

Report No. 78219-EG

**The Inspection Panel** 

**Report and Recommendation**

**ARAB REPUBLIC OF EGYPT:  
Giza North Electric Power (P116194)**

**June 10, 2013**

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**Report and Recommendation**  
**On**  
**Request for Inspection**

**ARAB REPUBLIC OF EGYPT: Giza North Power Project (P116194)**

**A. Introduction**

1. In accordance with the Resolution (hereinafter “the Resolution”)<sup>1</sup> establishing the Inspection Panel (hereinafter “the Panel”), the purpose of this Report and Recommendation on Request for Inspection (hereinafter “the Report”) is to make a recommendation to the Board of Executive Directors as to whether the Panel should investigate the matters alleged in the Request for Inspection (hereinafter “the Request”),<sup>2</sup> based on the Panel’s confirmation of the technical eligibility of the Request and its assessment of other factors as stipulated in the Resolution.
2. This Report begins with a description of the Project which is the subject of the Request (Section B) and continues with summaries of the written Request as received by the Panel (Section C) and of the Management Response to the Request (Section D). Section E contains the Panel’s review of the Request and Management Response. It begins with the determination of the technical eligibility of the Request, in accordance with the 1999 Clarification,<sup>3</sup> in subsection E (1). Subsection E (2) summarizes the Panel’s observations on other factors considered in making a recommendation to the Board. Finally, the Panel’s recommendation is presented in Section F.
3. On February 21, 2013, the Inspection Panel received a Request related to the Arab Republic of Egypt: Giza North Power Project (hereinafter “the Project”). The Request was submitted by the Egyptian Association for Collective Rights and seven other non-governmental organizations (NGOs)<sup>4</sup> on their own behalf and on behalf of 17 owners of

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<sup>1</sup> International Bank for Reconstruction and Development (Resolution IBRD 93-10) and International Development Association (Resolution 93-6), “The World Bank Inspection Panel”, September 22, 1993 (hereinafter “the Resolution”), para 19. Available at:

<http://siteresources.worldbank.org/EXTINSPECTIONPANEL/Resources/ResolutionMarch2005.pdf>

<sup>2</sup> The original Request is in Arabic and was translated by the Inspection Panel into English. The Request includes several attachments.

<sup>3</sup> “1999 Clarification of the Board’s Second Review of the Inspection Panel”, April 1999 (hereinafter “the 1999 Clarification”). Available at:

<http://siteresources.worldbank.org/EXTINSPECTIONPANEL/Resources/1999ClarificationoftheBoard.pdf>

<sup>4</sup> The seven listed NGOs are: the Egyptian Center for Civil and Legislative Reform, the Egyptian Center for Economic and Social Rights, Children’s Earth Foundation for Human Rights, Health and Environmental

agricultural holdings and 18 agricultural laborers and tenants belonging to the villages of Alqata and Abu Ghalib in the Imbaba area of Giza Governorate, who claim to be impacted by the Project. The Requesters have not requested confidentiality.

4. The Panel registered the Request on April 4, 2013 and Management's Response was received on May 7, 2013.

## **B. The Project**

5. The Project involves the construction of a gas-fired power plant with several ancillary facilities supported by the World Bank through a Specific Investment Loan in the amount of \$600 million approved by the Board on June 8, 2010 and additional financing in the amount of \$240 million approved on February 14, 2012. The Project Appraisal Document states that the "*project development objective is to contribute to improving the security and efficiency of electricity supply by adding a new generation capacity based on the most efficient thermal power generation technology*".<sup>5</sup>
6. The borrower is the Arab Republic of Egypt, and the plant will be owned and operated by the Cairo Electricity Production Company (CEPC), a subsidiary of the Egyptian Electricity Holding Company (EEHC).
7. At the time of the receipt of the Request, the initial loan (Loan No. 7895-EG) was 14.8% disbursed and the additional financing loan (Loan No. 8100-EG) was 11.23% disbursed. The closing date for the operation is December 31, 2016.
8. The Project is co-financed by the European Investment Bank (US\$307 million) and the OPEC Fund for International Development (US\$30 million).
9. The Project includes construction of a 1500-MW power plant involving two identical 750-MW combined cycle gas turbine modules, which will burn natural gas as the main fuel. The Project will also include ancillary facilities for the power plant, as well as a short transmission line to link the plant to the national grid and a short gas pipeline to link the plant to the gas transmission network for fuel supply. The additional financing added a third gas unit of 750 MW capacity and financed a new pipeline for gas supply (Noubaria-Metnama)
10. The Project also involves a technical assistance component which includes (a) support for promotion of private sector investment in electricity generation, (b) development of a power sector strategy, and (c) support for promotion of energy efficiency.

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Development Association, Housing and Land Rights Network, Arab Non-Governmental Organizations for Development, and Right to Water Forum in the Arab Region.

<sup>5</sup> Project Appraisal Document on a Proposed Loan in the amount of US\$600 Million to The Arab Republic of Egypt for a Giza North Power Project, April 26, 2010 (hereinafter "PAD"), p. 10.

11. The Project is environmentally categorized as “A” and the World Bank’s policies on Environmental Assessment (OP/BP 4.01), Involuntary Resettlement (OP/BP 4.12), and Projects on International Waters (OP/BP 7.50) have been triggered.
12. **Project Status.** The initial loan became effective on August 12, 2011 and the loan for additional financing became effective on December 19, 2012.

### C. Summary of the Request

13. Below is a summary of the issues raised in the written Request for Inspection and further elaborated by the Requesters. The Request and its attachments, and an English translation of it, are attached to this Report as Annex I.
14. The Request refers to “*the policies set by the World Bank [WB] to protect the rights of people and local communities when implementing WB projects*” and “*the policies on transparency being promoted by the WB*”, and elaborates on “*damages caused by the project*”. The Requesters state they have experienced some Project-related impacts already, and fear additional impacts may arise as Project construction progresses.
15. **Impacts on the environment and agriculture from the construction of the power plant.** The Request identifies several issues. Firstly, the Requesters are concerned about the effects of the dewatering undertaken for the construction of the power plant. They claim that this has led to a drop in groundwater levels, causing their wells to dry up. In their view, this has also resulted in their crops withering and drying out, and thus a reduction in crop production. They state that some farmers used water available in a nearby agricultural canal as an alternative water source but the salt content and chemicals in this canal water further deteriorated the quality of their crops. The Requesters claim that environmental studies undertaken for the Project did not address such impacts.
16. Secondly, the Requesters allege that, contrary to existing standards and requirements, the implementing agency infringed on “*the only agricultural drainage canal surrounding the agricultural land*”. The Requesters state that lack of adequate drainage will cause “*many adverse impacts on the land and water environment for the farmers and will consequently result in substantial material damages*” since “[a]gricultural water drainage canals are considered a necessity to drain excess water from the soil, and the absence of such canals leads to the deterioration of agricultural land and the reduction of its fertility due to increased salinity in the ground which disturbs the soil alkaline and acid balance”. In an elaboration provided to the Inspection Panel, the Requesters’ representative stated that the excess agricultural water is normally drained through a nearby drainage canal and the law requires that an 8m buffer be maintained on each side. The Requesters’ representative stated that this buffer area has been used to construct a fence for the power plant and this construction is interfering with the drainage function of the canal.

17. Thirdly, the Requesters state that the high fence wall being constructed for the power plant casts a shadow on their fields and prevents sunlight from reaching their crops, which affects plant growth. They also state that this wall is preventing air circulation, which is needed for pollination, and that their crops are damaged by the glare of direct light from spotlights erected on this fence walls.
18. Fourthly, the Requesters state their fear that waste from the Project may be dumped untreated causing pollution to water sources used to irrigate crops. This ultimately may damage their crops and land and also having the potential to impact human health.
19. **Impacts from the construction of transmission lines.** The Requesters fear loss of agricultural land from construction of towers needed for the transmission lines and access roads that will be built to facilitate their construction and maintenance. In a subsequent elaboration, the Requesters' representative said that they feel that taking of agricultural land should be minimized to avoid negative impacts on the food security of the agriculture-dependent communities. The Requesters believe non-agricultural land should be acquired to construct associated Project infrastructure such as roads and towers. They also state they fear the effects of "*high-voltage lines and the implications thereof to the public health*" of the community.
20. **Eviction of tenant farmers.** The Requesters state that tenant farmers, including some who had worked on the land for almost 40 years and built their homes on it, were evicted due to Project construction without any compensation or remedies provided.
21. **Impacts on fisheries.** The Requesters state they fear that water pollution from the Project's construction and operation and the waste which may be dumped untreated into the Canal, will potentially cause harm to water and fish resources.
22. **Inadequate consultation and transparency.** As a general concern, the Requesters allege that "*the mechanisms for consulting the population regarding the implementation of the project in a transparent and clear manner were not applied*" and "*vague*" consultations were carried out "*with the aim of approving the project without taking the views of the population affected by the project in an effective and real manner*". They further add that that the Bank failed to comply "*with the required standards with respect to transparency about the negative effects of the project*".
23. The Requesters conclude by stating they hope the negative impacts caused by the Project are reconsidered and actions will be taken to save their land, water, flora and fauna.

#### **D. Summary of the Management Response**

24. A summary of Management's response to the Request follows, and a full copy is attached to this Report as Annex II.

25. In general, Management believes that notwithstanding its “*best efforts to fully assess negative impacts, limited harm occurred and is being adequately addressed*”. Management states that all issues referred to in the Request have previously been acknowledged by the Bank and by the Project operator, CEPC, and “*have been or are being addressed through the appropriate channels in a responsive manner*. Management also states that the monitoring and mitigation measures that are now in place are sufficient to prevent, minimize and mitigate any potential adverse environment and social impacts resulting from the Project’s construction and implementation. Management is confident that “*the Grievance Redressal Mechanism (GRM) which has recently become fully functional is best suited to receive and resolve issues as they arise*”.<sup>6</sup>
26. **Impact on groundwater.** Management states that impacts on groundwater were temporary and narrow in scope, and mitigation measures were undertaken. The dewatering took place between February 2012 and March 2013 for purposes of the power plant construction. According to Management, CEPC distributed pumped water to farmers, and discharged the excess to the El-Beheiry Canal. Management states that no long term groundwater level impacts are evident or anticipated to occur and that the groundwater table was completely restored by April 2013. Mitigation measures benefitting 104 farmers included provision of water required for drinking and irrigation, cash and/or other forms of compensation, including new wells, submersible pumps and related equipment. These measures were all implemented by April 22, 2012. Management further states that following complaints in May 2012, three groundwater impact assessments were conducted to complement the initial Environmental and Social Impact Assessment (ESIA) and to monitor the situation, including an independent study by Cairo University, the *Ground Water and Agriculture Monitoring Report*, completed in April 2013. According to Management, these assessments collectively confirm that groundwater level impacts were temporary and limited.
27. **Impact on agriculture.** Management considers that CEPC adopted mitigation measures to ensure that no damage to crops occurred as an adequate supply of water was available. Both Bank experts and the Cairo University study concluded based on field visits “*that there was no evidence of crops or trees suffering from lack of water*”.<sup>7</sup>
28. It adds that there is no evidence that shading from the perimeter wall would have any adverse effects on adjacent farmland. According to Management, all adjacent trees or crops receive sufficient sunlight during the day required for normal plant growth. There is equally no evidence of harm caused to crops from spotlights at night. Management also adds that no construction has adversely impacted the functionality of the local rural drainage canals of the neighboring farmers.

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<sup>6</sup> Management Response to Request for Inspection Panel Review of the Egypt: Giza North Power Project (P116194), dated May 03, 2013, submitted on May 07, 2013 (hereinafter “Management Response”), Executive Summary, p. 1, para iv.

<sup>7</sup> Management Response, Executive Summary, p. 2, para vii.

29. Concerning pollution, Management states that potential impacts have been reviewed in the ESIA, and mitigation measures were identified to address them. Management states that emissions are expected to be well within acceptable Egyptian and Bank standards. Management states that during construction, air quality, water quality and noise level, are being monitored by CEPC, that the results are within applicable limits, and that this monitoring will continue during implementation.
30. **Impacts from transmission lines.** Regarding high voltage transmission lines Management states that it has carefully reviewed these concerns. According to the Response, “[I]nternationally recognized radiation protection agencies and national health agencies have reviewed the scientific literature and evidence available and have concluded that evidence is insufficient to establish a definitive causal relationship between low frequency magnetic field exposure and increased incidences of cancer and other illnesses.” In addition, Management states that the transmission lines have been designed and routed so as to keep the minimum distance from any building and ground as per industry standards and practice.<sup>8</sup>
31. **Impacts from pollution.** As for waste disposal and management, Management states that there are no plans to channel waste or untreated wastewater directly into the Nile River. Solid waste is disposed of in a dedicated landfill and wastewater is being treated in a facility on-site to meet applicable standards before being discharged into the Nile River.
32. **Supervision.** In Management’s view, supervision was substantially strengthened in response to complaints received from Project affected people in May 2012. Management states that it believes that Bank supervision has been adequately adapted to the mobility restrictions following the Egyptian Revolution. In total, 16 missions were conducted following Project approval and until March 2013. Management states that the Cairo office conducted additional site visits. Management further states that CEPC established a “*Society and Environment Service Office*” to engage with the surrounding communities in 2010, which issued regular Environmental and Social Progress Reports. By December 2012, the complaints handling mechanism had become more formalized and CEPC revamped its earlier committee to focus more on Project level complaints management. A “Supreme Committee for Grievances” was established by decree in March 2013 and includes community representatives from Abu Ghalib and Alqata villages. Management states that it recognizes that a well-functioning Grievance Redress Mechanism is an important instrument to promote citizen involvement and the Bank has worked closely with CEPC to progressively improve its accessibility and clarify its decision making procedures.
33. **Land acquisition and evictions of tenants.** According to Management, “*no tenants were present on, or were evicted from the power plant site at the time of purchase of the lands from a private owner*”. All available documentation including the ESIA, interviews, and “*eight years of Google Satellite imagery*” show that, at the time of purchasing the land from a private owner, no tenants were present on, or were evicted from it. Management

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<sup>8</sup> Management Response, p. 10, para 21.

states that the land was previously used for cultivation of mango and orange trees, and that four workers were employed, but did not live on it.<sup>9</sup>

34. **Consultations.** Management states that two formal consultations with stakeholders groups have been held in accordance with OP 4.01 requirements during the scoping phase and on the ESIA. In addition, targeted consultations were held with community members and marginalized groups during ESIA preparation, including with fishermen, local people and their councils. According to Management, CEPC involved all interested parties and emphasized an open-door policy for stakeholders' suggestions and complaints.

#### **E. Panel Review of the Request and Management Response**

35. Panel Member Zeinab Elbakri together with Deputy Executive Secretary Dilek Barlas and Senior Operations Officer Serge Selwan visited Cairo, Egypt, on May 13-17, 2013. During its visit, the Panel team met with the Requesters and approximately one hundred potentially affected persons including; persons who identified themselves as tenant laborers working earlier on the land used for the power plant, farmers who have land adjacent to the plant, farmers affected by the transmission line, and fishermen affected by the impacts on the El-Beheiry Canal. The Panel team also met with Government officials of the Ministry of Planning and International Cooperation, the Egyptian Electricity Holding Company, the Cairo Electricity Production Company, and civil society organizations concerned with the impacts of the Project. Additionally, the Panel team met with Bank staff in the country office and via video-conference with headquarters staff responsible for this Project.
36. The Panel wishes to express its appreciation to all those mentioned above for sharing their views and exchanging information and insights with the Panel. The Panel wishes to thank the Government of Egypt for meeting with the Panel team. The Panel extends its thanks to the Requesters and affected people and to the Country Director and staff in the Country Office for meeting with the Panel team, discussing the issues and providing relevant information, and assisting with logistical arrangements.
37. The Panel's review is based on information presented in the Request, on the Management Response, on other documentary evidence, and on information gathered during the site visit, and meetings with Requesters and other affected people, and Bank Management. Subsection 1) covers the Panel's determination of the technical eligibility of the Request, according to the criteria set forth in the 1999 Clarification, and subsection 2) includes observations on other factors supporting the Panel's recommendation.

#### **1) Determination of Technical Eligibility**

38. The Panel is satisfied that the Request meets all six technical eligibility criteria provided for in paragraph 9 of the 1999 Clarifications.

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<sup>9</sup> Management Response, pp. 11-12, para 25.



39. The Panel notes that its confirmation of technical eligibility, which is a set of verifiable facts focusing to a large extent on the content of the Request as articulated by the Requesters, does not involve the Panel's assessment of the substance of the claims made in the Request. It follows that determination of technical eligibility in and of itself would not constitute sufficient basis for recommending an investigation.
40. Criterion (a): *"The affected party consists of any two or more persons with common interests or concerns and who are in the borrower's territory."* The Panel confirms that the Requesters live in the borrower's territory and share interests that may be affected by Project activities. The Panel considers the requirement of paragraph 9(a) as met.
41. Criterion (b): *"The request does assert in substance that a serious violation by the Bank of its operational policies and procedures has or is likely to have a material adverse effect on the requester."* The Requesters assert that the lack of compliance with Bank Policies has resulted in: harm to agricultural land and crops of farmers; draining of groundwater and drying out of wells; dissatisfaction with compensation for harm suffered during, and caused by, the construction of the Power Plant and the towers required for the transmission lines; and, impacts on fishermen and fisheries. The Panel is thus satisfied that the requirement of paragraph 9(b) is met.
42. Criterion (c): *"The request does assert that its subject matter has been brought to Management's attention and that, in the Requester's view, Management has failed to respond adequately demonstrating that it has followed or is taking steps to follow the Bank's policies and procedures."* The Requesters indicated that the issues related to their concerns were brought to the Bank's attention on different occasions. The Panel during its discussions with Management confirmed that the issues were known to Management at the time of the receipt of the Request. The Panel is satisfied that this criterion has been met.
43. Criterion (d): *"The matter is not related to procurement."* The Panel is satisfied that the claims with respect to harm and non-compliance included in the Request for Inspection do not raise issues of procurement under the Project and hence this criterion is met.
44. Criterion (e): *"The related loan has not been closed or substantially disbursed."* The Request for Inspection raises issues related to the Giza North Power Project and the Giza North Power Project – Additional Financing. At the time of the receipt of the Request, the original loan (Loan No. 7895-EG) was 14.8% disbursed and the additional financing loan (Loan No. 8100-EG) was 11.23% disbursed. The closing date for the operation is December 31, 2016. This criterion is thus met.
45. Criterion (f): *"The Panel has not previously made a recommendation on the subject matter or, if it has, that the request does assert that there is new evidence or circumstances not known at the time of the prior request."* The Panel confirms that it has not previously made a recommendation on the subject matter of the Request.

## **2) Observations on Other Factors Supporting the Panel's Recommendation**

46. In making its recommendation to the Board, the Panel considers whether there is a plausible causal link between the Project and the harm alleged in the Request, and whether alleged non-compliance and harm may be potentially of a serious character. The Panel records its preliminary observations on these elements below, noting that it can only make a definitive assessment of the Bank's compliance with its policies and procedures, and any adverse material effect this may have caused, through an investigation. The Panel also takes into account statements of any remedial actions provided by Management to address the matters raised in the Request.

### **(i) Issues of harm and compliance raised**

47. **Impacts on environment and agriculture from the construction of the power plant.** In meeting with the Panel team, the Requesters reiterated their concern that lowering of the groundwater level by the Project has reduced the availability of water and as a result damaged their crops. They informed the Panel team that they had to dig their wells deeper in order to reach the water table, and that groundwater shortages due to dewatering processes coincided with the flowering of the trees resulting in reduced fruit production. According to the Requesters, both the costs of deepening the wells and reduced agricultural production have caused economic loss to the farmers concerned. Furthermore, some of the Requesters claim major adverse impact on their agricultural production from dust during construction of the power plant, and some elaborated on the harms from the wall surrounding the power plant and the shadowing effect on their fruit trees impacting their growth and the growth of the fruits.
48. The Panel notes that Management acknowledges the Project's negative groundwater impacts, but argues that these impacts were temporary and narrow in scope. Management states that the groundwater level was restored to its original level in April 2013. Both Management and CEPC officials refer to the Cairo University Groundwater and Agricultural Monitoring Report, which was commissioned following the complaints of four farmers owning land in the vicinity of the plant, confirming the temporary and limited nature of groundwater impacts. Management and CEPC officials note that affected farmers received cash compensation and free piped water beyond the amounts estimated by the Cairo University study.
49. The Panel also notes that Management does not agree with the farmers' claims related to dust and shadowing. Both Management and CEPC officials refer to the Cairo University report which concludes that "*there is no evidence that shading from the fence would have any adverse effects on adjacent farmland, in particular when taking into account the 2 m buffering zone with neighboring properties.*"<sup>10</sup> Management and CEPC officials claim that the wall will rather prevent dust moving from the construction site to the agricultural lands but the neighboring farmer does not agree to its construction. CEPC officials also

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<sup>10</sup> Management Response, p. 9, para 20.

informed the Panel that in addition to the Cairo University report, they have carried out measurements of shadowing effect of the wall every 2 hours and could not verify the claim of the neighboring farmer.

50. **Panel's review.** During its field visit, the Panel team noted the frustration and anger among the farmers neighboring the plant, and heard further elaboration and explanation of the issues that had been raised in the Request. These include: i) the compensation levels were not adequate to cover their losses and the additional costs of digging deeper wells, ii) the company is dealing with them on an individual basis rather than as a group and it is very hard for them to have full and relevant information, and iii) especially farmers neighboring the plant note that the dust is causing drying and mite infestation of fruit trees, impacting their growth as well as requiring more fertilizers and insecticides.
51. The Panel team observed drying of fruits, mite infestation, and low level of fruit growth in the orchard that is closest to the power plant. The Panel team cannot verify whether these impacts are solely due to construction dust from the power plant, however, the construction dust over the dense agricultural land around the plant was visible. While Management claims that the issues of the four farmers who originally complained to the Bank have been effectively dealt with and resolved, the Panel team noted that affected farmers still have outstanding issues with respect to the compensation for the impacts of the dust and the construction of the wall surrounding the power plant.
52. While the farmers state that the groundwater level continues to be low, Management affirms that the original level has been restored. Further, the Panel notes that the Management and CEPC officials view is that farmers received cash compensation and free piped water beyond the amounts estimated by the Cairo University study.
53. While the Panel is not in a position at this stage to assess the severity of the harms, nor whether the loss of agricultural production as elaborated by the Requesters, is solely the direct consequence of the construction of the power plant, it notes that the effects relate to the construction phase and are mainly temporary. Furthermore, it notes that CEPC and the Bank acknowledge that there is a potential causal link with the Project and compensatory measures are warranted and have been implemented, but that the Requesters complain about the adequacy and duration of these measures. The Panel acknowledges that the remaining issues are limited to a few farmers and that Project authorities expressed their commitment to address the outstanding grievances.
54. **Impacts from the construction of transmission lines.** During its eligibility visit the Panel team met with farmers whose farmlands will be in the route of the transmission lines who claim harms from both the related towers and the transmission lines themselves. This group has several distinct claims. The Requesters fear loss of agricultural land from construction of towers needed for the transmission lines and access roads that will be built to facilitate their construction and maintenance, as well as potential health impacts from the high voltage transmission lines.

55. While some of the Requesters do not agree to have the towers on their lands, due to potential health and environmental impacts from continuous exposure to electro-magnetic fields or due to loss of value of their farmland, others do not object to having the towers on their land. The latter group raised concern about the way compensation has been handled. They claim that the compensation is being paid out in tranches, which does not allow them to put these funds to good use. The farmers complained about the fact that during negotiations the company dealt with them on an individual basis rather than as a group and that some feel being pressured to negotiate. Farmers also claimed that they are not being compensated for the affects on crop growth from the dewatering of agricultural lands in connection with the construction of the towers.
56. In its Response, Management notes that any land acquisition for the transmission lines is occurring in line with relevant Bank policies and a specific Resettlement Action Plan for the transmission lines has been prepared, translated and disclosed. Management also notes that the impact on agricultural land either is of a temporary nature limited to the construction phase (7-10 days) or limited to the towers' foundation and access roads. Management also notes that once the towers are built there is no restriction on growing traditional crops and restrictions are limited to high trees immediately under the transmission lines.
57. **Panel's review.** It should be noted at the outset that the transmission lines are not being implemented by CEPC but by the Egyptian Electricity Transmission Company. The management of the Egyptian Electricity Holding Company further informed the Panel that a grievance redress mechanism was under development for the transmission lines. They also informed the Panel team that the process of maintenance for the lines had been carefully studied, was an area where the company had a lot of experience and would not cause further harms to the farmers. In addition, they relayed to the Panel the difficulties involved in negotiation with the farmers, and informed the Panel that they have revised upwards the current compensation rates.
58. The Panel notes the ongoing efforts to address concerns raised by farmers affected by the transmission lines, including reviewing the criteria for determining compensation. It is the view of the Panel that, at this stage in the land acquisition process, the approach taken does not raise questions about potential serious non-compliance with Bank policy. The outstanding issues are recognized by the relevant authorities and a grievance redress mechanism is being set up.
59. **Eviction of tenant farmers.** During the field visit the Panel team met a group of Requesters who claim to be tenants and that they were evicted from the power plant site at the time of the purchase of land from a private owner.
60. The Panel notes that Management acknowledges only four households as affected by the sale and transfer of the land to the CEPC, namely the households of four workers/guards who lived on the land. These workers later were given fixed term contracts by CEPC. Management refers to satellite imagery and other sources of information which confirms

that the land had no permanent dwellings prior to the sale to CEPC. Management takes this as evidence that there were no other tenant farmers dependent on this land.

61. **Panel's review.** During the field visit the Panel met with several persons who claimed to have worked for many years on the land purchased by CEPC. CEPC informed the Panel team that they informally surveyed nearby villagers to see if they could corroborate the status of these farmers and were not able to come up with documentary evidence on the matter. The Panel believes that nearby villagers were employed on a regular basis as seasonal agricultural workers in the former fruit orchards purchased by CEPC, but considers that there are no indications of farming households who lived on this land.
62. The Panel also wishes to note that the land for the Project had been acquired through a market transaction, and did not involve land acquisition as per law. The Panel considers that this matter does not raise potential serious non-compliance with the Bank's policy on involuntary resettlement. Nevertheless, the situation of formers agricultural workers who have lost a regular source of income would be a matter that legitimately can be addressed by the Project's Grievance redress Mechanism.
63. **Impacts on fisheries.** Although harms related to fisheries and fishermen were only marginally mentioned in the Request, the Panel team met with approximately thirty fishermen who live around and fish in the El-Beheiry Canal. They claimed that the fish stock in the Canal substantially dropped as a consequence of construction activities along the banks of the Canal. They argued that fingerlings are adversely affected from these activities.
64. They also believe that the impact on fish will continue to exist during operation of the power plant due to warmer waters and operation of pumps at the discharge point. They claim potential damages as a result of temperature change from discharged cooling water from the plant. They informed the Panel team how much they were making from fish-sales on average per day. They told the Panel team that they are not after compensation, but since their fishing is significantly impacted by the power plant they need help to restore their livelihood.
65. According to the Project Appraisal Document, there is limited number of fish in the El-Beheiry Canal to begin with and there is no significant commercial fishing activity in the Canal.<sup>11</sup> They did not agree with the claims of the fishermen and stated that, contrary to the fears of the local fishermen, a moderate increase in water temperature from release of cooling water from the plant is likely to have a positive impact on fish and fingerlings.
66. **Panel's review.** The Panel notes that CEPC officials stated that four of the fishermen living and fishing in front of the power plant have been hired by CEPC for two years as compensation. CEPC officials informed the Panel team that the reason for hiring these fishermen was due to restriction on fishing in the waters in front of the power plant. CEPC officials noted that they would be having a meeting with a larger group of

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<sup>11</sup> PAD, p. 83, para 6.

fishermen to understand their claims better. The Panel notes that there is a lack of clarity over what is being impacted by the construction, whether it is fishermen's ability to fish in specific locations or the fish stock itself.

67. It is the Panel's view that impacts on fisheries due to ongoing construction is temporary. According to the Project Appraisal Document, longer term impacts due to discharge of waste cooling water has been studied and "*satisfies the World Bank standard of a maximum increase of 3 degree °C above ambient at the edge of the mixing zone (100 m from the point of discharge)*".<sup>12</sup> It also notes that waste water will be treated to "*produce an effluent suitable for discharge into the canal.*"<sup>13</sup> In addition, as stated above, CEPC Management is open to hearing and responding to additional grievances from the fishermen. The Panel was informed about an upcoming meeting between the fishermen and CEPC management.
68. **Consultations and transparency.** The Requesters state that the Bank failed to comply with the "*required standards with respect to transparency about the negative effects of the project.*" They also allege that "*the mechanisms for consulting the population regarding the implementation of the project in a transparent and clear manner were not applied.*" When the Panel met with the Requesters they insisted that the timing and venue of the consultations were not appropriate and that this was done on purpose in order to allow only supporters of the project to be present.
69. Management states that consultations with all stakeholders groups have been held in accordance with requirements of Bank policy on environmental impact assessment (OP 4.01). CEPC officials informed the Panel team of their intention to go beyond the consultation requirements by involving all interested parties in a series of meetings with targeted groups and emphasizing an open-door policy where stakeholders could present suggestions and complaints. CEPC informed the Panel team that they established a "*Society and Environment Service Office*" to meet the objectives of proactive engagement with and corporate social responsibility towards the surrounding communities. In its Response and during the Panel's eligibility visit, Bank Management noted the Project level grievance redress mechanism (GRM) and CEPC's demonstrated commitment to implement provisions of the GRM. However, in conversations with the Panel, affected people expressed little knowledge about and trust in the GRM to resolve their concerns.
70. **Panel's review.** The Panel remains concerned with the issue of timely communication, consultation and dissemination of information about the Project, including about its environmental impacts. The latter are inevitable given that it is a big infrastructure project in the heart of an agricultural community. The Panel, however, recognizes the evolving and challenging political context in which the Project is being implemented and notes that Management has been requested by various Government entities, including CEPC, to provide country and context specific guidance on effective consultations with communities within the context of highly charged political times.

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<sup>12</sup> PAD, p. 29, para 120.

<sup>13</sup> PAD, p. 83, para 6.

71. The Panel wishes to record the view of the Requesters that the environmental impact assessment (EIA) did not adequately analyze Project adverse impacts during construction and operation, and that it took a long time before CEPC and the Bank started to listen to them with respect to the issues raised in the Request and discussed above. On June 6, 2013, while the Panel was finalizing its Report and Recommendation, it received a communication from some of the NGOs signing the Request, where they question the analysis of alternatives and emphasize the need to put in place strong standards for the protection of agricultural land and water resources. The Panel notes that the study of alternatives as part of the EIA was not explicitly raised as an issue in the Request and hence was not covered by Management Response.

**(ii) Panel's overall observations**

72. **Nature and extent of the alleged harms.** Based on its observations and review above, the Panel is of the view that the Request raises issues of a potentially serious character. This includes the effects on groundwater from dewatering and the duration and adequacy of remedial measures to prevent loss of income for farmers. The Panel notes that affected farmers are of the view that the groundwater level has not yet been fully restored and they are concerned about lack of water in the next season. The Panel also notes the potential seriousness of impacts on fishing in the El-Beheiry Canal if there is a longer term restriction on access or adverse effects on stocks. The Panel was informed that there are several households that depend on fishing for their livelihood.

73. At the same time, the Panel considers that the outstanding issues of harm are limited in scale and complexity, and that they seem to be amendable to be addressed through the mitigation plans and the grievance redress system that are now in place. The Panel notes that most of the issues have been identified and mitigation measures introduced, although not to the full satisfaction of the Requesters.

74. **Actions and commitments.** In this context, the Panel notes that the Project authority indicated to the Panel that there is room for further compensatory action. CEPC management clearly stated that the Project cannot succeed without harmonious relations with the surrounding community and indicated its willingness to continue the search for mutually agreed solutions. The Panel during its visit noted a general goodwill on behalf of the CEPC Project management to continue its dialogue with the community and Requesters on any further compensatory measures that could be agreed. As evidence of this goodwill, the CEPC Project Manager set up a specific meeting to discuss issues facing fishermen. The CEPC officials also showed us letters sent to the Requesters informing them of the results of the Cairo University study, referred to above, and where to access copies of this study.

75. Management, on its part, acknowledges that some limited harm has occurred. In the Response it is noted that it has *"carefully reviewed the issues raised by the Requesters and notwithstanding [Bank Management's] best efforts to fully assess negative impacts,*

*limited harm occurred and is being adequately addressed.*”<sup>14</sup> Management notes that in response to the farmers’ May 2012 complaint, “*CEPC developed an Action Plan under the Project to enhance community outreach, including: meeting with the NGOs and farmers; establishment of a compensation/mitigation committee in addition to the existing process, further strengthening procedures for handling requests and complaints; improved documentation; further monitoring the impact on groundwater level and quality; retaining of an independent agriculture expert; confirmation of the number of laborers on the land prior to purchase; improvement of public road diversion safety; and further improvement of public communications and community outreach*”.<sup>15</sup>

76. Management states that the Bank has complied with the policies and procedures applicable to the issues raised in the Request, and notes that it has supported CEPC to strengthen and improve processes and systems related to social accountability, monitoring, and community oversight. The Panel notes that CEPC has been hampered by lack of capacity and guidelines in handling community consultations and implementing compensation and livelihood restoration measures. In this context, the Panel acknowledges Management’s commitment to continue to improve Project implementation, and further strengthen supervision and implementation support. In its Response, Management states that it will also continue to reach out to affected communities and will seek to further strengthen CEPC’s capacity to address upcoming and pending issues through improved client-community relations and the Project level Grievance Redress Mechanism.

77. In this context, the Panel acknowledges both the challenges and new opportunities created by the socio-economic and political context of Egypt in the aftermath of the “Arab Spring”. According to the Bank’s May 31, 2013 Interim Strategy Note for Egypt, the country is “*at a major crossroads in its political history and its ability to navigate many challenges in the short term will have important consequences for its longer-term stability and development.*”<sup>16</sup> Among these challenges is enhancing the participation of civil society organizations and citizen participation in Government policy and program design, implementation and monitoring and focusing attention on the issues and concerns raised by citizens. The Interim Strategy also recognizes the seriousness of the poverty problem in Egypt, and increased impoverishment of certain segments of the population, especially in the rural areas.

78. The Panel is of the view that the combined efforts of CEPC Project management and Bank Management provide a high level of confidence that the remaining issues of harm maybe redressed in consultation with the affected farmers and communities.

79. **Community view.** The Panel notes that the community members who met the Panel team did not oppose the Project, but certain among them claim redress for a variety of harms and potential harms stating that redress provided was not adequate to compensate for

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<sup>14</sup> Management Response, p. 13, para 30.

<sup>15</sup> Management Response, p. 11, para 24

<sup>16</sup> Interim Strategy Note for the Arab Republic of Egypt, dated May 31, 2013, page 7.



their income losses. In the Panel's assessment there is openness to continue dialogue with the CEPC and the Bank, in the pursuit of further compensatory and other actions.

## **F. Recommendation**

80. The Requesters and the Request meet the technical eligibility criteria set forth in the Resolution that established the Inspection Panel and the 1999 Clarifications.
81. The Panel notes that Management, in its Response does recognize some limited harms and that efforts to redress these harms require further action. Furthermore, the Panel recognizes that both the Requesters and CEPC Project management are willing to continue their dialogue with the objective of arriving at mutually agreed solutions. The Panel, however, also notes the capacity constraints faced by the CEPC Project management, which requires urgent attention, notably weaknesses in information dissemination, especially as regards the Grievance Redress Mechanism.
82. Considering the above, the Panel does not recommend an investigation at this stage of whether the Bank has complied with its Operational Policies and Procedures related to the Project. The Panel notes that this recommendation does not, however, preclude the possibility of a future claim relating to non-compliance and harm.