

The Inspection Panel



1. Statement of Mr. Roberto Lenton

Chairperson of the Inspection Panel

**Board meeting on Lebanon: Greater Beirut Water
Supply Project**

March 8, 2011

2. Inspection Panel Report and Recommendation Lebanon: Greater Beirut Water Supply Project

(IBRD Loan No. 7967-LB) (INSP/R2011-0003)

January 20, 2011

THE WORLD BANK

INSPECTION PANEL

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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Statement of Mr. Roberto Lenton, Chairperson of the Inspection Panel Lebanon: Greater Beirut Water Supply Project Report and Recommendation

March 8, 2011

I would like to thank Executive Directors for the important questions they have posed for discussion during preparatory meetings. In this report, I will try to respond to these requests for clarifications on aspects of the Panel's Report.

The Panel received this Request for Inspection in November 2010 from a number of citizens of Beirut who believe they may be adversely affected by the Greater Beirut Water Supply Project. Bank Management provided its Response on December 13, 2010. Shortly thereafter, a two-person Panel team led by my fellow Panel member, Alf Jerve, made a field visit to Greater Beirut to better understand issues relevant to eligibility. The Panel team met with Requesters and other Project-affected people, Government officials, Project authorities, staff of the Bank country office, and other interested stakeholders. The team also visited the Project area, including the sites of planned infrastructure works and the sources of water supply.

Let me first emphasize that the Panel fully recognizes the importance of the Project objective to increase the provision of drinking water to the Greater Beirut area. The Panel understands the need to address this pressing issue urgently, and appreciates that in this water scarce area it is imperative to re-use water to the extent possible.

The Panel carried out a careful assessment of the eligibility of the Request based on a review of the Request, the Management Response and relevant Project documents, as well as the field visit by the Panel team. Moreover, as part of its due diligence, the Panel took the additional step of seeking expert advice from a water resources specialist who reviewed studies of the water quality of the Litani River and the Qaraoun Lake – the principal source of water for the Project.

It is the Panel's assessment that the Request meets the eligibility criteria listed in the Resolution and subsequent Clarifications. As noted in its Eligibility Report, the Panel considered that the Request raises serious concerns about potential harm and non-compliance. To ascertain compliance or lack thereof with Bank policies the Panel would need to conduct an appropriate review of all relevant facts and applicable policies. For this reason, the Panel recommended that an investigation be carried out on three issues of potential harm raised by the Request that relate to allegations of violations of Bank operational policies and procedures.

In making its assessment of eligibility, the Panel was mindful of the fact that the representative of the Requesters is seen as having an interest in an alternative project option to supply water to the Greater Beirut area. Several Executive Directors have asked for a clarification of this point. In response, we would like to note that we approached this question by considering three points.

First, during its eligibility visit the Panel team met not only the representative of the Requesters but also many of the other 51 Requesters, as well as other residents who had not signed the request. In their interactions with my fellow Panel Member Alf Jerve (a social anthropologist with significant experience in field consultations), these many Requesters and other residents expressed a shared concern about the Bank-financed project as designed, especially the quality of the water to be supplied to Beirut and the availability of the water supply, and their corresponding concern that the Bank is not complying with its policies to avoid and minimize potential harms that could arise under the Project. The Panel's review of eligibility focused on these concerns of the Requesters as potential Project- affected people.

Second, with respect to the Project about which Project-affected people have expressed concerns, it is important to note that the Panel's focus is on the Project to be financed by the World Bank, i.e. the Greater Beirut Water Supply Project. The only issues that are thus relevant for eligibility and can be considered under the purview of the Panel are those related to the Project that the Bank is financing.

Third, the proposal by the Requesters' representative to assist in the development of a proposed alternative project under a consultancy contract, which is alleged by Management as a procurement issue, neither relates to the Project in question, nor does it bar the Panel from assessing the issues raised in the Request for Inspection about the Project.

Several Executive Directors have also asked for clarification of whether there is a credible link between Bank-financed activities and the harms alleged in the request which may be related to non-compliance. In this context, the Panel would like to note that it has determined that there are certain specific issues in the technical and financial appraisal of this project that give "prima facie" credibility to the concerns expressed by the Requesters. These are the issues of **water quality, water availability and project costs and tariffs**, on which the recommended investigation would specifically concentrate.

I would like to touch briefly on each of these three issues.

With respect to the quality of the water to be supplied to Greater Beirut, the Panel's eligibility assessment identified numerous reports that suggest that the principal water source for the Project contains pollutants that are toxic, which may be difficult to remove through standard treatments. These pollutants may require prevention and treatment options (e.g. at source) that appear not to be adequately contemplated in the current project design and cost estimates. In this context, the Panel determined that the Request makes a credible and serious claim that project studies have not met the requirements of Bank policy, including OP 4.01 on Environmental Assessment, to identify such potentially significant impacts, and feasible and available options that might be available to address them in a cost effective way. The Panel notes that, after it had completed its Eligibility Report, Management provided the Panel with an Interim Report by the

Water Institute of the University of North Carolina containing preliminary findings of an Independent Technical Review of Source Water Quality, which the Panel understands is to be completed in May 2011. However, this Interim Report, as it stands, does not alter the Panel's assessment of potential non-compliance and harm, since it contains only preliminary results based on limited data and appears to omit the analysis of some important pollutants.

The Panel also determined that there is a credible and serious claim that water availability to reach project objectives is in question and that policy-required studies may not have adequately considered potential significant impacts on other water users, as well as available options to address these concerns. In addition, the Panel was informed that rainfall patterns have been exhibiting a downward trend in recent years, both in total amounts and in the length of the rainy season, which would affect water availability. Significantly, recent Project-related correspondence seems to indicate that there are diverging views on the issue of water supply availability. While Management's position is that the Project will not require additional investments in water supply and will have no adverse impact on other water uses, the divergence of opinions and views between the Requesters and Management seems to be such that they can be clarified only with an investigation.

Finally, the Requesters raised an issue related to the Project costs and its overall financing, including the need for eventual tariff increases that may place a disproportionate burden on the poor. The Panel recognizes that the determination of tariffs is a prerogative of Government, and Management has made available a letter signed by an Advisor to the Minister of Energy and Water, apparently not related to the legal agreements for the Project, stating the Government's intention of not increasing existing water tariffs for the duration of the Project. At the same time, the Panel notes that Bank policy requires ensuring that the economic and financial analysis prepared as part of project appraisal is reliable. In the case of this Project however, there are *prima facie* indications that some of these key standards to ensure reliability of the financial projections may not have been followed at appraisal, *inter alia*, with respect to the available financial information about the Project entity, project costs, financial projections, calculations and assumptions in Project documents. This raises concerns that the Project may result in additional costs, not properly estimated at appraisal, for which financing would not have been identified during project preparation. The Panel can only clarify these issues of alleged non-compliance and eventual harm through an investigation.

Several Executive Directors have also asked for clarification of the proposed scope, timing and impact of the investigation recommended by the Panel.

On the proposed scope of the investigation, and as indicated in its Eligibility Report, if approved by the Board the Panel's focused investigation would deal with issues of compliance and potential harm related to the three issues outlined above – i.e. water quality, water availability, and project costs and tariffs. In line with the Panel's mandate, the investigation would look into Bank compliance with the policies and procedures applicable to this Project, including OP/BP 4.01 on Environmental Assessment, OMS 2.20 on Project Appraisal, and OP/BP 10.04 on Economic Evaluation of Investment Operations.

On timing, the Panel notes that the Final Report of the Independent Technical Review of Source Water Quality is due for completion in May. The Panel welcomes this initiative, and considers that the Final Report may provide important additional information in relation to certain aspects of the claims raised by Requesters, which the Panel would be able to consider in its investigation. Therefore, if approved by the Board, the Panel intends to delay the commencement of its investigation until July 2011, following completion of this Final Report. In its Investigation Report, the Panel would note these and other positive steps and actions taken by Management before and during the course of the investigation to address the issues of compliance and harm raised.

The Panel is mindful of the importance and urgency of the Greater Beirut Water Supply Project, and the need to minimize any disruption in the flow of work in Project implementation. In its interactions with Management and the borrower, the Panel would emphasize the importance of ensuring that the investigation per se does not delay Project implementation. Moreover, the focused nature of the investigation as described above would enable the investigation to be carried out in a timely manner. For this reason, barring unforeseen events we would expect that the Investigation Report would be completed by 31 December of this year, which would help enable the Panel's findings to contribute towards timely improvements in Project design, if needed.

The Panel would like to note that the measures outlined above with respect to this investigation are in keeping with the Panel's overall efforts to increase the efficiency and effectiveness of the Panel process. In this context, let me add that the Panel has already initiated the first steps towards its review of its Operating Procedures, which we mentioned in the Board meeting of February 3. We look forward to continued constructive interactions with the Board as we move ahead in this context.

In closing, the Panel would like to reiterate its recommendation that an investigation be carried out on the issues raised by the Request that relate to allegations of violations of World Bank operational policies and procedures, as stated in paragraph 67 of the Panel's Eligibility Report. For reasons outlined above, the Panel would delay the start of its investigation until July 2011.

Thank you for the opportunity to clarify the important questions that have been raised. To ensure that the Panel's clarifications are properly communicated to all concerned parties, we would intend to disclose this statement along with our Eligibility Report.

Report No. 59101-LB

The Inspection Panel 

Report and Recommendation

**Lebanon: Greater Beirut Water
Supply Project
(IBRD Loan No. 7967-LB)**

January 20, 2011

The Inspection Panel

Report and Recommendation On Request for Inspection

Lebanon: Greater Beirut Water Supply Project (IBRD Loan No. 7967-LB)

1. On November 4, 2010 the Inspection Panel (the “Panel”) received a Request for Inspection relating to the Lebanon: Greater Beirut Water Supply Project (GBWSP) (the “Project”). The Request was submitted by Mr. Fathi Chatila (the Requesters’ Representative) on behalf of himself and 50 residents of the Greater Beirut area, who fear that they are likely to suffer harm as a result of failures and omissions of the Bank in the design and preparation of the Project. The Request for Inspection comprises a number of attachments, which also include the names and signatures of the Requesters.
2. The Panel registered this Request on November 10, 2010, and notified the Executive Directors and the President of the International Bank for Reconstruction and Development (IBRD) in accordance with the Resolution establishing the Inspection Panel (“the Resolution”).¹ On December 13, 2010, Management submitted its Response to the Request.
3. As provided in paragraph 19 of the Resolution, the purpose of this report is to determine the eligibility of the Request and to make a recommendation to the Executive Directors as to whether the Panel should investigate matters alleged in this Request.

A. The Project

4. According to the Project Appraisal Document (PAD) the Project’s objective is to “*increase the provision of potable water to the residents in the project area [Greater Beirut and Mount Lebanon region] including those in the low-income neighborhoods of Southern Beirut, and to strengthen the capacity of the Beirut Mount Lebanon Water Authority² in utility operations.*” The Project aims to meet the demand for 250,000 cubic meters per day (m³/d) of potable water in the project area. The Project consists of three components: 1) Bulk Water Supply Infrastructure, 2) Supply Reservoir Distribution Network and Metering, and 3) Project Management, Utility Strengthening and National Studies.

¹ IBRD Resolution 93 – 10, Resolution Establishing the Inspection Panel (September 22, 1993).

² The Beirut Mount Lebanon Water Authority is officially called the Establishment of the Water of Beirut Mount Lebanon Establishment (EBML).

5. Component 1 provides for the construction of water supply infrastructure including two water tunnel conveyors of 3 and 21km respectively, transmission pipelines, storage reservoirs and a water treatment plant. Component 2 provides for the construction of 16 supply reservoirs and pumping stations, the design and construction of a distribution network of 187 km of pipelines and installation of household meters (approx. 200,000) in selected areas and bulk water meters at reservoirs and distribution chambers. Component 3 is focused on strengthening the capacity of the water utility Establishment of the Water of Beirut Mount Lebanon– (EBML) and of the Ministry of Energy and Water (MoEW), which is responsible for implementation.
6. The Project is also known as the Awali Conveyor Project and it is to supply, by gravity, the Greater Beirut area with potable water. The raw water, to be transported by the use of tunnels to a water treatment plant at Ouardaniye, is from three sources. The main source is the artificial Qaraoun (Karaoun in Management Response) Lake on the Litani River in the Bekaa valley. Water from this reservoir is currently transferred by tunnels to generate electricity at three hydropower plants before being released to the Awali River. The Awali Conveyor will connect to this system of tunnels below the second hydropower plant at Joun. The water from Qaraoun Lake is mixed with water from the Awali River at Joun (in the Joun Reservoir). Seepage of groundwater into the main tunnel from the Qaraoun Dam is the third source adding to the raw water supply for the Project. The Project will require land acquisition and involuntary resettlement for building surface structures and for establishing easement right of ways along the corridor of the water conveyor.
7. According to the PAD, the Project is compatible with future supply augmentation infrastructure options.³ This means that the capacity of the tunnel will be sufficient to cater for the transport of water from a proposed dam in the Awali river basin – referred to as the Bisri Dam. However, as noted in the PAD, there is no prejudgment of the “*sequencing of construction of the future reservoirs considered by the Lebanese authorities in order to enhance further the Greater Beirut water supply system although the greater likelihood for the construction of the Bisri Dam led to an increase of the design diameter of the water conveyance tunnel to be built under the project.*”⁴
8. MoEW is the agency responsible for Project implementation through a Project Management Unit to be established within the EBML. MoEW will delegate the implementation of Component 1 of the Project to the Council for Development and Reconstruction (CDR) and will maintain responsibility through EBML for Component 2 and 3.

B. Financing

9. The total project costs are US\$ 370 million, of which US\$ 200 million are funded by an IBRD Investment Loan to the Government of Lebanon. The EBML is to finance US\$140

³ Project Appraisal Document (PAD) for the Greater Beirut Water Supply Project, Report No 56341-LB, October 13, 2010, AD, p. 10.

⁴ PAD, p. 12-13.

million and the GOL will finance US\$30 million for land acquisition and the front-end fee. The World Bank Board of Executive Directors approved financing of the Project on December 16, 2010. The closing date of the loan is June 30, 2016.

C. The Request

10. The Requesters raise issues of harm and compliance related to the proposed Project and they believe that their rights and interests are likely to be directly and adversely affected by the GBWSP as a result of failures and omissions of the World Bank in the design and preparation of the Project.
11. The Requesters claim that the raw water to be used by the Project is not fit as a source for potable water. The Request states that water analyses that were conducted on the Litani River water stored at the Qaraoun Dam confirmed that this water is “*extremely industrially polluted and has high level of chemicals and bacteria*” and that “*this water carries carcinogens, chemicals that are very dangerous to humans*”. As further evidence, the Request points to the recent decision of municipalities near the Qaraoun Lake not to use this as a source for drinking water: “*The same water which was refused by all inhabitants of South Bekaa to meet their potable water needs will be conveyed to meet Greater Beirut water needs if the GBWSP goes through!*”
12. The Requesters question the adequacy of the Environmental Assessment (EA), in particular the environmental analysis of alternatives and the consultation process. They state that in the preparation of the Project, the Environmental Assessment’s analysis of alternatives considered no sources of water other than that from the Litani and Awali rivers. In addition, they claim that this analysis of alternatives was based on outdated studies from 1972 and 1984 and thus that the validity of the data in the studies is questionable.
13. The Requesters’ Representative presents an alternative option to the Project - construction of a dam at Damour River with an alleged storage capacity of 90 million m³ - which he has carefully studied and firmly supports. He believes that this option would be a cheaper and cleaner source of water than the GBWSP for the Greater Beirut area. The Request presents cost comparisons that, according to the Requesters’ Representative, demonstrate that the Damour river dam would be a better alternative than the GBSWP.
14. The Request also argues that the Project, as designed, will deprive the south of Lebanon and/or the Upper Litani River basin of water. This could harm the livelihood of agriculture-dependent communities living in these areas.
15. The Requesters claim that the EA included consultations only with national and local authorities, while nobody who can be considered representative of local communities affected by the Project was consulted. They also state that these consultations took place a long time ago, in 1997 and 1998. The Request adds that two consultation events were held recently in 2010, but from the list of attendees and the questions asked, it appears that the consultations were not “*comprehensive*” and “*do not reflect the opinion of Greater Beirut inhabitants*” that may be affected by the Project and “*the communities of Damour, Al Chouf*

and Ikleem Al Kharroub” which may be indirectly affected by the decision not to prioritize the Damour alternative. Furthermore, according to the Requesters, the Resettlement Action Plan (RAP) was not available in the Bank’s website, at least until the time they lodged their complaint to the Panel, nor were Arabic versions of the document provided to citizens prior to consultations.

16. The Request also raises an issue with respect to the application of the Bank’s involuntary resettlement policy. The Requesters state that it is not clear whether the Project RAP refers to all lands needed for the Project, even lands that were expropriated in the late 1990s, or only to lands that still have to be acquired. They believe the policy should be applied to all lands already expropriated or to be expropriated. They also claim that the related consultations were inadequate and were conducted with people who are not the representatives of the affected communities.
17. With respect to the economic analysis, the Requesters state that it is not clear whether the Project is the least costly option because in their view the alternatives considered are not exhaustive. In addition, the Requesters believe that certain investment costs were not taken into consideration, and as a result of this, the total cost of the Project will almost double. This, the Requesters believe, will also increase the water tariffs by 10 to 15% annually, making the service unaffordable for poorer people.
18. The Requesters also raise issues in relation to the “Bisri Dam” project on the Awali River, which is allegedly to be financed by the Islamic Development Bank. According to the Requesters, the Bisri Dam is closely linked to the Project because “*the GBWSP will necessitate the construction of the dam at Bisri village.*” The Requesters also claim that while the World Bank representative in Lebanon stated that the World Bank is not financing the dam, the Ministry of Energy and Water stated to a local newspaper that the Bisri Dam is the second phase of the GBWSP, and that the Government agreed to the Awali Conveyor Project on the condition that the “*World Bank agreed to finance the Bisri Dam*”. In light of this, the Requesters argue that the Bank’s policies on Involuntary Resettlement and Safety of Dams should be applied to the construction of the Bisri Dam.
19. The Requesters state that they brought their concerns to Bank Management but are not satisfied with the response. They ask the Panel to carry out an investigation of the matters raised in their Request for Inspection.
20. The above claims may constitute non-compliance by the Bank with various provisions of the following operational Policies and Procedures:

OP/BP 4.01	Environmental Assessment
OMS 2.20	Project Appraisal
OP/BP 10.04	Economic Evaluation of Investment Operations
OP/BP 4.12	Involuntary Resettlement
The World Bank Policy on Access to Information dated July 1, 2010	

D. Management Response

21. Management Response presents a discussion on the issues raised in the Request for Inspection and a detailed response to the claims, as well as Management's views on whether the Request meets the eligibility criteria set forth in the Resolutions establishing the Panel and the subsequent clarifications to the Resolution.
22. **Eligibility of the Request.** According to Management, the Request should be considered ineligible because "*none of the Requesters is shown to be an "affected party" because of their inability to demonstrate any right or interest that is or will be harmed*" and because the Request is essentially a "*disagreement over the water source and project design chosen by the Borrower and a procurement decision of the Borrower.*"⁵ Management maintains that 45 of the 51 Requesters do not live in the Project area and thus cannot demonstrate any valid link with the Project. With respect to the six Requesters who live within the Project area, in Management's view they are likewise not able to demonstrate a nexus to harm or likelihood of harm with the Project as they will not have their land expropriated, will not suffer from delivery of polluted water and will not pay higher tariffs under the Project. It follows, Management argues, that the Requesters are not project affected persons. Moreover, with respect specifically to the Requesters' Representative who recommends the implementation of a different alternative that he puts forward and would like to assist in developing, Management claims that this is a procurement matter over which the Panel does not have jurisdiction.
23. **Background to the Project.** In the Greater Beirut area, where half of the population of Lebanon lives, the municipal water connection rate is about 90 percent but water supply is as little as three hours per day in the summer season. This low water supply rate is due, according to the Response, to low water storage capacity, water lost to the sea, growing demand and deficiencies of the existing water networks. Management states that the Government began trying to address this growing issue in the early 1950s with water related infrastructure projects and policy initiatives, among which the Qaraoun Dam on the Litani River, the Litani/Awali hydroelectric project and a Decree of 1970 (Decree 14522, May 10, 1970) which "*allocates up to 50 million m³ (MCM) per year of Litani and Awali waters to the GBR [Greater Beirut Region] to meet drinking water demand during the dry months spanning April through October.*"⁶ Other studies to explore additional options and the water storage potential of other rivers, such as the Damour River, were also commissioned.
24. A feasibility study and designs for the GBWSP - also known as the Awali Conveyor Project - were commissioned in 1994 and in 1998 the Government requested a partial risk guarantee from the Bank for a Build/Operate/Transfer (BTO) scheme on the Awali Conveyor Project. The project was however dropped due to legal impediments. In 2000, the EBML was established as the regional water establishment responsible for the Greater Beirut and Mount

⁵ Management Response, ¶ 18.

⁶ Management Response, ¶ 23.

Lebanon area and consolidated six water utilities into one. In 2005 the Government defined its strategy for medium and long-term water supply across Lebanon, including the Bisri, Damour and Janna dams. Government subsequently identified the GBWSP as the “*immediate next-step required to meet pressing short demand for water in the GBR.*”⁷

25. **Allegations of harm.** In general, Management “*disagrees*” that any harm as described in the Request will result from the Project. According to Management, there is no tariff increase proposed under the Project; the water delivered under the Project will be treated according to national and international water quality standards and will not represent a public health risk; and no water will be diverted away from irrigation. Management also argues that the Project is the least cost option and that the Project provides for mitigation of “*its potential economic and social impacts*”.
26. **Water tariffs.** Management states that the current tariff applied by EBML is adequate to cover future operation and maintenance costs under the Project. The financial analysis of the Project concluded that that EBML will generate an operating surplus without increasing tariffs. According to the Response, the Business Plan of EBML for 2012-17 “*confirms that no increase in tariffs ... is envisaged*”⁸
27. **Water quality.** The water that will be delivered to Greater Beirut under the Project will be treated at a water treatment plant that will be tendered as a Design/Build/Operation (DBO) contract. Government is currently undertaking a one year water quality testing. Management maintains that the surveys of the Litani River and Qaraoun Lake water quality conducted in 2005 at the American University in Beirut showed that the quality of the water is appropriate after standard treatment at the treatment plant to be built under the Project.
28. **Water availability for irrigation.** With respect to water availability for irrigation purposes, Management states that the Project “*does not rely on any water which is intended for the South of Lebanon or the Upper Litani Basin*”.⁹ The Project will use water from the Litani River stored in the Qaraoun Lake, which is currently used for hydropower generation and then discharged into the Mediterranean Sea. Management notes that the area of the Al-Chouf and Ikleem Al-Kharroub Region, mentioned in the Request as being indirectly harmed, is outside the Project area and will not be affected by the GBWSP.
29. **Analysis of alternatives.** Management states that all relevant alternatives for water supply have been considered by the Government, which concluded that the Project is the “*optimal short term solution*” to address the scarcity of drinking water in Greater Beirut area. Management argues that the GBWSP “*was informed by over two decades of analysis of alternative options*” and therefore it was “*prudent to focus the ESIA on the specifics of the GBWSP components.*”¹⁰ A number of alternatives within the scope of the GBWSP were analyzed in the ESIA, including transmission options and treatment plant location and technology.

⁷ Management Response, ¶ 32.

⁸ Management Response, ¶ 49, tenth bullet.

⁹ Management Response, ¶ 49, twelfth bullet

¹⁰ Management Response, ¶ 49, first bullet.

30. Management states that the GBWSP is the first of a number of infrastructure projects aimed at satisfying the long term demand of the Greater Beirut area for water, and that the GBWSP and the Damour Dam proposed by the Requesters' Representative therefore are not mutually exclusive, but rather two steps in a sequence of water-related investments. Management states that the GBWSP cost is about 24 per cent lower than other alternatives, including the Requesters' Representative's option, which does not take into consideration costs such as for land and expropriations, transmission pipelines and storage reservoirs and the distribution network.
31. **Disclosure of information and consultations.** The Response states that the ESIA was disclosed in the Infoshop in a timely manner in August 2010, while the RAP, due to a mistake that was later corrected, was disclosed in November 2010. The EISA summary and the RAP were disclosed in time in August on the CDR's website. The full text of the ESIA was however not posted and the RAP file was corrupted. These mistakes were corrected in November 2010. Management regrets the disclosure oversights and notes that regional Management has issued instructions to ensure compliance with disclosure provisions, but also notes that the Requesters' Representative seems to have had access to all Project documentation. The Response also indicates that leaflets in Arabic about the Project were distributed to municipalities and residents of areas directly affected by the Project prior to consultations. Two public consultation meetings were organized in May and July 2010 to which concerned Ministries and more than 41 affected municipalities were invited. According to Management, local communities were consulted during interviews for purpose of the social and economic survey.
32. **Involuntary resettlement.** The Response states that a Resettlement Action Plan was prepared and it includes mitigation measures for social and economic impacts deriving from land acquisition under the Project. Management adds that only one family is expected to be relocated and no other loss of income or livelihood is expected under the Project. With respect to past expropriations undertaken by the Government and mentioned in the Request, Management argues that it has received confirmation from CDR that these expropriations were carried out in accordance with Lebanese Law and no pending appeals or other claims exist. Management further states that Bank staff carried out field visits to the entire length of the Project infrastructure to review the extent of the expropriation requirements, including the areas where prior expropriations had been undertaken.
33. **Bank policies and the Bisri Dam.** Management states that the Bisri dam is not a component of the Project and is not necessary to achieve the Project objectives. Management therefore asserts that neither OP/BP 4.12 on Involuntary Resettlement nor OP 4.37 on Dam Safety apply to the Project.
34. **Actions going forward.** Management concludes by asserting that the Bank made all diligent efforts to apply its policies and procedures and that it is in compliance with the policies' requirements applicable to the matters raised in the Request. Nevertheless, Management highlights two actions going forward. Management agreed with the Government to carry out a Strategic Environmental and Social Impact Assessment (SESIA) to review the feasibility,

environmental, social and economic impacts, and costs of options for long-term water supply for the Greater Beirut area including the Bisri, Damour and Janna dams. In Management's view this could be an additional opportunity to engage in dialogue with the Requesters' Representative to address his concerns related to the analysis of additional sources of water. Furthermore, Management states that it will carry out additional efforts to ensure compliance with the disclosure requirements of project documents within the Middle East and North Africa region. In this context, a memorandum on disclosure verification was sent out to all regional staff.

E. Eligibility

35. The Panel must determine whether the Request satisfies the eligibility criteria set forth in the 1993 Resolution establishing the Panel and the 1999 Clarifications, and recommend whether the matters alleged in the Request should be investigated.
36. As part of this process, the Panel has carefully reviewed the Request and the Management Response. Moreover, Panel Member Alf Jerve, together with Senior Operations Officer Tatiana Tassoni visited Lebanon from January 3, 2011 through January 8, 2011. During its visit, the Panel team met with the Requesters' Representative and other signatories of the Request, officials of the Ministry of Finance and Ministry of Energy and Water, officials of the Council on Development and Reconstruction (CDR) and of the Beirut Mount Lebanon Water Establishment (EBML), and Bank staff in the Beirut Country Office. The Panel team also visited the areas where the Project will be implemented and structures will be constructed and visited other areas that according to the Requesters are relevant to their claim of non-compliance and related harm included in the Request for Inspection. In particular, the Panel team visited the area of the Qaraoun Lake and Dam, the existing power plant and reservoir at Joun, the proposed locations of the Bisri Dam and of the treatment plant to be constructed under the Project. The Panel also visited the site of the dam on the Damour River proposed by the Requesters' Representative.
37. 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 also wishes to thank the World Bank Country Office in Lebanon and the Country Director for providing relevant information and assisting with logistical arrangements.
38. The Panel notes that, in its Response to the Request for Inspection, Management commented extensively on the eligibility of the Request. As mandated by the Resolution establishing the Panel and the subsequent clarifications to the Resolution, and as noted by Management in its Response, in the eligibility phase the Panel satisfies itself that all eligibility criteria have been met and will do so independently of any views that may be expressed by Management.¹¹ According to the 1999 Clarifications, the Panel's determination of eligibility is based on information presented in the Request, on Management Response and on other documentary

¹¹ Second Review of the Resolution establishing the Inspection Panel 1999 Clarification (the "1999 Clarifications") paragraph 6.

evidence.¹² The Panel may also visit the country if it believes that this is necessary for the determination of eligibility.

39. The Panel has determined the eligibility of the Request in light of the eligibility criteria set forth in the Paragraph 9 of the Board Resolution that established the Panel and the 1999 Clarifications and is satisfied that the Request meets all the six eligibility criteria.
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.”*
41. Management Response claims that the Requesters are not project affected persons because they *“are unable to support a claim that they are or will be directly and materially affected by either the water supplied through the Project, or the construction or operation of the Project related infrastructure as required under the Resolution.”*¹³ Management argues that 45 of the 51 signatories of the Request reside outside the Project area and cannot demonstrate a link with the Project, while the six Requesters who live within the Project area cannot demonstrate that they will be directly and materially affected by the Project. In particular, according to Management none of the Requesters will have their land expropriated, suffer from delivery of polluted water or pay higher tariffs under the Project. Management also provides a map (IBRD 38240)¹⁴, which is intended to show the boundaries of the Project area and the locations of the Requesters, including the 45 allegedly outside this area
42. During its meetings with Bank staff and Project officials in Beirut, the Panel team was able to determine that the definition of Project area used in the Management Response comprises areas where land will be expropriated and infrastructure works will be carried out (such as upgrading the water distribution network in parts of southern Beirut). The definition did not include all areas where drinking water will be delivered. In particular, Project officials representing the Ministry of Water and Energy, the CDR and the EBML explained to the Panel that the above mentioned map IBRD 38240, included in Management Response, shows in yellow the area affected by Component 2 of the Project (Supply Reservoirs, Distribution Network and Metering) and illustrates the area where network improvements will be built to complement the existing water distribution network in the Greater Beirut area.
43. The Project officials stated that, in practice, all the Greater Beirut area will potentially receive water under the Project depending on the seasonal availability of water from the existing main source north of Beirut. Both sources will be part of one distribution network and there can be no definite distinction between areas that will be supplied by the new water source to be provided under the Project and those supplied by the existing one and thus all inhabitants of the Greater Beirut, including the Requesters, may be affected by the potential harm alleged in the Request.
44. In light of the above, the Panel confirms that all Requesters who live within Greater Beirut area are potentially Project affected persons who shares interests and concerns about the

¹² 1999 Clarifications, paragraph 7.

¹³ Management Response, ¶ 13.

¹⁴ IBRD 38240 listed as Annex 3 of Management Response, which is attached to this Report as Annex II.

Project as they will be supplied water under the GBWSP. Hence, the Panel is satisfied that the Requesters are legitimate parties under the Resolution to submit a Request for Inspection to the Inspection Panel. The Requesters are affected parties who have common interests and common concerns, and reside in the Borrower's territory.

45. The Panel notes that under the current design none of the Requesters will be affected by construction works or land acquisitions under the Project. The Panel also notes that none of the Requesters live in the area affected by the proposed Bisri dam. Furthermore, the Bank is not committed to funding the proposed dam.
46. 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.”*
47. The Request for Inspection describes the harm that the Requesters believe will result from the Bank's non-compliance with its policies and procedures during the design and appraisal phases of the Project and consequently from the implementation of Project activities. During its field visit the Panel team discussed at length with the Requesters the nature of the direct and material adverse effects that they believe they will suffer. The Requesters also provided documentation to the Panel that they argue support their claims.
48. The Requesters claim that the feasibility studies and the Project's Environmental and Social Impact Assessment failed to carry out an adequate analysis of alternatives that could achieve the objective of supplying the Greater Beirut area with much needed drinking water. They claim that this is not in compliance with the Bank's policy on Environmental Assessment. They also add that consultations with people who will receive water from the Project were very poorly conducted and did not meet the standards of OP/BP 4.01. This, the Requesters state, resulted in the design and appraisal of a Project that will be unable to provide a reliable source of clean and potable water to the residents of Beirut, because the main source of water (the Qaraoun Lake) is highly polluted with chemical and bacteriological elements, the treatment of which can allegedly be achieved only at very high costs. They claim furthermore, that this water source has depleted in recent years and thus will not in the future be a reliable supply for all uses it is intended for (drinking water, irrigation, industrial water and hydropower).
49. The Request also claims that the high costs of the Project will dictate an increase in water tariffs over time, and that cheaper alternatives should have been investigated, in accordance with the Bank policy on economic evaluations of investment operations, OP/BP 10.04. According to the Requesters, the Project will be able to achieve its objective of delivering 250,000 m³/d of water and be economically viable only when the Bisri dam is constructed.
50. The Requesters provided the Panel with documentation that substantiate their claims about potential direct material adverse effect that they believe will result from non-compliance with relevant Bank policies and procedures on environmental assessment, economic evaluation of investment operations (OP/BP 10.04) and project appraisal (OMS 2.20).

51. In view of the above, the Panel is satisfied that the Request “*assert[s] in substance*” that a serious violation by the Bank of its operational policies and procedures has or is likely to have material adverse effect upon the requesters,
52. 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 Panel confirmed that the World Bank was aware of the concerns of the Requesters in advance of the Request for Inspection. The Requesters’ Representative corresponded several times with Bank Management prior to the submission of the Request for Inspection. However, the Requesters indicated they were not satisfied with the response received from Management. The Panel therefore is satisfied that this criterion has been met.
53. 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. As noted above, the Requesters are concerned about the quality of the drinking water that will be provided to them as residents of the Greater Beirut area and the potential increase in water tariffs caused by Project investments, and related issues of non-compliance with the Bank policies. The Panel notes that the Requesters’ Representative’s proposal to assist in the development of his proposed alternative under a consultancy contract is alleged by Management as a procurement issue but it relates neither to the Project nor to the Request for Inspection.
54. Criterion (e): “*The related loan has not been closed or substantially disbursed*”. The Request for Inspection was submitted on November 4, 2010 while the Loan was approved by Board of Executive Directors on December 16, 2010. The Request therefore satisfies this criterion.
55. 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.

F. Observations

56. The Panel wishes to note the importance of the Project’s objective to increase the provision of drinking water to the Greater Beirut area. The Panel understands the need to alleviate the longstanding and acute deficiencies in the provision of drinking water in the area and to address this pressing situation urgently.
57. The Request for Inspection and further interactions with the Requesters during the Panel’s visit to Lebanon confirmed their support of the objective of providing drinking water to Beirut but brought to attention three important issues of harm that the complainants believe will be caused by the Project as designed: the quality of the supplied water and whether it will be safe for drinking purposes; the cost of water treatment under present Project design, given the levels of pollution in the water source, and whether this will lead to an increase in

water tariffs; and the availability of water to meet competing demands and whether this will threaten the reliability of water supply to the Greater Beirut area, especially in dry years.

58. **Water quality and safe drinking water.** The Panel appreciates the concerns of the Requesters and of other residents of Beirut that safe drinking water may not be supplied to the city. The Panel notes that there is no disagreement that the water of the Litani River and the Qaraoun Lake is polluted; the question is whether the pollutants could be removed to such a degree that the water supplied to the residents of Beirut meets national and international standards for drinking water. The Panel observes that there is a perception among people the Panel met that the water quality of the Litani River is not suitable for domestic purposes. The Panel notes that poor communication with citizens and little transparency related to water quality data may have deepened fears about the quality of water to be supplied to the Greater Beirut area.
59. As part of its due diligence in the preparation of this Eligibility Report, the Panel requested the assistance of an expert in water resources to obtain an independent opinion on whether the water quality data made available to the Panel¹⁵ indicate that the issues of harm relating to water quality raised in the Request are valid from a technical perspective.
60. The Panel notes that the mixed origin of the pollutants and the seasonal variability of pollutant levels make it difficult to come to a general conclusion on the question of water treatment. This raises the issue of whether the various assessments supporting the design of the Project have adequately, and in compliance with Bank Policy, analyzed the water quality issue and related implications in terms of strategies (e.g. treatment at source of pollution), design and costs of water treatment. In this respect, the Panel also notes that the PAD has no specific reference to the Qaraoun Lake as the principal source of water.
61. **Water tariffs.** The second issue of harm is related to the Requesters' view that GBWSP – i.e. the Awali conveyance tunnel – can only meet about half of the longer term water requirements of Greater Beirut during the critical summer months. According to the Request, the Project therefore necessitates the construction of a dam on the Awali River (the Bisri Dam) to achieve its objective of delivering 250,000 m³/d of water. The Panel notes that it has been decided to construct the conveyance tunnel with a capacity to cater for the additional water from the proposed Bisri Dam, but that a final decision on constructing the dam has not yet been made (feasibility studies are currently going on). According to the Requesters, the combined costs of the Awali conveyor and the Bisri Dam will be around USD 440 million, and these high costs will inevitably result in substantial increases in water tariffs. Furthermore, the Requesters argue that a lesser cost alternative – the Damour Dam – was not appropriately considered.
62. The Panel was informed during its visit that there are no plans to increase water tariffs and that it will not be politically feasible to increase tariffs until 24/7 supply throughout the year

¹⁵The Panel was informed that since April 2010, water quality monitoring is being carried out by EBML at pertinent sampling locations for a one year period. This monitoring is intended to characterize the water sources to the GBWSP and this data will be used in the final design stage of the water treatment plant.

is guaranteed. While confirming that EBML “operates as a commercial entity”¹⁶, the financial analysis summarized in the PAD is based on the assumption that “tariffs will be retained at current levels in real terms”¹⁷. The Panel is of the opinion that the Request raises a valid question whether this assumption is realistic. The Panel notes, however, that all options to meet the water requirements of Greater Beirut will entail substantial costs and that there is uncertainty as to what represents the least cost investment scenario.

63. **Water availability and the reliability of water supply.** This issue, in the Panel’s view, is linked to the fact that the Qaraoun Dam was constructed primarily to function as a reservoir for feeding irrigation schemes in the Bekaa and South Lebanon regions. It seems that the irrigation potential has hitherto not been used to its full capacity, mainly because of concerns about the political situation in Southern Lebanon. However, two new schemes are currently in the process of being completed: Canal 800 to the South and Canal 600 to the Anane Basin running northwest.
64. Data provided to the Panel indicate that the total annual contribution of water to the Qaraoun Dam exhibits great fluctuations¹⁸. Nevertheless, the Panel was informed during its visit that domestic water supply is a strategic priority and that there is little risk that the Dam cannot supply the volume of water allocated for Beirut during the critical summer months, which is when the Qaraoun Lake is normally at its highest capacity. This does however raise the question, as addressed in the Request, whether water availability in the Qaraoun Lake in dry periods will be sufficient to meet all demands for water, including those by the new irrigation schemes as well as the requirements for hydropower and for the Beirut water supply. The Requesters have also noted that climate change projections for Lebanon point towards less annual rainfall and higher rates of evaporation.

G. Conclusions

65. The Panel is satisfied that the Request meets all technical eligibility criteria.
66. It is the judgment of the Panel that, based on the observations above, the Request raises serious concerns about potential harm and serious non-compliance raised in the Request. The Panel also notes that the Request and Management’s Response contain different views on the assessment of the likelihood and potential seriousness of the harms alleged. In order to ascertain compliance or lack thereof with Bank policies and procedures in the design and implementation of the Project, the Panel must conduct an appropriate review of all relevant facts and applicable policies and procedures. This can be done only in the course of an investigation.
67. In light of the observations noted above, the Panel recommends that an investigation be carried out on the issues raised by the Request that relate to allegations of violations of World

¹⁶ PAD, p. 3.

¹⁷ PAD, p. 16.

¹⁸ When the Panel team visited the Qaraoun Dam in January 2011, the water level was exceptionally low due to low rainfall and maintenance on the Dam.

Bank operational policies and procedures. Specifically, the Panel's investigation would deal with issues of compliance and potential harm related to water quality, tariffs and water availability, and also report on any steps and actions taken by Management during the course of the investigation to address the issues of compliance and the concerns raised by the Requesters.