

International Bank for Reconstruction and Development

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FROM: The Deputy Secretary

May 24, 1993

LESSONS LEARNED FROM NARMADA

Attached for information is a President's Memorandum entitled "Lessons Learned from Narmada" and accompanying report entitled "Bankwide Lessons Learned from the Experience with the India Sardar Sarovar (Narmada) Project".

Questions may be directed to Mr. Wyss (Director, Bank Paris Office, X580-3010) or through the Office of the President (Ms. Armitage, X81114).

Distribution:

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THE WORLD BANK
Washington, D.C. 20433
U.S.A.

LEWIS T. PRESTON
President

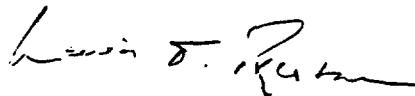
May 21, 1993

To: Executive Directors

Lessons Learned from Narmada

During the Board discussion of the Status Report and Next Steps for the Sardar Sarovar (Narmada) Projects last October, we promised to review the Bank-wide lessons learned from the Narmada experience.

We asked Mr. Wyss to undertake this review, and his report is attached for your information. It focuses on lessons learned in three main areas: (i) project quality at entry; (ii) communications and decision-making; and (iii) ownership. We accept the recommendations made by Mr. Wyss, which are consistent with those of the Report of the Task Force on Portfolio Management. They will be implemented in the context of the follow-up to that report.



Attachment

**BANKWIDE LESSONS LEARNED FROM THE EXPERIENCE WITH THE
INDIA SARDAR SAROVAR (NARMADA) PROJECT**

HANS WYSS

MAY 19, 1993

**BANKWIDE LESSONS LEARNED FROM THE EXPERIENCE WITH THE
INDIA SARDAR SAROVAR (NARMADA) PROJECT**

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1. List of Persons Interviewed
2. Policy Basis for Projects: Project Appraisal
(extract from "India: The Sardar Sarovar (Narmada)
Projects, Management Response," dated June 23, 1992
(SecM92-849))
3. Suggestions for Improvement of Quality at Entry for R+R

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BANKWIDE LESSONS LEARNED FROM THE EXPERIENCE WITH THE INDIA
SARDAR SAROVAR (NARMADA) PROJECT

Introduction

1. In summarizing the Board meeting of October 23, 1992 on the above project, the Chairman said, inter alia, that, "we will.... review the Bankwide lessons learned from our experience of this project."
2. This note sums up the main lessons which may be drawn from what we know at present about the subject. It then outlines actions designed to avoid the failures observed. It is based on a review of the files in the Asia Information Center and on interviews with more than 30 persons (listed in Attachment 1); all were associated directly with the project and/or developments leading up to the Independent Review.
3. A myriad of factors required, at one time or another, the attention of those dealing with the project - a project that is among the largest and most complex ever financed by the Bank. This review zeroes in on those issues which eventually resulted in the decision to have an Independent Review carried out. It concludes that the main failures occurred in three major areas:
 - (i) quality of project "at entry", leading up to the "incremental" approach;
 - (ii) communications and decision making; and
 - (iii) ownership of project.

Shortcomings in each of the three areas were mutually reinforcing.

A. Quality of Project at Entry and the "Incremental" Approach

4. On the engineering side, the project was prepared in the very best of the Bank's tradition. In contrast, and reflecting their newness in the Bank's widening development agenda, resettlement and rehabilitation (R+R) as well as many, if not most, environmental aspects were not addressed up to the 1983 appraisal. They were handled during a period of intensive post-appraisal work. When the loan and credit were approved in early 1985, there remained, however, major shortcomings:
 - (i) in R+R:
 - * lack of baseline information: except for a very small number of the villages affected, no census existed of the people affected, their economic activity, level of income, their future options (most important: land availability) or their preferences. What

was available in terms of baseline information¹ were surveys of differing scope and details;

- * lack of specific policies covering all the different groups of people affected - policies which were to ensure that the objective stated in the legal documents will be achieved (i.e., after a reasonable transition period, the displaced people would regain at least their previous standard of living). Thus, the commitment to this broad policy objective was not translated into specific, monitorable policy measures agreed with the Government of India (GOI) and the three state governments concerned; and
- * the canal (part of the) project did not provide for R+R since it was expected that people would be affected only to a limited extent and that their compensation would not raise special issues;

(ii) on environment:

- * the effects of the large canal works were not the subject of a review of environmental aspects, though water logging and salinity were addressed extensively in the engineering studies in the light of experience from other irrigation projects in the region; and
- * the upstream environmental review was limited to the area to be inundated rather than covering the full basin.

In sum, shortcomings at "project entry" were especially glaring on R+R. In the light of subsequent developments, this review concentrates on R+R. True, there are also important environmental issues, including with respect to forest cover (especially on differences in the assessment of the degraded nature of such forests), biodiversity and health aspects.

5. The absence of adequate baseline information, in combination with the poorly specified policies, was certain to make future implementation of R+R difficult - even more so as R+R touched on politically sensitive points in GOI and particularly in the three state governments. Therefore, the resettlement plans prepared for, and agreed to during negotiations, did not have much operational meaning, especially since the institutional arrangements for implementing these plans were not well developed. Finally, the monitoring arrangements for R+R were woefully weak: there was initially reliance on poorly selected independent research institutions retained by each of the three states and on GOI through the Narmada Control Authority which was unproven in this area.

¹ The term "baseline information" is used here in the narrow sense of the detailed information base essential for R+R planning purposes. (In much of the Region's discussion on the project in recent years, "baseline" became a measure against which readiness of R+R was to be judged.)

6. Project implementation was postponed by GOI for about two years because of delays in environmental clearances. But evidence already had built up by 1987/88 that the three state governments had large differences in their views on the project's R+R dimension, based on their different interests vis-a-vis R+R and distinct political environments. Vigorous involvement by the Bank appeared to offer the only chance to overcome these serious shortcomings. Thus, R+R became the subject of intensive supervision: detailed action plans were being introduced, reviewed and redefined every six months. This approach, termed incremental, was designed not only for obtaining the necessary progress on R+R in the Narmada project, but also in the broader GOI context (various other Bank-assisted projects with R+R elements were being implemented in India). The approach was pursued with special vigor when an activist team of first-in-line managers was brought in during late 1988 and project supervision responsibility shifted to the New Delhi office. (Previously, overall supervision responsibility was at Headquarters [HQ] with some aspects being handled out of the field office - *inter alia*, the latter had a junior person on R+R matters before and after the 1988 shift of overall project responsibility. The new head of the Agricultural Unit at New Delhi took a strong personal lead on the project's R+R aspects, and requested periodically support from specialized HQ staff and/or consultants.) The total annual level of supervision inputs in many years exceeded 80 staff weeks (including consultants), the largest part being devoted to engineering/procurement and institutional issues. Nevertheless, first-in-line supervisors felt that they should have been provided with more resources for project supervision.

7. The result was a very close Bank involvement, but also considerable Bank pressure on GOI and the three state governments to improve R+R policies, and to prepare and implement R+R programs. At no stage was there an agreed basis against which to measure progress of R+R implementation on a project wide basis, although from 1990 onward, there were plans of varying scope in the three states. As pointed out in the preceding paragraph, there were periodically (re) defined specific targets in the light of the findings of supervision missions. This led to an appearance of moving targets (often regarded, and resented, by Indian officials as "new conditions" imposed by the Bank). Overall, major progress was achieved over time, mainly after 1988, in terms of defining outstanding policies, obtaining better knowledge of the people affected and enacting specific, "rolling" resettlement plans, leading a good number of the Bank staff and managers involved to believe - even now - that, overall, Narmada will eventually prove to be an excellent development project. However, much of this progress was needed simply to overcome original shortfalls, and back-sliding. Only partial adherence to, and non-fulfillment of, specific targets occurred commonly giving way, in the light of subsequent supervision mission findings, to newly defined targets for later periods. Most important, in the absence of a widely agreed basis for measuring progress, it became easy to point the finger on specific shortcomings of this approach.

B. Communications and Decision-Making

8. On the advice of the Agriculture Department in Operations Policy (OPS/AGR), the Regional Assistant Director concerned decided after the 1983

appraisal that the project was not ready for negotiations until R+R and environmental aspects were addressed in line with Bank policy. Subsequent work on R+R was done by a (world renowned) consultant while a Bank staff member dealt with the environmental aspects. The consultant eventually felt under strong pressure to accept the resettlement plan brought by the Indians to negotiations - no Bank staff in his profession was at his side during negotiations though his earlier reports had been reviewed (favorably) in OPS/AGR. (The Bank's experience with its recent [1980] R+R policy was still very limited at that time; analytical and planning tools were spelled out in the Bank's 1988 Working Paper No. 80 on "Involuntary Resettlement in Development Projects"). When the loan documents were sent to the Loan Committee Chairman, the cover memorandum stated: "a good R+R program has been agreed, together with institutional arrangements for implementation and for monitoring and evaluation."

9. During supervision, differences emerged periodically between staff as to what importance should be attached to issues faced in project implementation and as to how these issues should be tackled vis-a-vis the borrower. Differences came up at various instances from 1987 onward as to whether the Bank should threaten the borrower with suspension of disbursements in order to enforce agreed technical, institutional and/or R+R conditions. From 1989 onward, the closing date for the canal credit was used more than once for putting specific conditions onto its extension in the three areas listed. (Previously, in 1988, a letter was sent to the borrower threatening eventual suspension of disbursements, but a partial response was accepted as sufficiently responsive not to proceed with suspension.)

10. Decisions were made first by the responsible Task Manager (TM) in New Delhi and by the Agriculture Division Chief. The Country Department (CD) Director was fully brought into this process through Supervision Reports (especially detailed since 1988) prepared by semi-annual supervision missions. Differences of views regarding supervision findings and recommendations, are not unusual. Clearly, supervising managers, i.e., the TM, Division Chief and, if needed, the Director have to decide on conflicting conclusions/recommendations. Some special factors characterized this case:

- (i) the immediate supervisors and the Country Department Director believed strongly that Bank involvement was critical for improving the R+R outcome for the people affected by the project. Suspension, in their view, would reduce the Bank's ability to improve the situation for these people - as one interviewee put it: "short leash rather than suspension" was the motto. Given the judgement of the TM on a sustained "overall net progress" in implementation, the supervision rating was improved from 3 to 2 from late 1988 onward;
- (ii) the Bank increasingly recognized the political difficulties faced in achieving the R+R objectives across the three states. GOI being well aware of this issue, at times leaned on the Bank not to "give up" (and some NGOs expressed similar views);
- (iii) there was no strong tradition in the India country context for using threats of suspension - at least this is what staff

concerned said they felt, especially those who had worked extensively in other Regions, and

- (iv) finally, greater continuity in HQ professional staff assigned to R+R would have been helpful (continuity at field office staff level was referred to in paragraph 6); in this context, different views have been expressed among those directly involved on the reasons for changes in HQ staff assignments. Most important, no senior Bank professional staff, recognized inside and outside the Bank for his/her capacity on R+R, was assigned to take direct charge of this project component (even for a limited period). Recruitment of senior, highly experienced staff and their career development, and much closer collaboration between the Country Department and central staff are clearly required - this is receiving more management attention under the new organizational arrangements which were introduced in January 1993. At a different level, there were also too many discontinuities at Division Chief level - the present is the sixth since 1984.

With hindsight, at least one manager now concludes that suspension in 1989 would have been a healthy "shock" and might have speeded up R+R actions.

11. Communications with higher levels of Bank Management on the project were unusually close. In 1986, the Senior Vice President (SVP), Operations, reviewed all ongoing Bank-financed resettlement projects and asked for action programs, including on Narmada. After the 1987 reorganization, the new Regional Vice President (RVP) was kept informed by the Country Department early on (the flow of letters from the outside and memoranda from Executive Directors [EDs] had brought Narmada to his attention). From his visit to India in late 1988 onward, the SVP also was well informed about the project. Consistent with the 1987 reorganization, project specific action was left largely to the initiative of the Country Department (CD). Given the very close interaction between the CD Director, RVP and SVP on any important matter, especially on India, communications were often oral. The only written recommendation for threatening suspension was contained in a draft letter prepared by the CD in 1991 - this was subsequently handled in direct discussions with GOI (this event was in addition to the letter sent by the CD Director in 1988, referred to in para. 9 above).

12. From 1983 onward, i.e., from the period of project preparation, communications began with both Indian and international Non-Governmental Organisations (NGOs). These generally expressed criticism about R+R, some also about environmental aspects (mainly on [highly degraded] forest land to be lost in the inundated area). Detailed exchanges took place with NGOs, and form letters were prepared in response to "chain letters" coming into the Bank. On major letters sent to NGOs, GOI was kept informed through copies. Bank communications with NGOs evolved as follows:

- (i) prior to loan/credit approval: NGOs were assured that Bank had a progressive R+R policy (which was outlined in Operational Manual Statement [OMS] 2.33 of February 1980) and that Bank financing would be extended only if there was agreement with GOI consistent with this policy;

- (ii) from loan/credit approval till about 1987/88: NGOs were assured that the Bank had a progressive R+R policy, that this policy was fully incorporated in the loan/credit agreements, that there was an agreed resettlement program (with details for phase I and a rolling plan thereafter), and that carefully designed monitoring arrangements were in place;
- (iii) after 1987/88: letters referred to the intensive dialogue between the Bank and GOI/state governments and to the progressive implementation plans which had been designed, and were being implemented with a view to ensuring that the agreed R+R objectives will be achieved.

13. Communications with EDs started almost at the same time as those with NGOs - indeed the same international NGOs tended to inform their respective ED about the concerns communicated to the Bank. Many written briefings were sent to individual EDs in response to specific requests - in addition to many oral briefings. Beginning in July 1988, "informal" meetings took place on a semi-annual basis between Mr. Arlman and other EDs (mainly attended by Assistants to EDs), and the Region. It should be noted that the Indian ED, although invited, did not attend these meetings; this changed in 1990. The RVP and/or the CD Director were present at these meetings with a group of project managers and staff. The meetings generally coincided with the completion of the semi-annual supervision missions. The exchanges (records of these meetings in the files are not detailed) tended to focus almost exclusively on R+R, although staff tried also to address other major project issues. From the limited records, especially in the light of the detailed written briefs for the first meeting, it appears that the message from the staff was that important progress on pending R+R matters was underway and/or agreed to be addressed though major difficulties remained (especially in Madhya Pradesh). Managers and staff participating in these meetings believe they presented complete factual briefings at these meetings.

14. Over time the EDs became increasingly impatient about what they considered as slow progress and even backsliding. They felt Bank staff gave them ever hopeful, rosy reports with emphasis on selected areas of progress while they received very different reports from NGOs. Eventually, in early 1991, meeting among themselves, they concluded that they needed an Independent Review to satisfy their constituents. When they brought the subject to the President, he already had significant knowledge of the project: he had received a briefing on Narmada in preparation of his visit to India in late 1987 (during that visit, a meeting with NGOs had been quite friendly and he had not obtained a sense of a major problem brewing). Subsequently, especially in 1990, he had answered many letters sent to him on the subject.

15. In the light of the foregoing, it is clear that channels of communication were not clogged, either within the Bank or with the outside. If anything, communications were "too good": a number of messages went through various channels where, later on, recipients felt the message had been misleading. This was the case, first, internally at the time of negotiations and subsequently at Board approval, when R+R arrangements appeared well in hand given the agreed resettlement plan and monitoring systems. This line was reflected fully in exchanges with NGOs and EDs. As the Bank moved into its activist "incremental" approach, communications became more difficult. The

initial answers did not suffice anymore. True, the Bank's efforts were recognized favorably by NGOs interested in the betterment of R+R conditions for project affected people. But those who opposed the project as such found it convenient to undermine the Bank's credibility with "its" moving targets (often not entirely fulfilled); the same NGOs pushed the former group from center stage and vigorously attacked the Bank thereby putting pressure on "their" EDs for an Independent Review. Differences of views between staff members, referred to earlier, became known both to NGOs and to EDs. This added to the conflicting nature of signals perceived by EDs.

C. Ownership

16. Looking over the developments related to this project, the most striking feature is the Bank's gradual "loss of control over the agenda." A group of very determined persons, operating through NGOs and other constituents of Bank shareholders eventually took over the agenda - up to having a group of EDs induce the President to contract an Independent Review. This happened at a time when Bank staff were making strong efforts to ensure that the R+R objectives would be achieved according to the agreements reached in only very broad terms in 1985.

17. Underlying this extraordinary development was the following: the Bank had (been) moved into a situation where it was seen more and more as the owner of, or at least the major force guiding, the R+R aspects of the project (the dam/canal investments as such had the unflagging support from GOI and the three state governments through numerous government changes). NGOs succeeded in working directly with, and on, the Bank to take action on R+R - as if the Bank were the owner of the project. The Bank itself fuelled this tendency in two ways: first, when responding to NGOs, it addressed on its own the substance of the issues raised by the NGOs rather than bringing these to the attention of GOI for its handling (and, as appropriate, advising GOI on technical aspects). Second, the Bank tried to engage NGOs to exert a positive influence on GOI and the State Governments to improve R+R.

18. Beyond the NGOs' looking to the Bank as their chosen instrument for ensuring desired R+R results, GOI itself - in subtle ways - also turned to the Bank for resolving the difficult R+R problem which it, or at least a part of the Central Government, considered to be mainly in the hands of the three state governments.

19. As the pressures from some NGOs mounted on major Bank shareholders, a group of EDs turned to Bank management for resolving the R+R problems of the project rather than to the borrower, thereby heightening further the Bank's exposure as the "main actor". Finally, Bank staff and management, in turn, added to this tendency by taking a very active role in pushing for improvements to overcome the original project deficiencies. Thus the Bank, rather than the borrower, found itself tagged as the non-performing party.

D. Recommendations

20. This section contains a set of recommendations for actions designed to help avoiding the main failures observed in this project. The proposals

are presented along the three priority areas identified in this note. Given the special importance of the last factor reviewed ("ownership"), this is where we begin:

(1) Ensuring greater ownership by borrower/executing agencies

- (a) Bank/borrower relations: there is much room for engaging the borrower more deeply in R+R, as has been done by the Bank in other parts of the project (e.g., through the large team of supervisory engineering consultants as well as two specialized panels of high level experts for the dam and for the canal - all engaged by GOI/state governments in accordance with their agreements with the Bank). The borrower/executing agency(ies), as a matter of course, should be asked to engage consultants, financed under the project, for supervising execution of R+R programs. There should also be a preference for Bank financing of R+R components, in which case supervising consultants would certify reimbursement requests. As appropriate, i.e., depending on the complexity of the project's R+R issues, specialized panel(s) may also be requested (this is already done, for instance, in the large Lesotho Highlands Water Project). The objective of these requirements is to deepen the borrower's ownership, but also to strengthen the Bank's ability to play its "arms length" supervision role, i.e., to hold the borrower/executing agencies to the commitments under loan/credit agreements. (Thus, such "arms length" role still requires an activist approach by Bank staff.) At the same time, the proposed approach would reduce the undue load now put on Bank staff for R+R supervision.² (Note: this is much broader than an R+R issue. The above approach ought to be considered systematically in other soft areas as well). It is recognized that the role of consultants in supervising project implementation has been a controversial subject in India; nevertheless, in the light of the Narmada experience, a review of this matter may be merited.

The Narmada project suffered from an unusual complexity of contractual arrangements under which the Bank had to deal with GOI as the Borrower and three states as executing agents. These arrangements laid the ground for the Bank to play an active, if not "directive", role of coordinator.

²

Since OD 4.30: Involuntary Resettlement, needs updating in any case (in the light of decisions listed in Attachment 2), it should be reviewed against the apparent perception of some staff that the intent of the OD is to get the Bank directly involved in project implementation.

The Bank does not lend directly to States in India (unlike in some other countries) although, as has been the case in the Narmada project, project agreements have been entered into with States. This situation limits the development of a healthy direct (financial) relation with the decisive authorities, the States in this case. It is the result of fundamental arrangements between Federal government and the States, and these are therefore not susceptible to change. Thus, perhaps in this particular project, there would appear to have been good reasons for setting up a common authority directly taking charge of all critical investment/operational issues (and which would have received Bank financing). In any case, agreements should be set forth in a way that will tend not to make the Bank a de facto project coordinator and thus an active party to implementation.

Finally, on the same subject of Bank/borrower relations, supervision through a resident mission has probably increased - at least the perception of - the Bank's involvement in project implementation. While such an arrangement is unlikely to be a primary factor of Bank "ownership", it should be considered more carefully where other factors tend to draw the Bank toward direct involvement in implementation coordination.

- (b) NGO Relations: The Bank's relations with NGOs have evolved significantly since the early 1980s. The Bank has recognized in particular the usefulness of obtaining inputs from NGOs into policy development, and NGO involvement in specific Bank-financed projects has become much more important. However, the Bank's practice vis-a-vis complaints from NGOs on projects in which these are not a direct contractual party, merits to be reviewed: normally such complaints ought not to be addressed in substance by the Bank but be given to the borrower for handling (preferably with Bank advice if government so wishes). Of course, the Bank should continue to look into matters raised by NGOs as part of its supervision responsibilities and take such matters up, as appropriate, with the Borrower.
- (c) EDs/Shareholders Relations: discussion of any major complaints regarding a specific Bank-financed operation by a group of EDs with the Bank staff should only take place in the presence of the ED representing the borrowing country concerned - if needed, the Secretary of the Bank (or even the President) should intervene to get such ED involved.
- (ii) Quality at Entry: in addition to the Bankwide actions covered in the initial management response to the Independent Review, addressed to the Board on June 23, 1992 (reproduced as Attachment 2), a number of specific suggestions, emerging from various interviews, are given in Attachment 3.

At a more general level, our main recommendation relates to the need for setting specific guideposts (for proper M&E) at the time of project entry. There is a need for the borrower and the Bank to ensure that a common basis has been established and agreed for all relevant R+R factors so that progress can be monitored properly, and also that a meaningful project evaluation can eventually take place. The interest of OED in such guideposts is self-evident and its role in setting appropriate ground rules for defining such guideposts needs special consideration.

(iii) Communications and Decision Making:

- (a) first, the importance of the highest professional standards, including candor, for internal and external communications cannot be overstressed. This has been a hallmark in the Bank's traditional areas of operational activities and the Bank cannot afford to see these standards weakened in the newer areas of the Bank's development agenda. Second, the bureaucratic tendency of passing the good news - mainly in the sense of (over) optimism on timely borrower actions - toward EDs needs greater attention. Realism is required, together with timely action on difficult issues. Third, on decision-making, a more explicit/open recognition of different staff views needs to be encouraged; this would also help maintain broader staff support of final decisions;
- (b) the weakest element underlying decision making in the present case was the inability of the responsible Division and Department management to attract and nurture senior professional(s) in sociology/anthropology (with on-the-ground R+R management experience) into responsible positions for the handling of R+R aspects - this has not been achieved even over a long period. (This should be of special concern given the many and large Bank-assisted projects with R+R components in India). Such a professional voice is needed to carry weight, both within and outside of the Bank.

Final Comment

21. At least one of the senior interviewees suggested that the institutional cost incurred by the Bank in being associated with large projects involving R+R may be prohibitive. This is the only major suggestion which the writer of this note does not share. To limit the Bank's assistance in the area of irrigation (and "clean" hydro power), would be a strong indictment that the Bank has lost its ability to remain an effective agent in assisting its members in critical areas of development. An effective response to the points raised in this note is well within the capacity of the Bank.

Attachment 1

LIST OF PERSONS INTERVIEWED

(in alphabetical order)

Bilsel Alisbah
Shawki Barghouti
Thierry Baudon
Michael Baxter
Tom Blinkhorn
David Butcher
Michael Cernea
John Clark
Pamela Cox
Gloria Davis

Christoph Diewald
Carlos Escudero
Gerald Fauss
Robert Goodland
Scott Guggenheim

Marianne Haug
Chaim Helman
Eveline Herfkens
Attila Karaosmanoglu
Anupam Khanna

Jochen Kraske
Olivier Lafourcade
Per Ljung
Ngozi Okonjo-Iweala
William Partridge

Moeen Qureshi
Daniel Ritchie
Sven Sandstrom
Thayer Scudder
Ernest Stern

Heinz Vergin
Jan Wijnand
Joe Wood

II. POLICY BASIS FOR PROJECTS; PROJECT APPRAISAL

6. The IRR examines in detail Bank operational guidelines and procedures as they applied in the 1980s to the Bank's work on the Narmada projects¹. It reviews the evolution of the guidelines up until the present, characterizing them as setting the highest standards of any aid or lending organization in the world for attempting to influence Borrowers and implementation agencies to mitigate adverse consequences to human well-being caused by involuntary resettlement. The IRR also examines the aspects of the Indian Narmada Water Disputes Tribunal award dealing with resettlement as well as the Bank Loan and Credit Agreements for the Narmada projects. The IRR concludes that despite the existence of explicit operational guidelines, the Bank failed to insist on a proper preparation of R&R plans by the Government and accordingly did not appraise adequately the resettlement components of the Sardar Sarovar projects.
7. Response. Bank management accepts the findings of the IRR with respect to the guidelines in force and the failure of the preparation and appraisal to take these fully into account. These deficiencies were particularly noteworthy in areas that today have become important parts of the preparation and appraisal process -- i.e. insistence on Government consultation with affected parties; development of socio-economic data on project affected peoples; assessment of the Government's implementation capacity for resettlement.
8. As the IRR acknowledges, the application of relatively new operational guidelines in the early 1980s demanded high quality resettlement project components. This was not a simple task for either Borrowers or Bank staff. It required major improvements in the practices of many Bank Borrowers as well as a comprehensive change in approaches and resource allocation for all Bank units dealing with such projects. During this adjustment process, particularly in the first few years after the 1980 adoption by the Bank of the new guidelines, there were a significant number of departures from the guidelines, including in the Narmada projects.
9. These departures led management early in 1986 to undertake a thorough review of the operational experience with the guidelines. As a result of the review, senior management issued instructions that potential or known resettlement issues be flagged prior to appraisal mission departure. In addition, Bank lead advisers in central operating departments were directed to raise any unresolved problems with regional management and, if necessary, with the Bank-wide Loan Committee.
10. Remedial Action. Taking into account recommendations of the IRR, and based on the Bank's own broader experience with resettlement, management has decided to initiate several organizational and operational measures -- both to ensure adequate attention to projects in the current portfolio and to strengthen further review procedures for new projects.

1

These include (a) Operational Manual Statement No. 2.33, "Social Issues Associated with Involuntary Resettlement in Bank-Financed Projects" approved in 1980; (b) Operational Manual Statement No. 2.34, "Tribal People in Bank-Financed Projects" approved in 1982; (c) Operational Manual Statement No. 2.36, "Environmental Aspects of Bank Work", approved in 1984.

- (a) Bank-wide Resettlement Review. The Environment Department has been requested to carry out, in cooperation with all regions, a Bank-wide analysis of all ongoing projects entailing resettlement, regarding quality and consistency of project implementation by the Borrower of the Loan and Credit agreements and Bank guidelines. A report, updating the 1986 review, to determine the extent to which post-1986 appraisal work and implementation assistance on R&R conforms to the Bank's operational directives, will be submitted to the management, and subsequently to the Board within about 12 months. In parallel, a set of remedial measures will be taken immediately in the case of the Narmada projects. These measures are outlined in sections III and IV.
- (b) Staffing and Skill Mix. Country Departments (CDs), which have a large portfolio of projects with resettlement and environment impacts, will review their staffing positions with a view to strengthening social and environmental specialists in their core staff.
- (c) Asia Environmental and Social Affairs Divisions. The Environment and Social Affairs Division (ASTEN) in the Asia Technical department will be restructured into two units, one dealing with environmental issues and the other with social and resettlement issues. Staff will be augmented to support adequately the requirements of the South and East Asia Regions.
- (d) Training for Bank Staff. New training courses will be developed for concerned operational staff covering Bank policy, procedures and best practices in resettlement.
- (e) EDI Training Available to Borrowers. EDI will introduce special, free-standing training courses on resettlement, complementing the current training courses available on environmental matters. These training courses will be organized at the Borrower's request, on a regional or country basis, and will disseminate knowledge on R&R policy options, legal issues, compensation approaches, participatory processes, and lessons of experience from best practices in carrying out resettlement.
- (f) Improved Review Procedures. Projects that entail involuntary resettlement require special care and review to ensure compliance with the Bank operational directives. Henceforth, at the initial stage of processing of such projects, country departments will be required to highlight proposed R&R project features in relation to past R&R experience in the country or local jurisdictions concerned in consultation with the Regional Technical and the Environment Department staff. Special attention will be given during pre-appraisal to the arrangements adopted by Government for consultation with affected people and to assessment of the Government's R&R implementation capacity. Any divergence of view at that stage will be flagged to the relevant Regional Loan Committee and, if unresolved at that level, to the Bank-wide Loan Committee.

- (g) Policy Dialogue. Through its policy dialogue, the Bank will encourage Borrowers with ongoing or proposed Bank-supported operations involving resettlement to develop and issue domestic policy and legal frameworks for resettlement caused by development projects. In formulating sector strategies and sector investment priorities, Borrowers will be asked to review experience with resettlement in key sectors such as energy, agriculture, infrastructure and urban, in order to (i) ascertain whether priority investments are designed to avoid or minimize resettlement, and (ii) develop acceptable approaches to implementing R&R, which may be an unavoidable consequence of certain projects.

Attachment 3

SUGGESTIONS FOR IMPROVEMENT OF QUALITY AT ENTRY FOR R+R

1. Improve Substantive Knowledge through Guidelines/Best Practice Dissemination:

- on consultation processes with people affected by R+R;
- on land acquisition and related compensation;
- on restoring income to at least earlier, "pre-project" levels;
- on transition costs (which may be a multiple of eventual [annual] income levels);
- on relevant training for people affected;
- on resettlement on marginal land (especially relevant for tribal people living on marginal lands).

2. Need for Resource Book and Training of Staff in above (and other Relevant) R+R Related Subjects:

- such efforts should be "dovetailed" with knowledge from NGOs;
- relevance of eventual training material (and training technologies) to people affected (e.g., videos?).

3. Review Process:

- review at Regional Loan Committee stage, i.e., just prior to appraisal, is too late for effective handling of R+R. Need for consistent review of R+R projects/components at IEPS stage, including with ENV resettlement advisors;
- in projects with especially sensitive R+R issues (as identified at the IEPS stage), a small team of highly experienced Bank officers may be assigned to review these issues with a view to putting such project to the Bankwide Loan Committee for a decision as to whether to go ahead with such project.