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## **NEWS RELEASE**

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### **World Bank Board Discusses Inspection Panel Report on West African Gas Pipeline Project and Approves Action Plan**

**WASHINGTON, D.C., August 6, 2008** – The World Bank’s Board of Executive Directors met yesterday and discussed the independent Inspection Panel investigation of the West African Gas Pipeline (WAGP) project, and approved an action plan. The project involves construction of a 428 mile long (678 km) pipeline to transport natural gas from Nigeria to the neighboring countries of Benin, Togo, and Ghana. The Bank is providing risk guarantees, and is not supporting a conventional lending operation.

Under the approved Action Plan, a series of measures will be undertaken to address issues identified by the Panel, including actions to improve management of resettlement and compensation, creation of an effective grievance mechanism, enhanced disclosure of information and strengthened field based supervision.

The Board welcomed the Panel’s Report and emphasized the significance of its findings both for this project, and Bank operations more generally. The Board also emphasized the importance of the World Bank remaining engaged in supporting the energy sector in Africa, and managing the risks – economic, environmental and social – associated with large, complex, multi-country project. The lessons of experience will inform and benefit the next generation of public-private partnerships.

The Inspection Panel investigation was initiated following a request made by communities in Nigeria who claimed that the WAGP project will adversely impact their safety, environment and livelihoods due to acquisition of land and other related assets. They contended that the Bank failed to comply with its policies and procedures on environmental assessment, project supervision, and involuntary resettlement, posing irreparable harm to their livelihoods.

The Inspection Panel noted the importance of the Project as a regional initiative in West Africa. However, the Panel identified, systemic weaknesses in the management and supervision of the Project, and found that Bank Management failed to comply with key social and environmental safeguards policies. The Panel found that the Project did not properly identify and arrange for the livelihood restoration of vulnerable people who involuntarily lost assets. The Panel found significant under-compensation for the value of land which was calculated at below market rates. On the critical issue of gas flaring reduction, the Panel observed that some Project documents provided imprecise information suggesting more impact on gas flaring reduction than the Project could technically deliver. Regarding fishing concerns, the Panel concluded that there was no scientific foundation for the contention that pipeline construction at the coast of Nigeria damaged fishing nets.

The President of the World Bank Group, Mr. Robert B. Zoellick, highlighted the importance of learning from the Panel’s findings. He welcomed the Inspection Panel Report and the Management Action Plan as an important contribution to reducing power shortages, increasing trade competitiveness and regional cooperation, while protecting the interests of local communities.

*“Catalyzing private sector investment for infrastructure development is vital for Sub-Saharan Africa’s future,”* said **Ms. Obiageli Katryn Ezekwesili, World Bank Vice President for the Africa Region.** *“The Bank appreciates the Inspection Panel’s work, and is committed to implementing the Action Plan so that the project – one of the earliest regional projects in the portfolio – delivers lasting development results to benefit people and the environment.”* She added that the role of Country Directors is critical in regional Projects such as this one. The Bank believes that the modest five percent reduction in gas flaring will only be possible after the pipeline is commissioned.

**Mr. Werner Kiene, Chairperson of the Inspection Panel,** recognized the complexities of land tenure in West Africa but stated that *“Crucial steps were not taken to ensure livelihood restoration for the affected people. The important difference between simple monetary compensation and a sustainable livelihoods approach needs to be addressed in implementing the Action Plan.”* He also stressed *“the plight of the Requesters suffering from the menace of gas flaring,”* and noted the importance of developing a new initiative for a *“village-based monitoring system of gas flaring reduction.”*

The Board-approved Action Plan is designed to address key issues for project sustainability:

- Undertaking consultations, ensuring disclosure, and providing compensation to begin to restore livelihoods to project-affected people at market rates
- Strengthening community development programs focused on restoration of livelihoods, skills development, and targeting the special needs of vulnerable groups
- Developing robust grievance handling procedures, including appointment of an independent civil society monitor to document and witness the payment process for providing additional compensation to restore livelihoods
- Documenting the lessons learned, disseminating project information to communities in English and Yoruba, and developing a “best practice” tool kit to improve project design and implementation of regional projects.

The World Bank is supporting the WAGP project by providing a \$50 million Partial Risk Guarantee on concessional terms from the International Development Association (IDA), and a \$75 million guarantee from the Multilateral Investment Guarantee Agency (MIGA) for political risk. Following the endorsement of the Action Plan, it was agreed that Management would submit an update to the Board in six months and provide a project implementation report in a year’s time, in consultation with the Panel.

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