

# Justice delayed in Nepal: The EIB Group Complaints Mechanism and the Tanahu hydropower project



*The inundation area where the complainants' land is located. Photo: CEMSOJ*

## Background

The Tanahu hydropower project involves the construction of a 140-megawatt hydroelectric storage plant on the Seti River in Nepal. The project is being developed by Tanahu Hydropower Limited, a wholly owned subsidiary of the state-owned Nepal Electricity Authority.

In May 2013, the European Investment Bank (EIB) Group signed a finance contract with the Nepal government for the construction of the plant and its associated electricity interconnection.

The project is co-financed by the Asian Development Bank (ADB), the Japan International Cooperation Agency, and the Nepal government. Although the agreement was signed in 2013, the first tranche of the loan, amounting to USD 10.26 million, was not disbursed until August 2021.

For more information

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## Complaints

Between 2020 and 2021, three groups of households living in or near the project's inundation area registered formal complaints with the EIB Group Complaints Mechanism (EIB-CM). These included two groups of indigenous Magar households and one group of Dalit households.<sup>1</sup> Their grievances included the following:

- **Lack of information sharing:** A failure to provide meaningful consultation and ensure stakeholder participation.
- **Vulnerability of Dalits:** Inadequate consideration of the specific social and economic vulnerabilities faced by Dalit communities.
- **Indigenous rights:** Inadequate consideration of impacts on indigenous people and a failure to uphold their right to free, prior and informed consent.
- **Livelihoods and compensation:** Inadequate compensation for houses, lands and the negative impacts on livelihoods dependent on natural resources.
- **Cultural heritage:** Adverse impacts on traditional practices and sacred cultural sites.
- **Grievance redress:** An inadequate project-level mechanism for addressing and resolving local complaints.

Following an agreement with complainants living near the project's inundation area and other stakeholders, the EIB-CM proposed to proceed with a dispute resolution process. This process specifically addressed complaints related to a lack of compensation for non-titled and community land within the inundation area.<sup>2</sup>

The EIB-CM's scope was narrowed because the ADB's Accountability Mechanism – specifically the Office of the Special Project Facilitator – was already undertaking a dispute resolution process for a group of indigenous Magar households with land in the inundation area. Consequently, the EIB-CM largely limited its role to monitoring the ADB's progress, leading to minimal direct engagement with the Magar group of households.

Other grievances raised by indigenous Magar and Dalit households residing near the inundation area were incorporated into a list of 'immediate actions'. These were agreed between the project developer and the ADB, as noted in the EIB-CM's initial assessment report.<sup>3</sup> However, despite being officially documented, these corrective actions were not effectively implemented.

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<sup>1</sup> These concerns relate to EIB-CM case reference numbers SG/E/2020/02, SG/E/2021/10 and SG/E/2021/11.

<sup>2</sup> European Investment Bank Group, [Nepal Tanahu Hydropower Project](#), updated 26 August 2024.

<sup>3</sup> EIB Group Complaints Mechanism, Nepal Tanahu Hydropower Project: Initial Assessment Report, 13 December 2021.

## Outcomes

Despite the efforts of the EIB-CM, complainants living near the project's inundation area, along with their advisors – including the Community Empowerment and Social Justice Network, the Indigenous Women's Legal Awareness Group, the International Accountability Project, and the NGO Forum on ADB – the dispute resolution process was closed after two years without addressing the core issues.

Simultaneously, the promoter decided to withdraw from the mediation, opting instead to address the issues raised through future studies and assessments, including an updated resettlement and indigenous peoples plan and a livelihood restoration plan.<sup>4</sup>

However, as the project progressed, no specific timeline was provided for these updates, leaving the primary grievances unresolved. By 2024, a dispute resolution report had been issued, which included an update on implementation of the immediate actions along with comments from the promoter, the complainants and the EIB-CM. However, while a few actions were completed, the majority remain unfinished, modified or still under implementation.

Furthermore, in March 2024, the EIB and the ADB adopted a new list of requirements for the project. The EIB-CM's role was shifted to monitoring and assessing the implementation of these requirements and the outstanding immediate actions.

The complaints were subsequently handed over for compliance review. Yet, more than a year later, the EIB-CM has yet to produce a report, despite repeated follow-ups from the complainants and their advisors. Instead, implementation of the required standards has been staggered and inconsistent.

As of early 2026, the EIB-CM has not issued any further updates on the implementation of immediate actions, additional requirements, or the status of the compliance investigation and monitoring.

### Recommendations for the upcoming review of the EIB Group Complaints Mechanism Policy

The EIB-CM's problem-solving function must focus on delivering definitive remedy for people harmed by EIB-funded projects. Transparent monitoring should serve both complainants and the public, providing a clear understanding of the EIB's actions to bring problematic projects into compliance with environmental and social standards.

The following selected recommendations for the EIB Group Complaints Mechanism Policy review – undergoing public consultation from 12 March to 19 May 2026 – aim to improve its effectiveness in delivering remedy for project-impacted stakeholders:

1. **Strengthened independence:** Enhance the independence and effectiveness of the EIB-CM to address the grievances of affected communities and provide remedy in a timely manner.

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<sup>4</sup> EIB Group Complaints Mechanism, [SG/E/2021/10](#) | [SG/E/2021/11](#) | [Nepal Tanahu Hydropower Project: Dispute Resolution Report](#), 26 August 2024.

2. **Enforcement of timely responses:** Authorise the EIB-CM dispute resolution function to require timely and effective responses from project promoters and borrowers to resolve grievances within a strict time frame.
3. **Contractual obligations:** Mandate that project promoters and borrowers are contractually obliged to respect the findings and recommendations of the EIB-CM and implement corrective actions to ensure project compliance with environmental and social standards.
4. **Redress imbalances:** Specify the EIB-CM's role in redressing power imbalances during mediation and dispute resolution by assisting complainants in understanding the EIB Group's standards and their status as rights holders.
5. **Procedural flexibility:** Allow the EIB-CM to conduct problem-solving procedures before, after or alongside compliance investigations, depending on the preference of affected communities.
6. **Enhanced monitoring:** Empower the EIB-CM to monitor the implementation of recommendations and corrective actions, providing regular reports to complainants, the public and the EIB Board of Directors.
7. **Suspension of financing:** Authorise the EIB-CM to recommend suspension of financing in cases of non-compliance with environmental and social standards or non-adherence with agreed corrective actions.
8. **Closure monitoring reports:** Prepare comprehensive closure reports for all cases to assess the effectiveness of corrective actions and ensure either project compliance or the fulfilment of dispute resolution agreements.
9. **Institutional coordination:** For complaints that involve coordination with the accountability mechanisms of other banks, require the EIB-CM to ensure strict adherence to its own policies and the EIB Group's standards, rather than merely following the lead of other institutions.
10. **Board accountability:** Require the EIB-CM to inform the Board of Directors on every case concerning environmental and social impacts or transparency, ensuring the Board holds the EIB Group accountable for all recommendations and corrective actions.
11. **Advisory leverage:** Leverage the advisory function of the EIB-CM when reporting to the Board of Directors, ensuring the Board approves recommendations and holds the EIB Group accountable for their implementation.