment and Building Services	\$8.29
Temporaries	\$42.16
Consultants ^b	\$802.24
Travel	\$348.16
Representation and Hospitality	\$3.90
Publications	\$71.27
Contractual Services	\$39.31
Other Expenses	\$6.47
Total Budget Spent	\$3,313.57
Total Budget Received	\$3,495.78

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

^a. Includes Chairperson's salary and benefits.

^b. Includes Panel Members' fees.

"I want to, on behalf of our organization Environmental Rights Action, all the civil society organizations that worked on this campaign with us, thank the Panel for being forthright and sincere in its investigation and report on the complaints of our communities..."

—**Michael K.**, *Requester; Nigeria: West Africa Gas Pipeline Project*

"Your third and last report has made everyone face their own contradictions. . . . I will never thank enough the Panel team for their work."

—**Charles K. S.**, *Requester; Democratic Republic of Congo: Private Sector Development and Competitiveness Project*

"Affected communities usually bring the most crucial aspect of the environmental consequences of development. Planners and implementers often may not realize that when they affect territories, they are also affecting people that live inside and for generations have established some kind of sustainable relationship with the environment."


—**Marcos Pedlowski**, *Professor, Universidade Estadual do Norte Fluminense, Brazil; researcher in issues of human dimensions of environmental change*

"I am very happy to share the news with you that this Saturday (December 10, 2011), the first 254 land titles were distributed to remaining families at Boueng Kak Lake, in line with the Prime Minister's decree which returned 12.44 hectares to the residents. Given the very powerful interests and financial stakes involved in this case, this is an outcome that none of us really expected could be achieved when we began this campaign five years ago. . . . On behalf of the requesters, who thanked us profusely on Saturday for the support we provided, I want to pass on the thanks to you for conducting such a professional and credible investigation and making the World Bank a more accountable institution. If not for this accountability process, I don't believe anybody would have been celebrating at Boueng Kak Lake on this International Human Rights Day."

—**David Pred**, *Bridges Across Borders Cambodia; Cambodia: Land Management and Administration Project*

"Independent Accountability Mechanisms provide redress to people's grievances. People can reach out to them to get their voices heard"

—**Renu Modi**, *Senior Lecturer, University of Mumbai, India; researcher in issues of involuntary resettlement*

The Inspection Panel 

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THE WORLD BANK

A free publication

SKU 32722