

THE INSPECTION PANEL

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Chairperson

IPN REQUEST RQ 13/03

April 4, 2013

NOTICE OF REGISTRATION

Request for Inspection

Arab Republic of Egypt: Giza North Power Project (P116194)

Receipt of Request

On February 21, 2013, the Inspection Panel received a Request for Inspection (hereafter “the Request”)¹ related to the Arab Republic of Egypt: Giza North Power Project (GNPP or “the Project”).

The Requesters

The Request was submitted by the Egyptian Association for Collective Rights and seven other non-governmental organizations (NGOs)² on their behalf and on behalf of 17 owners of agricultural holdings and 18 agricultural laborers and/or tenants belonging to the villages of Alqata and Abu Ghalib in the Imbaba area of Giza Governorate (hereafter “the Requesters”), who claim to be impacted by the Project. The Requesters have not requested confidentiality.

The Project

The GNPP is a gas-fired power plant with several ancillary facilities. It is a Specific Investment Loan (SIL) approved by the Board on June 8, 2010 and financed through a Loan in the amount of \$600 million. Additional financing was approved for the Project in the amount of \$240 million on February 14, 2012. The borrower is the Arab Republic of Egypt and the Project implementing entities are the Egyptian Electricity Holding Company (EEHC) and the Egyptian Natural Gas Company (GASCO). At the time of the receipt of the Request, the original loan

¹ The original Request is in Arabic and was translated by the Inspection Panel into English. The Request includes several attachments.

² 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 Development Association, Housing and Land Rights Network, Arab Non-Governmental Organizations for Development, and Right to Water Forum in the Arab Region.

(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.

The Project is co-financed by European Investment Bank (EIB) and the OPEC Fund for International Development (OFID).

The Project Appraisal Document (PAD) 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”*.³

The Project originally consisted of an investment component which included construction of a 1500-MW power plant involving two identical 750-MW combined cycle gas turbine (CCGT) modules, which will burn natural gas as the main fuel, comprised of two 250-MW gas turbines, two multi-pressure heat-recovery steam generators, and one 250-MW steam turbine driving an electricity generator. The Project will also include ancillary facilities for the power plant, as well as a short transmission line to link the plant to the transmission system and a short gas pipeline to link the plant to the gas transmission network for fuel supply.

The additional financing did not change the development objective of the Project. However, Project activities were amended to include: *“Design, construction and commissioning of a combined cycle gas turbine power plant at Giza North with a total installed capacity of 2,250 MW to be fueled by natural gas and by light diesel oil on a back-up basis. The power plant design includes three identical 750-MW modules comprised of two 250-MW gas turbines (with an electricity generator for each turbine), two multi-pressure heat-recovery steam generators, and one 250-MW steam turbine driving an electricity generator. Auxiliary equipments include step-up transformers, a switchyard, and other required auxiliary systems”* and *“[c]onstruction of: (a) transmission lines to connect said power plant to the national transmission grid; and (b) a gas pipeline to connect the said power plant to the gas pipeline system to secure adequate supply of gas for sustainable operation of the power plant”*.⁴

The Project also involves a technical assistance component which includes (a) support for promotion of private sector investment in the electricity generation; (b) development of a power sector strategy; and (c) support for promotion of energy efficiency.

The Project is environmentally categorized as “A” and the Environmental Assessment (OP/BP 4.01), Involuntary Resettlement (OP/BP 4.12), and Projects on International Waters (OP/BP 7.50) policies have been triggered.

Concerns raised in the Request

The Request refers to *“the policies set by the World Bank 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

³ Project Appraisal Document (PAD) 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, p. 10.

⁴ Loan Agreement, Additional Loan for Giza North Power Project between Arab Republic of Egypt and International Bank for Reconstruction and Development, April 11, 2012, Schedule 1, Part A.

they have experienced some Project-related impacts already, and fear additional impacts may arise as Project construction progresses. The Requesters concerns are summarized below.

Impact on agriculture due to water shortages

The Requesters state that drilling of deep wells by the Project has caused a loss of groundwater in the area which has caused their wells to dry up. In their view, this has also caused their crops to wither and dry out, and as a consequence, crop productivity has gone down. 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. They allege that regular usage of canal water could make their land barren. According to the Requesters, the drying up of wells and loss of crop productivity has caused them adverse material harm. Moreover, they claim that environmental studies undertaken for the Project did not "address" such impacts of the Project.

Impact on agriculture from the obstruction of drainage canal

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 a subsequent elaboration provided to the Inspection Panel, the Requesters' representative stated that the El-Behairy Canal is used to drain excess agricultural water and the law requires that it maintain an 8m buffer on each side. The Requesters' representative stated that the implementing agency had used the buffer to construct the fence for the power plant and this construction was interfering with the drainage function of the canal. The Requesters state that if water is not drained properly from their agricultural lands, it may lead to a reduction in soil fertility.

Impact on agriculture due to high fence wall

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. The Requesters also state that this wall is preventing air circulation, which is needed for pollination and to get rid of the dust that is being generated by Project construction.

Impact on agriculture due to land acquisition

The Requesters fear loss of agricultural land from construction of "towers" and access roads that will be built to facilitate the Project. 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.

Impact on agriculture due to positioning of "spotlights"

The Requesters allege that their crops are damaged by the glare of direct light from spotlights erected by the Project.

Impacts from pollution and high voltage lines

The Requesters state they fear air and water pollution from the Project in the future may damage their crops and land. They fear that waste from the plant may be dumped untreated into the Nile River, causing harm to fish, other animals, and plants while also contaminating a clean water source which is used to irrigate crops, thereby also having the potential to impact human health. They also state they fear the effects of *"high-voltage lines and the implications thereof to the public health"*.

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.

Inadequate consultation 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"* 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"*.

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. They also state that though they met with Project authorities and signed a *"cooperation protocol"* intended to find solutions to the harms raised through a process, no progress has been made.

Registration of the Request

The Panel notes that it verified, at the time the Request was submitted, that the Request met the basic requirements for registration. The Panel confirms that the Request was submitted by at least two people, in relation to a project supported by the World Bank. The Bank's financing for the Project has not yet reached 95% disbursement. The Requesters assert that they are affected by activities supported by the Bank, and the Request raises issues of harm which may plausibly result from Bank supported activities and from alleged actions or omissions of the Bank. The Request is not related to procurement issues, and it deals with a subject matter on which the Panel has not made a previous recommendation.

Furthermore, the Panel confirms that the Requesters have indicated that the issues related to their concerns were brought to the Bank's attention on different occasions. The Requesters further state that they do not believe adequate steps have been taken to address their concerns.

The Panel met with World Bank Management after the receipt of the Request to be briefed on the background of the Project and Management's efforts to resolve concerns raised by Project stakeholders. Management informed the Panel that a grievance redress mechanism for the Project has been established, and that an independent study of potential harm to local communities is about to be completed. According to Management, it is expected that

recommendations from this study will be discussed within the framework of the grievance redress mechanism resulting in actions to address local concerns. The Panel welcomes further elaboration of steps Management has already taken to address the concerns raised in this Request, and any steps Management intends to take in the future related to this Request.

As provided in paragraph 17 of the IBRD Resolution that established the Panel, the Chairperson of the Panel *"shall inform the Executive Directors and the President of the Bank promptly upon receiving a request for inspection"*. With this notice, I am notifying you that I have, on April 4, 2013 which is also the date of this notice, registered this Request in the Inspection Panel Register. The Panel's registration is an administrative step and it implies no judgment whatsoever concerning the merits of a Request for Inspection.

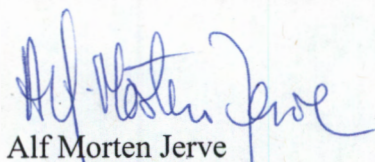
As provided in paragraph 18 of the IBRD Resolution, and paragraphs 2 and 8 of the *"Conclusions of the Board's Second Review of the Inspection Panel"* (the "1999 Clarification"), Bank Management must provide the Panel, by May 3, 2013, a Response to the issues raised in the Request for Inspection. The subject matter that Management must deal with in the response to the Request is set out in paragraphs 3 and 4 of the 1999 Clarification.

After receiving the Management response, the Panel will, as outlined in the 1999 Clarification and as provided by paragraph 19 of the Resolution, *"determine whether the Request meets the eligibility criteria set out in paragraphs 12 to 14 [of the Resolution] and shall make a recommendation to the Executive Directors as to whether the matter should be investigated."*

The Panel will notify the Requesters that all communications in connection with the Request will be sent directly to them.

The Request has been assigned IPN Request Number RQ 13/03.

Yours sincerely,


Alf Morten Jerve
Chairperson

Mr. Jim Yong Kim, President
International Bank for Reconstruction and Development

The Executive Directors and Alternates
International Bank for Reconstruction and Development

Mr. Abdul Mawla Ismail
Chairman of the Egyptian Society for Collective Rights