

COMPLAINTS MECHANISM

SG/E/2018/39

Nepal Power System Expansion NEPAL

Monitoring Report

14 March 2025





SG/E/2018/39 Nepal Power System Expansion Monitoring Report

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This report is based on the information available to the EIB Group Complaints Mechanism up to 23 December 2024, the cut-off date for the report.

In case of discrepancies between language versions, the English version prevails.

1. BACKGROUND

- 1.1. The European Investment Bank (EIB or the Bank) is providing an investment loan for the Power System Expansion Project (PSEP or the Project) of up to €95 million (initial financing amount). The loan was approved by the EIB's Board of Directors on 16 September 2014. The finance contract was signed in 2015. The borrower is the Federal Democratic Republic of Nepal, represented by the Ministry of Finance, while the final beneficiary and Project-implementing agency is the Nepal Electricity Authority (NEA), a fully state-owned power utility (the Promoter). The Project is co-financed by the Asian Development Bank and the Norwegian Agency for Development Cooperation.
- 1.2. In October 2018, the Free Prior and Informed Consent and Rights Forum from Lamjung district in Nepal (the Complainant) submitted a complaint with a request for mediation regarding the 220 kV Marsyangdi Corridor transmission line (a component of the EIB funded Project), as well as other hydropower sector developments in the region that are not financed by the EIB. The EIB Group Complaints Mechanism (EIB-CM) handled the complaint in the part related to the component of the Project financed by the EIB (the Component 2, as described below). Given the absence of an agreement with the Promoter to proceed with a mediation, the complaint became subject to a compliance review, in line with the EIB-CM Policy.¹
- 1.3. The Component 2 consists of the following transmission system expansion along the Marsyangdi Corridor:
 - Khudi-Udipur-Marki Chowk-Bharatpur 220 kV transmission line (approximately 110 km), 220 kV substation in Khudi, 220 kV switchyard in Udipur and 220 kV bay extension in Bharatpur;
 - Manang-Khudi 220 kV transmission line (approximately 25 km), 220 kV substation in Manang and 220 kV bay extension in Khudi.²
- 1.4. The Complainant is a grouping of local indigenous and non-indigenous peoples in Lamjung district in Nepal that is advocating for a rights-based approach to hydropower sector development in their region. The civil society organisations Lawyers' Association for Human Rights of Nepalese Indigenous Peoples (LAHURNIP)³ and Accountability Counsel⁴ supported the drafting of the complaint and have been advising the Complainant since then. In September 2019, the Complainant also submitted a complaint with the same claims to the National Human Rights Commission in Nepal and to the NEA.
- 1.5. During its compliance review, the EIB-CM grouped the allegations made by the Complainant as follows: (i) alleged lack of adequate and holistic (strategic) environmental and social (E&S) impacts analysis; (ii) alleged issues relating to adequate and meaningful stakeholder engagement, including proper consultation, agreement seeking, and information disclosure on the Project, its impacts and how each impact can be avoided, mitigated or compensated for; (iii) alleged lack of Free, Prior, and Informed Consent (FPIC); and (iv) alleged issues relating to land acquisition and land use restrictions, and compensation.

¹ See https://www.eib.org/attachments/strategies/complaints_mechanism_policy_en.pdf

² As per the technical description of the Project contained in the finance contract (Schedule A). Please note that the actual split for the environmental and social impact assessments is different.

³ [Lawyers' Association for Human Rights of Nepalese Indigenous Peoples](#).

⁴ [Accountability Counsel - Accountability Counsel](#).

2. OUTCOME OF THE COMPLIANCE REVIEW

- 2.1. The EIB-CM presented the findings and conclusions from its compliance review in a conclusions report (the Conclusions Report), published on the [EIB-CM website for this case](#)⁵ in April 2021.
- 2.2. While the responsibility for compliance with the applicable standards lies with the Promoter and the local authorities, the EIB is required to appraise and monitor projects to ensure that they meet the applicable EIB standards. The EIB Services had developed a corrective Environmental and Social Action Plan (ESAP) following their monitoring mission in June 2019, which was yet to be finalized and agreed upon at the time of issuance of the Conclusions Report.
- 2.3. In its Conclusions Report, the EIB-CM made the **six following recommendations to the Bank**⁶:
 - i. Update the corrective ESAP as soon as possible.
 - ii. Engage closely with the Promoter the soonest possible with a view to strengthen its capacity. At the minimum, this implies the need for engaging expert(s) in stakeholder engagement, with specific expertise in indigenous peoples (not later than within six months of the issuing of the Conclusions Report).
 - iii. Continue to strengthen the EIB's monitoring of the Project and follow up closely with the Promoter, provide technical guidance on E&S matters in view of the EIB's requirements, and monitor the updated corrective ESAP's implementation on a bi-monthly basis.
 - iv. In line with the finance contract, ensure that the status of progress made in the updated corrective ESAP's implementation is a major determinant for the EIB to proceed with disbursements for the Marsyangdi Corridor component of the Project.
 - v. Organise a workshop to present the Guidance Note on Stakeholder Engagement in EIB Operations (for promoters) as soon as possible with the Promoter, its Environment and Social Studies Department (ESSD) and other key stakeholders.⁷
 - vi. Develop an internal procedural checklist to assist EIB staff in their due diligence of the quality of the assessment of potential significant cumulative effects of a concerned project, as part of the environmental impact assessment's process and report.

3. MONITORING PERFORMED BY EIB-CM

Documentation review and meetings

- 3.1. Following the publication of its Conclusions Report in April 2021, the EIB-CM has been monitoring the implementation of the abovementioned recommendations issued to the Bank. In this context, the EIB-CM reviewed Project-related information on E&S evaluations and management, consultants' activities and the Bank's monitoring.
- 3.2. Between April 2021 and October 2024, the EIB-CM organized separate meetings with the operational services of the Bank and with the Complainant, LAHURNIP and/or Accountability Counsel to discuss the progress in the implementation of the EIB-CM's recommendations, and remaining issues and challenges on the ground. Moreover, the EIB-CM facilitated meetings between the Bank's operational services and the Complainant, LAHURNIP and Accountability

⁵ See <https://www.eib.org/en/about/accountability/complaints/cases/nepal-power-system-expansion1-sg-e-2018-39>

⁶ The conclusions and recommendations in the EIB-CM's conclusions reports are addressed solely to the EIB.

⁷ See [Guidance Note for EIB Standard on Stakeholder Engagement in EIB Operations](#)

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Counsel, during which the parties shared information and their views directly with each other about the progress made in relation to the allegations.

Monitoring visit

- 3.3. As part of its monitoring of the implementation of its recommendations, a team from the EIB-CM performed a field visit between 21 and 26 October 2024. The team met the following stakeholders in Kathmandu and in the Lamjung district (along the Marsyangdi Corridor).
 - i. The Promoter (headquarters and field staff);
 - ii. The National Human Rights Commission;
 - iii. The Indigenous Nationalities Commission;
 - iv. The Complainant;
 - v. Local communities and Project Affected People (PAPs) along the Project transmission line, particularly in Paudi, Rainas, Besisahar, Banjhaket-Raut Gaun, Pasachowr, Lamjung and Sundar Bazaar. Some of these meetings were organised by the Complainant and the Promoter;
 - vi. Local authorities.
- 3.4. The agenda of the EIB-CM monitoring visit is available in Annex 1. The EIB-CM acknowledges the fact that its field visit was limited in terms of number of days and places visited. The EIB-CM organized an additional conference call with LAHURNIP in November 2024.
- 3.5. The objectives of the EIB-CM monitoring visit were as follows:
 - i. to assess to what extent the Bank's actions further to the publication of the EIB-CM's Conclusions Report translated into improvements on the ground;
 - ii. to assess the status of the progress made, at Project level, in relation to the major allegations of the complaint and to the challenges identified in the Conclusions Report and reported to the EIB-CM after its issuance. The EIB-CM focused particularly on the status of progress in terms of stakeholder engagement;
 - iii. to triangulate information received from the different Project stakeholders.

4. FINDINGS

- 4.1. The physical progress of the Project is significant in the Udipur-Barathpur section (part of the Component 2), with the land acquisition for all the tower pads having been completed and, as presented during the EIB-CM's visit, 123 of the 199 tower foundations having been completed. The substations at Udipur and Barathpur are also completed and energized. The construction progress of the Khudi-Udipur and Manang-Khudi sections (also both part of the Component 2) is less advanced, with 18 of the 121 tower foundations completed at the time of the visit. Construction works at Khudi substation are 90% completed, while Manang's substation construction is at an early stage.
- 4.2. The monitoring activities described above allow the EIB-CM to conclude that the Bank did undertake, on a best effort basis, to implement the EIB-CM's recommendations stemming from its Conclusions Report. The EIB-CM's opinion on the status of implementation, by the Bank, of these recommendations over the period 2021-2024 is described in Table 1 below. The EIB-CM considers that five of the six recommendations issued to the Bank were implemented and has, thus, closed the monitoring process for such five recommendations as 'completed' (as indicated in Table 1 below).

- 4.3. In addition, the EIB-CM has reviewed the progress made in relation to the major allegations of the complaint since the publication of its Conclusions Report in 2021. Table 2 below provides an overview of the EIB-CM's conclusions regarding the Project's compliance with the applicable standards as per its Conclusions Report, and an update on the progress made up to the fourth quarter of 2024.

Table 1 – Status of implementation by the Bank of the EIB-CM's recommendations

EIB-CM recommendation to the Bank	Action(s) undertaken by the Bank to implement the recommendation	EIB-CM monitoring status (Closed/Open) ⁸
#1: Update the corrective ESAP as soon as possible.	In 2021, following the issuance of the EIB-CM's Conclusions Report, the Bank formally requested the Promoter to ensure Project compliance with the applicable EIB E&S Standards and requested immediate actions from the Promoter in the following areas: (i) Project E&S consultancy and expertise; (ii) finalization of Project-related E&S assessments and documentation, including a Biodiversity Impact Assessment (BIA), a Cumulative Impact Assessment (CIA), a Resettlement Action Plan for each section, and a Stakeholder Engagement Plan; (iii) approach for a FPIC process; and (iv) regular reporting on ESAP implementation and E&S matters to the Bank. Soon after, the Promoter formally endorsed the requested actions and provided its commitment to implement them.	Closed
#2: Engage closely with the Promoter the soonest possible with a view to strengthen its capacity. At the minimum, this implies the need for engaging expert(s) in stakeholder engagement, with specific expertise in indigenous peoples (not later than within six months of the issuing of the Conclusions Report).	Since 2021, the EIB has been engaging more closely with the Promoter through various forms. In addition to a presentation by the EIB-CM of its Conclusions Report in presence of the operational services of the Bank, the Bank has had monthly calls and formal communications with the Promoter and has increased the frequency of its monitoring field visits. As from the beginning of 2021, the EIB hired a local monitoring consultant which, besides monitoring the Project on behalf of the Bank for compliance with the EIB E&S Standards, conducted a number of awareness-raising sessions on the EIB E&S Standards, stakeholder engagement and grievance mechanism. These sessions took place in Kathmandu and Lamjung and were attended, depending on the location, by NEA's project operational engineers, the Promoter's E&S management unit and E&S field staff and a consultant, and by the contractors' representatives. By the end of 2021, the Promoter hired an indigenous peoples' expert with the objective of supporting the Promoter in assessing the requirement for, and developing an approach for, FPIC. The Bank has been involved in the finalization of the terms of reference for the assignment of the said indigenous peoples' expert; the recruitment of the consultant was carried out by the Promoter.	Closed

⁸ 'Closed' means the EIB-CM considers the implementation of the recommendation as completed. 'Open' means the EIB-CM considers that the implementation of the recommendation has not yet started or is ongoing.

EIB-CM recommendation to the Bank	Action(s) undertaken by the Bank to implement the recommendation	EIB-CM monitoring status (Closed/Open) ⁸
#3: Continue to strengthen the EIB's monitoring of the Project and follow up closely with the Promoter, provide technical guidance on E&S matters in view of the EIB's requirements, and monitor the updated corrective ESAP's implementation on a bi-monthly basis.	See the above description (#2) in relation to the EIB's enhanced E&S monitoring and provision of E&S technical guidance: recruitment of a local monitoring consultant, regular calls and formal communications with the Promoter, increased frequency of site visits, and awareness-raising sessions. In addition, the Bank monitored and provided technical support towards the final implementation by the Promoter of key actions under the (updated) ESAP, including: (i) a Cumulative Impact Assessment Report; (ii) a Biodiversity Impact Assessment Report; (iii) Resettlement Action Plans Udipur - Bharatpur and Manang Udipur⁹; (iv) a Stakeholder Engagement Plan; and (v) the Procedure of Cultural Assessment and the Procedure for Site Specific Consent, both procedures having been annexed to the Stakeholder Engagement Plan¹⁰. Moreover, the EIB-CM was provided with evidence of regular E&S reporting by the Promoter to the Bank. In order to ensure the continuous monitoring by the Bank of the Project's compliance with the applicable EIB E&S Standards, a new contract was signed in 2024 with an international E&S consulting company (replacing the previous EIB local monitoring consultant assignment). The scope of work of this new contract includes: supporting the Project E&S Management Unit (ESMU) in complying with the EIB E&S Standards, building capacity, reporting regularly to the EIB on Project compliance, and updating the ESAP with evolving challenges and gaps. The terms of reference require the mobilization of a senior social expert (with experience in stakeholder engagement planning, grievance and complaints management, resettlement planning, indigenous peoples, and project monitoring), a biodiversity specialist, and a health and safety advisor. In 2024, the EIB project team started having weekly calls with NEA project field staff and the E&S consultant. Since the issuance of the Conclusions Report in April 2021 and up to November 2024, 22 monitoring visits were performed by the EIB project team and/or the Bank's monitoring consultants.	Closed
#4: In line with the finance contract, ensure that the status of progress made in the updated corrective ESAP's implementation is a	See the description of the progress made by the Promoter in the implementation of the ESAP in #3 above and hereinbelow. See also progress presented by the Bank as of 24 April 2024 in an online Project Brief.¹¹ In addition to the actions undertaken by the Bank described under recommendation #1, the Bank clarified to the Promoter in writing what exactly is necessary to fulfil certain conditions precedent to disbursement included in the	Closed

⁹ The Manang – Udipur RAP was updated in February 2021 and is available on NEA website : https://www.nea.org.np/admin/assets/uploads/supportive_docs/52182611.pdf

¹⁰ See Stakeholder Engagement Plan, including Annexes II and III: <https://www.eib.org/en/registers/all/169752085>

¹¹ See EIB Topical Brief Brief: <https://www.eib.org/en/press/topical-briefs/all/nepal-power-system-expansion-project>

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EIB-CM recommendation to the Bank	Action(s) undertaken by the Bank to implement the recommendation	EIB-CM monitoring status (Closed/Open) ⁸
major determinant for the EIB to proceed with disbursements for the Marsyangdi Corridor component of the Project.	respective finance contract. The Bank requested evidence of, and satisfactory completion of, the ESAP's specific actions points for each work contracts. At the time of issuance of the EIB-CM Conclusions Report, the Bank had made three disbursements, with the last disbursement made in 2018 before submission of the complaint. Following the issuance of the Conclusions Report, the Bank ensured that satisfactory progress on the implementation of the ESAP and publication of the requested E&S studies and management plans (referred to in #1 and #3 above, and part of the relevant Conditions Precedent to disbursement) have been a major determinant to proceed with disbursing for the Marsyangdi Corridor component of the Project. Towards the end of 2023, the Bank eventually agreed to disburse one tranche of the loan for the purchase and testing of equipment and construction works for the Udipur and Bharatpur substations.	
#5: Organise a workshop to present the Guidance Note on Stakeholder Engagement in the EIB Operations (for promoters) as soon as possible with the Promoter/the ESSD and other key stakeholders.	Reportedly, the EIB's local monitoring consultant attended a training on the Guidance Note on Stakeholder Engagement in the EIB Operations and liaised closely with the EIB's project team in preparation of knowledge sharing events with the Promoter. The EIB services provided evidence to the EIB-CM of these knowledge sharing events. One such event occurred in Q2 2021 and two in Q3 2021: • One of such events, provided by the EIB's local monitoring consultant, took place in Lamjung with participants from the NEA's project staff, the ESSD social/environment consultant and a contractor's representative. The objective was to raise awareness on the EIB E&S Standards, project entitlement matrix, grievance handling, stakeholder engagement, and environmental requirements. • Another event was organized by the EIB and was attended by NEA and NEA Engineering Company's participants. • And a last event focused on stakeholder engagement and grievance management, in which NEA's project staff in the field and a project support consultant participated. On that basis, the EIB-CM closed this action point. The EIB-CM notes that the Bank's project team is raising awareness on EIB E&S requirements on a continuous basis with the support of consultants.	Closed
#6: Develop an internal procedural checklist to assist EIB staff in their due diligence of the quality of the assessment of potential	The EIB is in the process of updating its Environmental, Climate and Social Procedures.	Open

EIB-CM recommendation to the Bank	Action(s) undertaken by the Bank to implement the recommendation	EIB-CM monitoring status (Closed/Open) ⁸
significant cumulative effects of a concerned project, as part of the environmental impact assessment's process and report.		

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Table 2 – Progress in relation to the allegations made in the complaint

No.	Allegations made in the complaint	Compliance with the EIB E&S Standards as per the EIB-CM's Conclusions Report (2021) ¹²	EIB-CM's monitoring update (2024)
1	1.1 Failure to apply the higher Environmental Impact Assessment (EIA) standard for the E&S impacts assessment(s) for the Project, or at least for the 220 kV Marsyangdi Corridor and associated hydropower sector development.	Partly grounded The Initial Environmental Examination (IEE) report for Udipur-Bharatpur contains some information on the cumulative impacts of the Project, though it is considered not satisfactory. The (draft) EIA report for Manang-Udipur does not contain an assessment of the cumulative impacts of the Project yet. Not yet in line with the explicit requirement of an assessment of the potential cumulative impacts (as part of the EIA procedures) as spelled out in the Bank's appraisal documents, and in the finance contract.	The CIA and BIA were completed and published in March 2023. ¹³ The EIA report for Manang-Udipur is available online. ¹⁴
	1.2 Salami slicing of the Project when evaluating the E&S impacts/lack of CIA.		
2	2.1 Lack of adequate and meaningful consultations with PAPs, especially in the Lamjung district and with people affected by the Right of Way (RoW).	Partly grounded A number of shortcomings identified in view of the EIB E&S Standards. Absence of a Stakeholder Engagement Plan (which is not compliant with such standards). Other issues range from low levels of participation (especially of women), lack of clarity about the extent of consultation with people affected by the RoW and, in general, about the representativeness of participants in public consultations, and the level of effectiveness and meaningfulness of the public consultation process.	Information on consultations undertaken by the Project is provided in the EIB's Project Brief published by the Bank in April 2024. ¹⁵ The Stakeholder Engagement Plan was completed in Q3 2021, updated and published in April 2023. ¹⁶ Project leaflets and posters with information on relevant topics including E&S, health and safety, land acquisition and compensation, and contact points of the Project developed in Nepali and being distributed. The Promoter's E&S reporting provides information on the consultations undertaken and representativity of women and indigenous peoples.
	2.2 Inadequate participation and agreement seeking from affected communities in decision-making about the Project.		
	2.3 Lack of adequate disclosure of information about the Project and its impacts in a manner that is accessible to affected local people, including indigenous peoples.		

¹² This is meant to provide a quick snapshot. For more details about the EIB-CM's findings and conclusions, please refer to Section 5 of the [online Compliance review report](#).

¹³ The final versions were published on EIB website (CIA: <https://www.eib.org/en/registers/all/168770873>; BIA: <https://www.eib.org/en/registers/all/168768764>) and on NEA website (CIA: https://www.nea.org.np/admin/assets/uploads/supportive_docs/52335158.pdf; BIA: https://www.nea.org.np/admin/assets/uploads/supportive_docs/50067358.pdf)

¹⁴ See [nea.org.np/admin/assets/uploads/supportive_docs/EIA_Report_%28MCTLP_Udipur_Manang%29.pdf](https://www.nea.org.np/admin/assets/uploads/supportive_docs/EIA_Report_%28MCTLP_Udipur_Manang%29.pdf), version September 2018, no update made available to the CM.

¹⁵ See EIB Topical Brief on [Nepal Power System Expansion Project](#)

¹⁶ Stakeholder Engagement Plan

No.	Allegations made in the complaint	Compliance with the EIB E&S Standards as per the EIB-CM's Conclusions Report (2021) ¹²	EIB-CM's monitoring update (2024)
			The Promoter's project field staff includes two social specialists, covering the upper and the lower part of the transmission line. Based on the findings from its monitoring visit in Lamjung, the EIB-CM finds that challenges remain on the ground in terms of (i) Project meaningful stakeholder engagement, (ii) dissemination of Project information in ways that are accessible to local people, (iii) grievance management, and (iv) Project stakeholder engagement capacity. More information is provided in paragraphs 4.4 to 4.11 below. The EIB-CM acknowledges that the Project's ability to undertake meaningful stakeholder engagement in certain local communities is challenging in the current conflictual environment (including protests against works, negative experience with another transmission line built by a private company, complex negotiation process).
3	Lack of FPIC for the Project from affected communities, especially indigenous peoples.	Partly grounded Absence of timely and sufficient attention to determine the applicable indigenous peoples-related requirements during Project preparation, and to the process of engaging with indigenous peoples during the Project's implementation. No satisfactorily documented evidence of the engagement process with indigenous peoples and outcome. Absence of an updated/final Indigenous Peoples Development Plan. Not in line with the EIB E&S Standards and other project applicable standards as presented in Section 5.3 of the Conclusions Report.	An indigenous peoples study was commissioned by the Promoter, undertaken in 2021 and completed in July 2022. The Project's approach to indigenous peoples' requirements was developed and published in the Stakeholder Engagement Plan (particularly Annexes II and III). The Promoter and the Bank agreed on a Procedure of Cultural Assessment and a Procedure for Site-Specific Consent, both to be implemented by the Promoter. The Procedure of Cultural Assessment aims at identifying Critical Cultural Heritage sites and sites of cultural, religious or historical importance along the RoW that may be potentially directly or indirectly impacted by the Project. The objective is to avoid significant impacts on Critical Cultural Heritage sites. If this is not possible, the Promoter is expected to enter into a process of Site-Specific Consent from the affected indigenous peoples communities,

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No.	Allegations made in the complaint	Compliance with the EIB E&S Standards as per the EIB-CM's Conclusions Report (2021) ¹²	EIB-CM's monitoring update (2024)
			which is described in Annex III of the Stakeholder Engagement Plan. With regard to the implementation of these procedures, the Promoter informed the EIB-CM during its monitoring mission that, as of October 2024, it had identified four Critical Cultural Heritage sites and/or sites of cultural, religious or historical importance. The avoidance of three of such sites was reportedly possible. For the remaining site (at the Manang substation), the Promoter agreed with the communities to move the cultural site. There is continued dissatisfaction from the Complainant, LAHURNIP, Accountability Counsel and representatives of indigenous peoples in local communities, who have a different understanding and expectations in relation to the FPIC requirement and process. As already stated in the EIB-CM Conclusions Report, the effective implementation of FPIC remains challenging in Nepal (and not only for this Project). There seems to be a lack of common understanding among key actors on when FPIC is required (e.g. exact criteria and/or list of type of projects subject to FPIC) and how it should be applied. The EIB-CM would find it useful to develop such common understanding at regional and national levels, together with an approach to FPIC and harmonised guidance amongst key actors (e.g. government, project developers, institutional lenders, civil society, etc.).¹⁷
4	4.1 Failure to comply with requirements for physical and economic displacement and land acquisition in terms of process and procedures (lack of adequate notice, information and consultation; absence of	Grounded Limitations in consultation process. Resettlement Action Plans (RAPs) not finalised (problematic for the Udipur-Bharatpur transmission line since tower construction has already started, and the land	The RAP for Udipur-Bharatpur was finalised in August 2021. The RAP for Manang-Udipur was last updated in February 2021.

¹⁷ Paragraphs 5.3.25 and 5.3.26 in EIB-CM Conclusions: [sg-e-2018-39-nepal-power-system-expansion-conclusions-report.pdf](#)

No.	Allegations made in the complaint	Compliance with the EIB E&S Standards as per the EIB-CM's Conclusions Report (2021) ¹²	EIB-CM's monitoring update (2024)
	plans; lack of transparency in calculation of compensation).	acquisition process and payment of compensation are on-going). Moreover, the available draft RAPs do not deal with land use restriction issues. Not in line with the EIB E&S Standards, and contractual obligations (for the Udipur-Bharatpur transmission line).	Both RAPs are published on the Promoter's website. ¹⁸
	4.2 Inadequate compensation, especially for landholders under the RoW.	Not able to conclude	The Bank's local monitoring consultant assessed the land acquisition process upon request by the Bank and concluded, in July 2021, that the compensation process for the land acquired is consistent and in line with the regulatory framework. As far as the RoW is concerned, the maximum compensation rate of 20% and of 1 year/3 cycle of crops losses was adopted by the Project.¹⁹ According to the Bank (that assessed the question), this is in line or above the rate that was applied in other projects in Nepal financed by international finance institutions. The RoW width and compensation are regulated by national acts, determined by decisions of the government, practices and case law and, according to the Promoter, these aspects could only be revised/further determined by a decision of the government.²⁰ Overall, there is continued broad dissatisfaction of PAPs whose land(s) is(are) located under the RoW in relation to the compensation (including lack of information). PAPs with land

¹⁸ See Udipur-Bharatpur RAP (https://www.nea.org.np/admin/assets/uploads/supportive_docs/17560727.pdf) and Manang-Udipur RAP (https://www.nea.org.np/admin/assets/uploads/supportive_docs/52182611.pdf).

¹⁹ At the time of the EIB-CM's investigation, the indemnity for the 30m RoW was envisaged to be of the range of 10 to 20%. See paragraph 5.4.28 of the EIB-CM's Conclusions Report: [sg-e-2018-39-nepal-power-system-expansion-conclusions-report.pdf](#)

²⁰ See [Nepal Electricity Act, 2049 \(1992\)](#) and [Nepal Electricity Regulation, 2050 \(1993\)](#), [Supreme court case law for Arun-3 hydropower project](#) and [Cabinet of Ministers' decision of January 20, 2020](#) (BS 2076/10/06) and the ensuing directive issued by the Ministry of Energy to the NEA instructing it to provide compensation for 15 meters of land on both sides from the centre point of the RoW.

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No.	Allegations made in the complaint	Compliance with the EIB E&S Standards as per the EIB-CM's Conclusions Report (2021) ¹²	EIB-CM's monitoring update (2024)
			under the RoW find that a 20% indemnity does not compensate for the loss of value of the entire parcel of land, and for the loss of economic opportunities. The Promoter is aware of this dissatisfaction and provided evidence that it brought the attention of the government to the issues of RoW compensation and to the difficulties faced by PAPs to sell their lands and/or obtain mortgage loans on such lands. Based on the interviews carried out by the EIB-CM during its monitoring mission, it appears that there has been little progress made in relation to the taskforce and policy/donors' level discussions about compensation for land under the RoW to which the EIB-CM had referred to in its Conclusions Report.²¹ During its monitoring visit, the EIB-CM received contradicting information about the monetary compensation that was provided for land acquired for tower pads (presented as generous and based on a rigorous evaluation according to the Promoter and local authorities, while perceived as not sufficient/adequate by concerned PAPs interviewed). The EIB-CM notes that an external evaluation and a RAP completion audit are foreseen in the two published RAPs for the Project.²²
5	Insufficient consideration for a series of E&S impacts and the need for appropriate mitigation measures.	Partly grounded Scope for improvement as part of finalisation of EIA procedures.	See above under allegation #1.

²¹ See also EIB-CM Conclusions Report paragraphs 5.4.36 and 5.4.37.

²² See p.87, 88 of Resettlement Action Plans [Udipur - Bharatpur](#) and p.117, 118 of Resettlement Action Plan [Manang Udipur](#).

More detailed findings in relation to stakeholder engagement

- 4.4. Based on meetings with local communities and PAPs during the EIB-CM's monitoring mission, the team observed that, overall, there was dissatisfaction with the Project in the communities visited.²³ People who participated in our meetings, as well as those we interviewed, generally expressed concerns around compensation, the route of the transmission line, health and safety risks of the transmission line, and communication by the Promoter about the Project. As mentioned in Table 2 above, the EIB-CM finds that challenges remain on the ground in terms of: (i) Project meaningful stakeholder engagement; (ii) dissemination of Project information in ways that are accessible to local people; (iii) grievance management; and (iv) Project stakeholder engagement capacity.

Meaningful stakeholder engagement

- 4.5. Community members in general (not only PAPs) mostly fear the visual impact, and the electrical safety risks and magnetic impacts (real or perceived) of the line on their own health and that of their cattle as well as on their field productivity. They seem to lack adequate information and/or understanding in this respect, as they do in relation to compensation. Struggle committees²⁴ continue to be active in the Lamjung district and are represented by members in most of the communities visited. They appear to be voicing opposition to the Project and attract support from other community members on matters such as land acquisition and compensation, health and safety risks, and indigenous peoples' rights. Well-designed leaflets with visuals covering these topics were developed by the Complainant with support from LAHURNIP and Accountability Counsel and are circulating in the communities.
- 4.6. FPIC was raised less frequently (compared to, for example, land compensation), although some community members raised their rights as indigenous peoples. When asked about their expectations about FPIC, replies were mostly about having access to Project information and the need for meaningful consultations and dialogue, rather than a formal process for obtaining consent to the Project.
- 4.7. From its last monitoring visit in September-October 2024, the Bank also reported on incidents of threats of physical violence that occurred during regular stakeholder engagement in the field. The Bank has been advising the Promoter on non-retaliation and peaceful disengagement. The Bank informed the EIB-CM that it will engage further with the Promoter about options for mainstreaming non-aggressive and non-violent stakeholder engagement in the Project. The EIB-CM, during its monitoring visit, was also informed about risks of violence and escalation, and acknowledges that the Project's ability to undertake meaningful stakeholder engagement in certain local communities can be challenging in the current conflictual environment (including protests against works, negative experience with another transmission line built by a private company, complex negotiation process – see below).

Dissemination of Project information

- 4.8. The Promoter developed a number of non-technical summaries in the form of leaflets and posters in Nepali covering the following topics: E&S studies; E&S risks and mitigations; land acquisition, compensation and livelihood restoration; RoW restrictions; magnetic effects; community and workers health & safety during construction; safety around the tower once energized; and grievance mechanism and Project contact information. The EIB-CM finds these communication materials relevant and relatively comprehensive. Nevertheless, uncertainty remains as to whether certain community members, particularly those with lower educational levels, are able to read these materials (made of text mostly) and fully understand the

²³ As mentioned in para 3.4, please note the limitation of the EIB-CM's field visit in terms of number of days and places visited.

²⁴ The FPIC and Rights Forum (the Complainant) is an umbrella organisation for local-level Struggle committees of people affected by various hydropower sector projects in the Lamjung district.

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information presented in them. The EIB-CM does however find these materials to be a good starting point in providing the public with relevant Project-related information, despite finding that other ways and formats (containing more visuals for example) could also be considered with the aim of effectively communicating about the Project with the local communities.

Grievance management

- 4.9. In case of Project-related issues (e.g. due to land acquisition or tower pad construction), communities reported, during our meetings, to have limited knowledge on the available Project channels and contact persons (which are best placed to investigate and, when project related, resolve practical issues). They reported to rather refer their issues to the Struggle committees (which mandate is not to resolve project grievances) and/or local authorities. The EIB-CM met one Grievance Redress Committee (GRC) during its monitoring visit, which was composed of the ward chairs (local authorities). The GRC did not seem to be an organized GRC structure as such and had a limited understanding of what type of issues could be best solved by whom and how to follow up on them.

Project stakeholder engagement capacity

- 4.10. The Project staff in the field is organized in two divisions, each in charge of one section of the Component 2 of the Marsyangdi Corridor (Manang – Udipur and Udipur – Bharatpur). The Project's ESMU is composed of one environmental and one social officer in each division (hence two ESMU with four E&S officers in total), who report to their respective Chief Division Officer who, in turn, report to the Project Manager. There is also a Land Acquisition Officer who reports directly to the Project Manager. As per information conveyed to the EIB-CM, the social officers would spend around 70% of their time in the field, with 20-25 communities to cover along each section.
- 4.11. Despite the Project staff's best efforts, the EIB-CM finds that the Promoter's current stakeholder engagement capacity (in terms of resources, communication strategy and materials, number of social officers) has limitations, especially in view of the challenges on the ground. The Bank is aware of the challenges and is currently working with the Promoter to increase field resources' availability to undertake initial disclosure, stakeholder engagement and E&S monitoring. The EIB-CM encourages the EIB to continue providing technical support to the Promoter in the area of stakeholder engagement, directly by the EIB social specialist and indirectly by the recently hired international E&S consulting company.

Negotiation process

- 4.12. Following the request from the Complainant in the name of the communities, the Promoter has entered into an organized dialogue with the Complainant and the communities (the "Communities" for this section of the report). A first meeting was held in the end of August 2024 with the presence of the Promoter's staff and lawyers, as well as the Complainant, LAHURNIP, Struggle committees' members and other local communities' representatives.
- 4.13. The Communities' requests are organized around 11 agenda points which, by decreasing order of priority are: (i) respecting FPIC for any Project-related works; (ii) relocation of the line in upper forest or underground without any impact on settlement, land and other cultural places; (iii) 100% RoW compensation and valuation in presence of the impacted individuals or community; (iv) recommendations for trees' cutting and replanting to be agreed in advance and compensations paid to forest users committee directly; (v) where housing is impacted, land compensation should be awarded; (vi) share of a percentage of Project profit with communities; (vii) Corporate Social Responsibility community program and budget disclosed annually to the communities and under their control; (viii) all accidents and losses under the line should be under Project responsibility; (ix) widening of RoW and 100% compensation to 60m right and left; (x) simultaneous compensation of towers and line; and (xi) special attention and support to vulnerable groups.

- 4.14. Reportedly, the Promoter agreed to negotiate on all the points that fall under its own responsibility and are within its authority/remit but expressed its incapacity to negotiate on agenda points that go beyond the Project and are decided or guided at national level (e.g. RoW compensation and distance). On the other hand, the Complainant was not willing to discuss on other matters until there was an agreement on FPIC (the priority agenda point). The Promoter agreed to share most of the requested documents and information, such as the E&S related studies. The meeting was adjourned, and the second meeting occurred on 11 November 2024. The EIB-CM received feedback about the second meeting from LAHURNIP and Accountability Counsel²⁵, as well as from the EIB's project team. The EIB-CM understands that this second meeting did not conclude successfully, and that the Communities requested that all construction works be stopped before an agreement is achieved.

5. CONCLUDING REMARKS

- 5.1. The EIB-CM considers five of the six recommendations it addressed to the Bank as implemented and has thus closed the monitoring process for these five recommendations as 'completed'. The EIB-CM acknowledges the efforts made by the Bank since the issuance of its Conclusions Report, especially in terms of enhanced monitoring of the Project, as well as the positive engagement that the Bank's project team has had with the Promoter over the last few years.
- 5.2. The EIB-CM understands that the Bank continues to closely monitor the implementation of the Project's E&S management plans, and to work with the Promoter in particular to support improvements in the area of stakeholder engagement, including grievance management. More recently, the Bank's project team started to have weekly calls with the Promoter and the E&S consultant, increased the frequency of its monitoring visits and contracted an international consultancy company to continue monitoring the compliance of the Project with the applicable EIB E&S Standards, as well as to support the Promoter in E&S management.
- 5.3. Despite the Bank's best efforts and the progress made by the Promoter towards achieving Project compliance with the applicable EIB E&S Standards and the implementation of the ESAP (see Tables 1 and 2) since the issuance of the EIB-CM's Conclusions Report, challenges remain on the ground in terms of meaningful stakeholder engagement, including with indigenous peoples in the communities (see paragraphs 4.4 to 4.11), and regarding compensation, especially for the RoW. Some of these challenges are beyond the scope of this individual Project and actually relate to issues that are subject to national-level policy discussions (e.g. in relation to RoW compensation). As such, the implementation of the EIB-CM's recommendations and the enhanced monitoring of the Project by the Bank can have a positive contribution, but the satisfactory resolution of these issues significantly depends on how they are addressed at national level. The EIB-CM notes that the updated Stakeholder Engagement Plan published by the Promoter in April 2023 includes the approach agreed with the Bank for engaging meaningfully with indigenous peoples, namely the two procedures for Cultural Assessment and Site-Specific Consent. With regard to the RoW compensation, the Promoter has adopted the maximum rate applied in other projects in the country and has reportedly brought the issues related to the RoW for discussion at national level.
- 5.4. The respect for FPIC and the RoW compensation are part of the 11 agenda points of the ongoing dialogue between the Promoter and the impacted communities. Since the second dialogue meeting was not successful, there is a risk of escalation of the pre-existing conflict potentially with risks of community opposition against construction works and resulting threats and violence. The Bank informed the EIB-CM that the Promoter is aware of its zero-tolerance

²⁵ In a meeting with LAHURNIP after the EIB-CM site visit (see also paragraph 3.4) and by email from Accountability Counsel.

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position about retaliation from Project staff and the Bank is supporting the Promoter to clarify guidelines for the Project's and contractor's staff to minimize risks of escalation and violence.

- 5.5. To increase the likelihood of a successful dialogue between the Promoter and the impacted communities, a way forward could be for the parties to jointly agree on being supported by a professional mediator and to agree on the points to be included in the agenda, principles and rules of the dialogue, and representativity of the parties. The parties to the dialogue should have full authority to set and settle the different agenda points.
- 5.6. The EIB-CM will continue to monitor the implementation of recommendation #6 requiring the Bank to develop an internal procedural checklist to assist EIB staff in the due diligence of the quality of the assessment of potential significant cumulative effects of a concerned project, as part of the environmental impact assessment's process and report.

ANNEX – AGENDA OF EIB-CM MONITORING VISIT

Monday 21/10	Tuesday 22/10	Wednesday 23/10	Thursday 24/10	Friday 25/10	Saturday 26/10
Meetings in Kathmandu: Meeting with NEA project manager and Deputy Managing Director Meeting with National Human Rights Commission Meeting with Indigenous Nationalities Commission	Travel to Besisahar Meeting with a PAP that received compensation, Paudi. Meeting with Ward n°6 Chairman and PAPs, Rainas Municipality Meeting with FPIC Rights and Forum of Lamjung district	Meeting PAPs & community members (from, but not limited to, Khudi, Ghermu, Buddha Bazar, and Jyamire), invited by FPIC Rights and Forum of Lamjung district Community meeting in Banjhakhet, Raut Gaun	Community meeting in Pasachowr with NEA site manager and social officer Meeting with the NEA two division chiefs, the land acquisition officer, social and environmental officers Meeting with Chief District Office secretary and Compensation Determination Committee (CDC) in Lamjung	Closing meeting with NEA project manager Meeting with Grievance Redress Committee (GRC) for wards 7, 8, 9 Meeting with a Project affected family who received compensation, Sundar Bazaar	Travel back to Kathmandu.