

**Eimi Watanabe
Chairperson**

IPN REQUEST RQ 14/02

July 15, 2014

**MEMORANDUM TO THE EXECUTIVE DIRECTORS
INTERNATIONAL DEVELOPMENT ASSOCIATION**

Request for Inspection

Republic of Tajikistan, Kyrgyz Republic, Islamic Republic of Afghanistan, Islamic Republic of Pakistan: Central Asia South Asia Electricity Transmission and Trade Project (CASA-1000) (P145054)

Notice of Non Registration

In accordance with paragraph 17 of the Resolution¹ establishing the Inspection Panel (the “Panel”), I hereby inform you that on April 21, 2014, the Inspection Panel received a Request for Inspection related to the Republic of Tajikistan, Kyrgyz Republic, Islamic Republic of Afghanistan, Islamic Republic of Pakistan: Central Asia South Asia Electricity Transmission and Trade Project (CASA-1000) (P145054) (the “Project”). The Request for Inspection and related correspondence are herein attached.

Summary

As described below, the Panel decided not to register this Request after determining that the Requesters do not meet all of the admissibility criteria for registration. The Requesters are not in the countries where the Project is located and the Panel could not determine the existence of a plausible link between the Project and the harms alleged by the Requesters.

The Request

The Request was submitted by Ms. Tursunbaeva of the NGO Shark Ayoli (Women of the East), Uzbekistan, on behalf of 29 civil society representatives from Uzbekistan and 16 from

¹ The World Bank Inspection Panel, International Development Association, Resolution No. IDA 93-6, dated September 22, 1993.

other countries (“the Requesters”). The Project is implemented in the Central Asian countries of Tajikistan and Kyrgyz Republic, and the South Asian countries of Afghanistan and Pakistan.

The Project

The Project consists of investment financing (grants to the Kyrgyz Republic, Tajikistan, and Afghanistan, in addition to credits to Pakistan and the Kyrgyz Republic) approved by the Board on March 27, 2014. The total Project cost is approximately USD 1.17 billion, out of which the International Development Association (IDA) is financing USD 526.5 million. At the time of the drafting of this Notice, disbursement had not yet started.

The development objective of the Project is to create the conditions for sustainable electricity trade between the Central Asian countries of Tajikistan and Kyrgyz Republic and the South Asian countries of Afghanistan and Pakistan.

The Project is based on a feasibility assessment carried out on behalf of the four countries, and envisages an electricity transmission interconnection between countries of the Central Asia and South Asia regions that would be used to export surplus electricity in the summer from existing surplus generation capacity in Kyrgyz Republic and Tajikistan to energy-deficient Afghanistan and Pakistan. According to the PAD, feasibility study “*confirmed the soundness of the considerations that led to the CASAREM initiative to develop a regional market on the basis that: a. sufficient quantities of surplus electricity are available in the Central Asian countries (the Kyrgyz Republic and Tajikistan), even under conservative estimates of no new generation project; b. a significant need for electricity imports exists in South Asia (particularly Pakistan) to meet existing and projected demand; and c. the differences in the cost of electricity between the importing and exporting countries potentially provide a justifiable rationale to make transmission investments to support the electricity trade.*”²

The Project has three components: (i) construction of three different converter stations and over 1340 km of high voltage transmission lines between the Kyrgyz Republic, Tajikistan, Afghanistan, and Pakistan; (ii) technical assistance and project implementation support (including strengthening safeguards management and supervision capacities) for the four country-specific Project Implementing Agencies and for the Inter-Governmental Council (IGC); and (iii) community support programs in each of the CASA-1000 countries during Project construction to create a more supportive environment for project implementation by improving livelihoods among the approximately 670 (largely poor) communities living along the corridor. According to the Project Appraisal Document (PAD), the Project, which is a Category ‘A’ Environmental Assessment, has triggered three Safeguard Policies: OP/BP 4.01 on Environmental Assessment; OP/BP 4.04 on Natural Habitats; and, OP/BP 4.12 on Involuntary Resettlement.

Concerns raised in the Request

The Requesters allege that the Project may cause flooding under certain conditions affecting the livelihood of tens of millions of people whose incomes depend on irrigated

² PAD, p. 42.

agriculture, which in turn will create a strain on the national economy of Uzbekistan. They also claim that the upstream infrastructure including dams in the Kyrgyz Republic and Tajikistan is unstable and risks dramatic accidents occurring. In addition, the Requesters are concerned about the Project's impact on the flora and fauna. Finally, the Requesters are concerned that this Project would induce further construction of dams upstream, which in turn would lower the water-flow downstream to Uzbekistan and lead to create regional conflict.

The Requesters state that the discharge of significant volumes of water to produce exportable electricity at the upstream hydropower stations will result in winter floods in countries in the lower reaches (Uzbekistan, Turkmenistan and Kazakhstan). They claim that water flows would need to be managed to generate electricity, leading to backing-up of groundwater, water logging, and flooding of irrigated lands. The Requesters state that during the vegetative period, the regime of runoff will be extremely unstable, characterized by low water levels, and intense droughts at the beginning and in the end of the period, and possible flooding of lands in between.

The Requesters allege that technical conditions of existing hydropower plants and equipment upstream, in the Kyrgyz Republic and Tajikistan, does not allow the Project to reach the targeted power levels needed for export. Hence, the hydropower stations would be operated beyond safe capacity, creating a high risk of disasters. For example, the Nurek dam (whose construction began in 1961) does not meet modern building specifications. In order to ensure the stability of the dam, Tajikistan operates Nurek with lower water levels in the reservoir than the capacity for which it was initially designed. This allegedly causes a significant decrease of electricity production. Without the necessary retrofitting work at Nurek, the needed increase in electricity production for export purposes would lead to many severe and dramatic accidents, including the possible breakage of the 300 meters-high dam, which holds about 10.5 billion cubic meters of water. This would allegedly cause catastrophic destruction in Tajikistan, Uzbekistan and Turkmenistan, bringing death to many thousands of people, flooding of property, infrastructure, and farmland in each of these countries.

The Requesters further add that CASA-1000 will cause substantial damage to flora and fauna in the Central Asia region as a result of cutting down green spaces in order to build the transmission facilities and communication lines. This will allegedly also destroy unique natural landscapes and disrupt the migratory routes of many bird species. The Requesters add that the planned indemnity for the loss of such biodiversity is inadequate and does not compensate for the environmental damage.

Finally, the Requesters allege that the specifications for the Project operations will determine not only water scarcity and drought in Amu Darya's and Syr Darya's lower reaches, but also heighten electricity deficit in Tajikistan and Kyrgyzstan, leading to deterioration of the socio-economic situation in Central Asia and provoking conflicts between the countries in the region. The Requesters claim that attempts of the exporting countries to increase the generating capacity may also require building additional large-scale dams, such as Rogun in Tajikistan and Kambarata in the Kyrgyz Republic. According to the Requesters, *"this would sharpen tension in Central Asia to the most abysmal depths, causing irreparable damage to the regional economic cooperation and trade."*

Panel's Determination

Following the receipt of the Request for Inspection on April 21, 2014, the Panel conducted its due diligence and determined that Management had not been informed or provided with an opportunity to respond to the Requesters' concerns. On April 23, 2014, the Panel informed the Requesters accordingly. Subsequently, on June 26, 2014, the Requesters communicated to the Panel that they had brought their concerns to the attention of Management but were not satisfied with the explanation they received. They requested the Panel to conduct an investigation into the matters raised in the Request.

The Panel reviewed the information contained in the Request, the June 26th communication, and Project documents. The Panel concluded that the Requesters did not meet all of the admissibility criteria for registration for the following reasons.

Firstly, the Panel determined that the Requesters are not in the countries where the Project is located.

Second, the Panel notes the following with regard to the link between the claims of harm and the Project:

- The Project is financing a transmission line to export electricity from Kyrgyz Republic and Tajikistan to Pakistan and Afghanistan from summer surplus of existing Toktogul and Nurek HPPs. The Project does not involve financing new hydro-power plants that would affect downstream water flow. The winter flooding of concern to the Requesters already occurs without the Project
- On the issue of impacts on flora and fauna, the Project's REA includes mitigation measures for any potential impacts due to the construction and operation of transmission lines. Any such impacts, however, would not occur within the territory of the Requesters and therefore cannot be considered transboundary
- Importantly, the Project's Regional Environmental Assessment (REA) estimates that the volumes of electricity export and corresponding water releases under CASA-1000 Project from both the Kyrgyz Republic and Tajikistan will remain within the range of historic maximum and minimum parameters. Furthermore, the PAD notes that "*the energy exporting countries confirmed that water releases from the Toktogul and Nurek HPPs will be made taking into account the irrigation requirements of the downstream countries and prioritizing supply to meet the domestic demand.*"³ The Project will utilize primarily either water spilled without passing through turbines, as in the case of Tajikistan, or electricity currently exported to other markets, as in the case of the Kyrgyz Republic.⁴ In addition, the PAD states that funds have been secured to improve infrastructure and technical and operational performance of the existing HPPs.⁵

³ PAD, p. 37.

⁴ REA, p. 90, section 6.4.

⁵ PAD, p. 4.

In this context, the Panel was not able to verify that there is plausible link between the Project and alleged harms.

Accordingly, and while the Panel practice has previously established that Requests may be registered in cases where there are plausible transboundary impacts of the Project on the Requesters, even when they are not in the country where the Bank-financed project is located, in this specific case the Panel determined that the plausible existence of downstream transboundary impacts has not been clearly established. The transboundary impacts and potential harm from changes in the water regime alleged by the Requesters are not directly attributable to the Bank supported Project.

The Panel emphasizes that the above conclusion is based on the premise that the Project will not alter existing water regimes. The Panel fully appreciates the concerns of the Requesters regarding any potential harms resulting from upstream changes in the water regime. The Panel therefore notes the critical importance of ensuring the maintenance of existing water sharing agreements in going forward. The Panel also notes that the Requesters are concerned about any potential changes in upstream water management regime, including the possible construction of the Rogun dam in Tajikistan, and suggests that this would be the context in which a future request may be brought on the basis of the financing of such potential projects.

In light of the foregoing and in accordance with the Panel Resolution, its Clarifications, and the Operating Procedures, after determining that the Requesters do not meet all of the admissibility criteria for registration the Panel is not registering the Request for Inspection.

Yours sincerely,



Eimi Watanabe
Chairperson

Attachment

Mr. Jim Yong Kim, President
International Development Association

The Executive Directors and Alternates
International Development Association

Mrs. Saodat Tursunbayeva
Sharq Ayoli, Uzbekistan