Orsolya Szekely
Head of the Dispute Resolution Service
The World Bank

January 29, 2026

Case No. 24/04/DRS

NOTICE OF DISPUTE RESOLUTION AGREEMENT

Pakistan: Khyber Pass Economic Corridor Project (P159577)

1. On October 11, 2024, the World Bank Board of Directors approved an Inspection Panel recommendation to investigate the Pakistan: Khyber Pass Economic Corridor Project (P159577) (the "Project").

2. On October 15, 2024, I wrote to the Parties in this case, offering the opportunity for dispute resolution, pursuant to paragraph 11(a) of Resolution No. IBRD 2020-0005/Resolution No. IDA 2020-0004 (the "AM Resolution") and paragraph 30 of Resolution No. IBRD 2020-0004/Resolution No. IDA 2020- 0003 (the "Panel Resolution").[1]

3. On November 14, 2024, I informed the Executive Directors, the Inspection Panel and Bank Management that the Parties voluntarily agreed to pursue dispute resolution, pursuant to Paragraph 11(b) of the AM Resolution and Paragraph 31 of the Panel Resolution.

4. The Parties signed an interim agreement on November 13, 2025, partially addressing the eligible issues in the case, and requested to continue with the mediation. At the same time, I extended the dispute resolution process, for an additional period of up to six months, with a final deadline of May 14, 2026, informing the Executive Directors and the Inspection Panel of the same.

5. On January 20, 2026, the Parties signed a final Dispute Resolution Agreement, thus concluding the dispute resolution process. The signatories have stated that the Agreement is reached in full and final settlement of their dispute. As Head of DRS, I confirm, that all Eligible Issues identified in the Inspection Panel's Report and Recommendation, as approved by the Board for investigation, have been addressed. The signatories chose to keep the details of the settlement confidential.

6. At the Parties' request, the DRS will monitor the implementation of the Parties' commitments, for a maximum period of one year from the signature of the Agreement, unless otherwise extended by both Parties.

7. As required by Paragraph 12(h) of the 2020 AM Resolution, at the end of the dispute resolution process, the Dispute Resolution Service (DRS) prepares a report for the Executive Directors to be issued through the Accountability Mechanism Secretary, informing them of the outcome. This report is issued as an annex to this notice.

8. Pursuant to Paragraph 13(d) of the 2020 AM Resolution, when the Inspection Panel receives the report of the Accountability Mechanism Secretary, it takes the steps set forth in Paragraph 33 of the Inspection Panel Resolution, which states that if the Accountability Mechanism Secretary informs the Executive Directors that the Parties have reached agreement and signed a Dispute Resolution Agreement, the case shall be considered closed. The Panel shall issue a memorandum closing the case and take no

[1] As with other cases that commenced during the relevant period, the case continues to be finalized under the AM Resolution (2020), respecting the principle of non-retroactivity, except for required title changes.

further action with respect to the request.[2]

9. The Head of DRS thanks the Parties for their commitment to find mutually agreeable solutions, the DRS team for its excellent work despite challenging circumstances and the Bank Management for fulfilling its observer role in a constructive manner.

10. We look forward to sharing lessons learned from this case with the Executive Directors and Bank Management.

Yours sincerely,

Orsolya Szekely
Head of the Dispute Resolution Service
The World Bank

cc.:
The Executive Directors and Alternates
International Bank for Reconstruction and Development
International Development Association

Mr. Ajay Banga
President
International Bank for Reconstruction and Development
International Development Association

Mr. Ibrahim James Pam
Chairperson, Inspection Panel (AMIPN)

Ms. Gallina A. Vincelette
Vice President, Operations Policy (OPSVP)

[2] Directly analogous provisions exist in the AM Resolution (2025), for the purposes of this case there are no material differences.

Annex: Outcome Report

Dispute Resolution Service

Outcome Report: Case No. 24/04/DRS

Pakistan: Khyber Pass Economic Corridor Project (P159577)

This report is issued by the Head of the Dispute Resolution Service (Head of DRS), who carries out the relevant functions previously exercised by the Accountability Mechanism Secretary (AM Secretary), specifically Paragraph 12(h) of the AM Resolution (2020), and paragraph 20 of the AM Operating Procedures (2023), which remain applicable in this case.[1] It provides the Executive Directors, the Inspection Panel, and Bank Management with a clear overview of the core process steps, outcomes, and rationale for concluding the dispute resolution process in this case.

1. Procedural background

On October 11, 2024, the World Bank Board of Directors approved an Inspection Panel recommendation to investigate the *Pakistan: Khyber Pass Economic Corridor Project (P159577)* ("Report and Recommendation"), in response to a request for inspection. On October 15, 2024, the AM Secretary offered the Requesters and the Borrower (the Parties) an opportunity to participate in an independent and voluntary dispute resolution process, facilitated by the Dispute Resolution Service (DRS), pursuant to Paragraph 11(a) of the AM Resolution and Paragraph 30 of the Panel Resolution. Consistent with Paragraph 11 of the AM Operating Procedures, between November 5 and November 8, 2024, a DRS delegation conducted a mission to Islamabad to meet in person with the Parties, their representatives, and advisors, to inform them of their options and to ensure that they were enabled to make a fully informed decision on whether to enter a dispute resolution process facilitated by the DRS.

On November 14, 2024, the AM Secretary informed the Executive Directors, the Inspection Panel and Bank Management that the Parties voluntarily agreed to pursue dispute resolution ("Notice of Agreement to Pursue Dispute Resolution"), pursuant to Paragraph 11(b) of the AM Resolution and Paragraph 31 of the Panel Resolution. November 14, 2024, marked the commencement of the dispute resolution phase. The process was conducted according to the AM Operating Procedures.

On November 13, 2025, the Parties signed an interim agreement, partially addressing the eligible issues in the case, and requested to continue with the mediation. Pursuant to Paragraph 2(g) of the AM Resolution, the Head of DRS informed the Executive Directors, the Inspection Panel and Bank Management that at the request of both Parties, and recognizing the Parties' commitment and progress so far, the dispute resolution process has been extended, for an additional period of up to six months, with a final deadline of May 14, 2026.

[1] Under the principle of non-retroactivity, the Resolution and Operating Procedures in effect at the time the dispute resolution offer was made continue to govern the process. Because the offer was issued under the AM Resolution (2020), the provisions of that Resolution—rather than the AM Resolution (2025), except for the change of title—apply to this case. Similarly, the AM Operating Procedures (2023) continue to apply, as also referenced in the DRS Operating Procedures (2025) para 32.2.

2. Missions, communications, and engagement

DRS travelled regularly to Pakistan, with six in-person missions to Islamabad and/or Peshawar as permitted under security guidelines, in addition to the offer mission.[2] These visits were essential to build and sustain trust with the Parties and key stakeholders, lead the mission and support the appointed mediator, and gain firsthand insight into the issues' context, complexity, and local dynamics. In-person meetings were structured to respectfully engage community leaders and enable the participation of women who observe purdah, in line with local customs—for example, through women-only sessions led by female facilitators and provision of private, separate spaces. Mission travel was complemented by regular online meetings and asynchronous messaging, ensuring continuous communication with the Parties, Bank Management, and other stakeholders.

The Head of DRS oversees all casework and brings expertise to support effective high-level engagement in public sector projects.

3. Process

a. Appointing mediators

The Head of DRS recommended the appointment of two mediators for this case, considering its complexity, and the need for gender balance. A consultant was appointed providing specific gender expertise. The appointment of mediators requires the consent of both Parties and following consultations between the DRS and the Parties, which allowed the Parties to assess the qualifications and experience of the proposed DRS mediators, and either reject or accept the candidates, the Parties agreed to Dr. Zaza Johnson Elsheikh and Dr. Maged Naguib Ackad as co-mediators in January 2025. In April 2025, Dr. Maged Naguib Ackad withdrew from the process for personal reasons, and Dr. Zaza Johnson Elsheikh carried out the mediation as the sole appointed mediator for the remainder of the DR process, with the constant support of DRS team members.

b. Process Design and Dispute Resolution Framework

The Requesters – the communities living in the general area of the proposed Southern Link Road in Peshawar and Nowshera districts, with 448 signatories recorded in the Request for Inspection – self-selected a 5-person group of representatives, which included 3 men and 2 women, through a facilitated process conducted in front of the community with support by the DRS, and agreed that these representatives were authorized to represent them in the process and execute all documents on their behalf. In parallel, the Economic Affairs Department (EAD) of the Government of Pakistan authorized a representative from the National Highway Authority (NHA) to represent them in the process, and the Government of Khyber Pakhtunkhwa (KP) authorized an additional representative to participate on its behalf. Throughout the process, there were changes in the representation: one of the woman representatives withdrew from the process due to personal reasons, and there was a change in the representation from both NHA and KP government which were duly communicated by the Government of Pakistan to the DRS. Engagement and

[2] Regular travel to Peshawar by vehicle required extensive advance coordination and clearances from World Bank Security, UNDSS, and the Government of Pakistan, and remained contingent on ongoing security assessments. Armored vehicles were mandatory. Plans were often adjusted or restricted at short notice.

trust with the Parties were established through separate (bilateral) meetings, which led to the opening of face-to-face dialogue and a series of joint mediation sessions that were facilitated by the mediation team between January 2025 and January 2026.

The mediation was conducted according to a confidential Dispute Resolution Framework (DRF), which was drafted with the support of the DRS and agreed by the Parties on February 2, 2025, consistent with Paragraph 12 of the AM Operating Procedures. The DRF established the parameters of the dispute resolution process, including the scope of the mediation, representation of Requesters and affected community members, roles of observers, and an agreement by the Parties that they were bound by confidentiality requirements, to create an atmosphere of trust and facilitate an open discussion between the Parties. It also included the key issues to be addressed, based on the three broad areas mentioned in the Inspection Panel Eligibility Report: livelihood impacts, lack of meaningful consultations with Project-affected communities, and conflict risk. The DRS also agreed not to disclose any information shared by the Parties during the dispute resolution process without authorization to do so, except for that required for mandatory reporting purposes.

During the dispute resolution process, all issues in the original Request as summarized in the Inspection Panel Report and Recommendation, and upon which the Board approved the Inspection Panel's recommendation to investigate, were extensively discussed and explored and, in some instances, reframed and reprioritized by the Parties.

c. Signing an Interim Agreement

During the mediation, the Parties progressively reached agreements on several issues. On November 13, 2025, they signed an interim agreement to formalize these understandings. The agreement addressed compensation and payment modalities; access to compensation for women, minors, and vulnerable groups; noise pollution and environmental impacts; the proposed alignment; and livelihoods impacts.

4. Role of Bank Management

The Parties were given the option of having Bank Management act as an observer to the process, and both Parties accepted this offer. Bank Management was accorded extensive access to the mediation process throughout and regularly sat in during plenary meetings and in some bilateral meetings with the Borrower.

Throughout the process, and as needed, Bank Management provided DRS, the mediation team, and the Parties with extensive World Bank policy expertise and project-related information, which included technical information as well as information regarding procedural issues and the Bank's supervisory role. Bank Management also facilitated DRS missions, specifically playing a large role regarding logistics and security, as required by Paragraph 16 of the AM Resolution.

Some sessions, such bilateral meetings with the DRS, were conducted *in camera*, as permitted under the Operating Procedures. The independence of the DRS process from Bank Management was ensured throughout the process, and Bank Management is similarly bound by confidentiality requirements related to the process, pursuant to Paragraph 14 of the AM Resolution.

DRS wishes to acknowledge the high level of support and cooperation that Bank Management provided throughout the entire process, contributing to the positive outcome.

5. Conclusion of the Dispute Resolution Process and Outcomes

On January 20, 2026, the Parties signed a Dispute Resolution Agreement. This concluded the dispute resolution process according to paragraph 19.2 of the AM Operating Procedures. The process lasted 14 months and settled after intensive and constructive discussions, with both sides having resolved their differences satisfactorily. On the Requesters side, the representative group signed the agreement. On the Borrower side, the agreement was signed by designated representatives of the Economic Affairs Division.

The signed agreement of January 20, 2026, supersedes and replaces the earlier Interim Agreement and records a complete enumeration of commitments undertaken. The Requesters confirmed during the mediation and also in the agreement itself that all issues and concerns in their original Request have been addressed to their satisfaction and that the DR Agreement is a full and final settlement of their complaint. The Head of DRS confirms that all Eligible Issues identified in the Inspection Panel's Report and Recommendation, as approved by the Board for investigation, have been addressed, and therefore this represents the end of the case and, as outlined below, the DRS will move into monitoring.

The outcomes of the agreement, which can be disclosed partially and in general terms only, include that land acquisition will be pursued through a *specified* transparent process under applicable Pakistani law, and compensation is determined and structured in a way which meets World Bank standards. The Agreement provides arrangements for situations of shared ownership and where there has been a history of informal transfers and also provides assurances regarding the livelihood restoration plan for those affected by the Project. Specific measures are included for women PAPs, notably facilitation of women's access to compensation, training, and employment opportunities. Avoidance of graveyards will be considered where design parameters permit. If the process of land acquisition has not commenced by a specified date, existing Section 4 land acquisition notifications will be lifted. Implementation is organized through a time-bound plan, that includes public information sessions with measures to ensure women's participation and systematic sharing of progress.

The Parties accepted that general reporting on outcomes was required, however details of the Agreement remain confidential at the Parties' request.

6. Implementation and Monitoring

In furtherance of Paragraph 15(a) of the AM Resolution, the Parties have exercised the option to keep their Agreement confidential. Observers who engaged in the mediation process did so based on respecting its confidentiality. According to paragraph 20.3 of the AM Operating Procedures, the Accountability Mechanism will thus treat the Agreement as confidential, and it shall not be published.

In line with paragraph 24 of the AM Operating Procedures, the Parties agreed on implementation and monitoring arrangements. At the request of the Parties, the DRS will monitor the implementation of the Agreement for a maximum period of one year from the date of the signature of the agreement, unless otherwise extended by both parties.

Washington, D.C., January 29, 2026