

World Bank Board Discusses Inspection Panel Investigation Into Indus Basin Drainage Projects

Board Approves Southern Pakistan Water Management Action Plan

Washington DC, November 1, 2006 - The independent Inspection Panel investigation of the Pakistan National Drainage Program (NDP) determined shortcomings in both this and an earlier project, the Left Bank Outfall Drain Project (LBOD), the Bank's Board of Executive Directors heard yesterday. They also heard details of Bank management's Action Plan to address extreme poverty, impacts on the affected population and environment and help manage the severe flooding risks in the lower Indus Basin of Sindh Province, particularly in Badin and Thatta districts along the coastal zone.

Improving the livelihoods of thousands of poor families who have suffered adverse impacts at the very tail end of the Indus River system in southern Pakistan is at the core of a new water management [Action Plan](#), announced by the World Bank.

The Action Plan comes in response to the Panel's investigation requested by residents of Badin. The requesters, on behalf of local communities, claimed they were adversely affected by the Bank's failure to comply with certain operational policies in connection with the Bank-financed NDP Project and earlier LBOD project.

“While these older Bank-supported projects did succeed in creating opportunities for poor people in Sindh by expanding agriculture dramatically, the Inspection Panel has shown that the World Bank — and everyone involved in the projects — could have done a better job of mitigating the risks and impact of natural disasters on the poor within and outside the project areas,” said **World Bank President Paul Wolfowitz**. *“The Inspection Panel has recognized the importance of the Bank remaining committed to helping Pakistan improve its water resource management; and our future work will be strengthened by the lessons learned from the LBOD and NDP projects.”*

In its investigation, the Panel found that the design of the LBOD project underestimated prevailing conditions and the risk of extreme meteorological events. According to the Panel, this contributed to the breakdown of the LBOD outfall system and the suffering of local people in lower Badin district, and to significant adverse impacts to important fisheries and wetland habitats known as the “dhands”. The Panel found instances of non-compliance with provisions of several Bank policies, including environmental assessment, natural habitats, indigenous peoples and cultural property. The Panel also found non-compliance in the area of Bank supervision, determining that it had been less than adequate in respect to the LBOD system, and that people in southern Badin “fell outside the field of vision of those who designed and appraised the project”, to quote the Panel report.

The **Chairperson of the Inspection Panel, Edith Brown Weiss**, said: *“The Panel has heard the voices of poor people suffering at the tail end of the drainage system in southern Sindh, and seen the coastal environment's degradation. We appreciate the importance of Bank involvement in the water sector in Pakistan. Our Report, however, highlights the need to take a holistic view of water and drainage systems to ensure risks are identified and assessed and harm to people and the natural environment minimized. We trust that the Bank's Action Plan will be implemented in close consultation with affected people.”*

The Bank's Action Plan is designed to address with urgency the plight of the poorest people of the lower Badin and Thatta districts and help them deal with the risks inherent in living on this exposed and low-lying plain. The Bank-supported Pakistan Poverty Alleviation Fund, which works according to development choices made by the affected communities themselves, is already at work in the area with US\$18 million for community projects to build livelihoods and small scale infrastructure. The program will focus special attention on those people close to LBOD for whom the IP found that the LBOD was a contributing factor to flood damage.

In addition, a flood response plan will be worked out with local officials to ensure better management of this risk including early warning, evacuation plans and flood refuge structures. The Bank will report on progress before the next monsoon season in June 2007. In the medium and longer term, coastal zone and Indus River management will be a priority focus.

The Board also emphasized the importance of the World Bank remaining engaged in Pakistan's challenging water sector and managing the risks associated with large complex projects.

Water is extremely scarce in Pakistan and irrigation is critical to agriculture and food production, rural livelihoods and poverty reduction. The Indus River has been used to bring 35.7 million acres under irrigation, creating an irrigated agriculture that accounts for a quarter of GDP, two-thirds of employment, and about 80 percent of exports. At the tail end of this system, Sindh is especially vulnerable to drainage problems. Its flat topography, severe summer heat and naturally occurring salts, produce water logging and salinity that plagues agriculture and that LBOD, in the early 1980s, was designed to relieve.

To this end the project brought significant benefits and increased income to about 4 million people in the upper areas of Sindh, the Board heard. Agricultural activity was restored to 1.25 million acres boosting productivity by about 30 percent. The combination of lowering the water table and reducing salinity achieved by the project brought many lands back to productive agriculture.

In recent years a number of severe meteorological events have affected Sindh including the heavy cyclone in 1999 which caused extensive damage to components of the LBOD system, the Tidal Link canal and the Cholri Weir. In 2003, the largest rainstorm on record struck southern Sindh, causing widespread flooding and loss of life across the area as far west as Karachi.

The Action Plan, which has the full support of the Government of Pakistan and the Government of Sindh, is based on the findings of the Inspection Panel report, on lessons learned from the Bank's nearly 50-year history of involvement in Pakistan's water sector, on recent studies done in the affected area and some discussion with farmer organizations and those people directly affected.

Bank Management also shared with the Board lessons learned from these projects and the evolving comprehensive approach to water management. It was recognized that if a project like LBOD were to be prepared and implemented today, it would have been done in a far more comprehensive manner looking at institutional, management and maintenance issues, using a more interdisciplinary approach, giving greater attention to the environment and engaging people affected by the project in a participatory way.

"At the time the project was designed, the emphasis was on getting the biggest benefit for farmers by reducing salinity and water logging to expand irrigated areas," said **John Wall, World Bank**

Country Director for Pakistan. *“The very poorest people outside the irrigation and drainage system were neglected.”*

In the 1980s the solutions were engineering solutions and indeed the heart of the NDP reform initiative was to successfully break with this past view, said Wall. The NDP of the late 1990s succeeded in initiating a process of critical governance reform and bringing the voices of thousands of farmers to the table in the participatory management of water resources. A project in this sector today would go further still to address the impacts on and development needs of those at the tail end of the system whose living conditions are the most desperate and who have limited livelihood options.

Following the discussion at the Board, the Executive Directors endorsed the Action Plan. It was agreed that Management would submit an update to the Board by June 2007 and a progress report within 12 months concerning its implementation.

Project Financing

Left Bank Outfall Drainage (LBOD)

At completion, the cost of the LBOD project totaled US\$1.021 billion, of which the Bank provided US\$185.1 million or 18.1 percent. Other donors included the Asian Development Bank (ADB), which financed 20.6 percent (US\$209.9 million) of the project, the Canadian International Development Agency (1.2 percent/US\$11.9 million), the United Kingdom's Overseas Development Administration (3.5 percent/US\$35.6 million), the Saudi Fund for Development (6.2 percent/US\$63.8 million), the Swiss Development Cooperation (1.5 percent/US\$15.5 million), the Organization of Petroleum Exporting Countries Fund for Development (1 percent/US\$10 million) and the Islamic Development Bank (1 percent/US\$10 million). The Government of Pakistan and Sindh Provincial Government carried 46.4 percent (US\$473.9 million) of the project cost.

National Drainage Program

The NDP Project's estimated cost at appraisal was US\$785 million, of which US\$525 million was provided by several donors. (The Bank contributed US\$285 million; the ADB provided US\$140 million; and the Japan Bank for International Cooperation provided US\$100 million.) Farmers, through Farmer Organizations, were to contribute US\$32.1 million and the Government of Pakistan and the provinces the balance of US\$227.9 million.

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