

Financing the Marsyangdi Corridor Transmission Line in Nepal

What went wrong and how to fix it

The 110-kilometer Marsyangdi Corridor is a 220 kV high voltage transmission line project located in and around the Annapurna Conservation Area in Nepal. The project is funded by a €95 million loan from the European Investment Bank (EIB) and implemented by the Nepal Electricity Authority (NEA).

In 2018, the communities affected by the project formed the FPIC & Rights Forum and filed a complaint with the EIB's accountability office, the Complaints Mechanism (CM), to raise their concerns about the environmental and social impacts of the project. The CM investigated the communities' complaint and released its Conclusion Report in April 2021.

Key Findings: What did the investigation find?

① : The EIB and NEA failed to comply with the EIB's social and environmental rules and international legal commitments.

② : The EIB and NEA overlooked the impact on Indigenous Peoples. Though indigenous people are affected by the project there was no assessment of their **FPIC** rights.

③ : Only 1% of the population in the project-affected area attended public consultations. Of that 1%, women and Indigenous peoples were underrepresented in the public consultation process.

④ : The EIB provided funding to the NEA even though the NEA did not complete the required environmental, social, and resettlement assessments before starting project construction.

Free, Prior, and Informed Consent (FPIC) is a specific right pertaining to Indigenous Peoples and is protected by international standards. It allows Indigenous Peoples to give or withhold consent to a project that may affect their communities or their territories.

FPIC is required prior to the approval and/or commencement of any project that may affect the lands, territories, and resources that Indigenous Peoples customarily own, occupy, or otherwise use in view of their collective rights to self-determination.

Recommendations: The European Investment Bank and the Nepal Electricity Authority must:

- ① **Financing Obligations**
Stop financing the Marsyangdi Corridor project until the violations are addressed.
- ② **FPIC Obligations.**
Fulfill obligations to establish an FPIC process with a clear timeline.
- ③ **Compensation Transparency.**
Introduce a flexible and transparent approach to compensation calculation. The actual impacts of land use restrictions under the right of way should be assessed on a case-by-case basis.
- ④ **Adequate Compensation.**
Review past compensation and formulate corrective actions for where inadequate compensation was provided.
- ⑤ **Community Engagement.**
Ensure equitable representation of project-affected communities in the compensation fixation committee.
- ⑥ **Community Consultation.**
Improve communication and meaningful participation with the affected communities, including community participation in the development and implementation of environmental and social impact assessments and resettlement plans.
- ⑦ **Corrective Action Plan.**
Update the corrective Environmental and Social Action Plan and monitor the implementations.