INDEPENDENT REVIEW MECHANISM
COMPLIANCE REVIEW AND MEDIATION UNIT

REPORT OF THE DIRECTOR OF CRMU
ON
ELIGIBILITY OF COMPLIANCE REVIEW

REQUEST: RQ 2009/1b
submitted by
Anuak Justice Council, the Bank Information Center,
Campagna per la Riforma dell Banca Mondiale and International Rivers

Gibe III Hydroelectric Power Project
Ethiopia

October 1, 2010
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# ACCRONYMS

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<td>CRMU</td>
<td>Compliance Review and Mediation Unit</td>
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<td>FoLT</td>
<td>Friends of Lake Turkana</td>
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<td>ADB</td>
<td>African Development Bank Group</td>
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<td>IRM</td>
<td>Independent Review Mechanism</td>
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<td>EEPCO</td>
<td>Ethiopian Electricity Power Corporation</td>
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<td>ESIA</td>
<td>Environmental and Social Impact Assessment</td>
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<td>EFTA</td>
<td>Economic, Financial and Technical Assessment</td>
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<td>EIB</td>
<td>European Investment Bank</td>
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<td>EPA</td>
<td>Ethiopian Environmental Authority</td>
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<td>ESMP</td>
<td>Environment and Social Management Plan</td>
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<td>RAP</td>
<td>Resettlement Action Plan</td>
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<td>RMCs</td>
<td>Regional Member Countries</td>
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I. INTRODUCTION

The Compliance Review and Mediation Unit (CRMU) received, on 28 April 2009, a Request from Anuak Justice Council, the Bank Information Center, Campagna per la Riforma della Banca Mondiale and the International Rivers [hereinafter, “the Requestors”] complaining about the potential serious negative impact of Gibe III Hydroelectric Power Project in Ethiopia on the environment and the peoples of Southwestern Ethiopia and Northwestern Kenya. At that time the captioned project was under consideration for financing by the African Development Bank (ADB).

The Gibe III project is developed by the Ethiopian Electricity Power Corporation (EEPCO) and comprises a 1,870 MW power plant with a 240 meter high dam creating a water reservoir with a surface area of some 200 km. The project is located within the Gibe–Omo River Basin around 450 km by road south of the capital Addis Ababa. Downstream of the Dam, the Omo River flows into Lake Turkana on the Kenyan side of the borders between Ethiopia and Kenya. According to the Summary of the Environmental and Social Impact Assessment (ESIA) of the Gibe III Project, the power produced will be delivered to an Interconnection System through a 65km long double circuit 400kV overhead transmission line that will connect the Gibe III to a new substation at Sodo. The power will be used to increase Ethiopia’s own electricity coverage as well as making the power export program of the country viable.1 According to the screening criteria of the ADB, the Gibe III project is a “category 1” project, for which a full ESIA is required. According to the ADB’s ESIA-Summary of the Gibe III Project, an ESIA report was prepared to fulfill the requirements and to justify ADB’s involvement in financing the project.2

II THE COMPLAINT-HANDLING STEPS

1. Registration of the Request

Upon receipt of the Request, CRMU asked the Requestors to provide additional clarifications which were provided on May 5, 2009 and July 20, 2009 respectively. CRMU registered the Request on July 22, 2009, for compliance review as it fulfilled the preliminary requirements for registration. CRMU noted that the Requestors hoped that their Request would compliment the first complaint about the same Gibe III project which had been submitted to CRMU by Friends of Lake Turkana (FoLT), a local NGO based in Kenya. The Request of FoLT was in the first instance registered by CRMU for problem-solving.

CRMU decided to handle the Request at hand through compliance review due to the magnitude of issues raised by the Requestors coupled with the need for determination of the eligibility of their request. Pursuant to paragraph 30 of the IRM Operating Rules and Procedures [hereinafter, ‘the IRM Rules’], CRMU decided to extend the time-line of the eligibility review of the present request pending the outcome of the problem-solving

1 ESIA Summary 27 August 2008, Section 2.5.1.
2 ESIA Summary March 2009, Paragraph 2.2.2.
exercise between FoLT and the Bank since such outcome might result in concurrent actions that could implicate the present request. In accordance with paragraph 31 of the IRM Rules, the Bank’s Management Response to the present request was received by CRMU on August 27, 2009.

2. The Request and the Management Response

The Requestors raise five concerns about the Gilgel Gibe III Dam – that in their opinion – results from violation of ADB’s policies and procedures. To understand the general background issues, the following sections summarize these concerns and the Management response to each of them.

2.1. Lack of consultation with project affected peoples and civil society in Ethiopia

**The Requestors** say that the actions taken by the Ethiopia Government to restrain public debate on controversial priorities such as hydropower development have prevented affected peoples and civil society from understanding and raising concerns about the Gibe III Project. In addition, they argue that the project’s consultations have been grossly inadequate. For example, most of affected communities are physically and linguistically isolated, few of them speak Amharic and even fewer can speak English - the language in which the ESIA has been produced. The Requestors furthermore say the downstream consultations occurred in 2007, after the construction commenced and that “consultative surveys that were designed to be completed by members of indigenous peoples in the Lower Omo Valley were reportedly filled out by local officials without the knowledge or input of the communities.” The Requestors say that the project’s inadequate consultations violate both ADB’s Environmental and Social Assessment Procedures for Public Sector Operations 2001, and the Bank’s policy on Information Disclosure.

**The Management Response** says that public consultations were carried out in 2006, 2007, 2008 and 2009. The additional consultations of 2009 included the downstream areas, and the updated ESIA was presented to affected people to take into consideration their views in the formulation of mitigation measures. According to Management, 1,749 people from different groups were consulted, adding that a session was organized for NGOs at ADB’s Annual Meeting (May 2009, Dakar). Management says that together with the European Investment Bank (EIB) and the World Bank (WB), the Bank will organize a session for NGOs when the Economic, Financial and Technical Assessment (EFTA) study and the additional ESIA studies are made available. The Management furthermore states that a joint environmental and social due diligence mission had been planned with the WB and the EIB for October 2009 to confirm the adequacy of

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4 Ibid., p. 5.
5 Ibid.
6 Ibid., p.6.
7 Management Response submitted to CRMU on August 27, 2009 [hereinafter, “Management Response”], p. 3.4
8 Ibid., p. 5.
9 Ibid., p.6.
consultations and the benefit packages developed by EEPCO.\textsuperscript{10} In addition, an interactive project website would be created.

### 2.2. Unaddressed violations of domestic law in project preparation

**The Requestors** say the construction of the Gibe III Dam began in 2006, nearly two years before approval of the ESIA – a gross violation of international best practice, Ethiopia’s Environmental Impact Assessment Proclamation and the Bank’s Environmental and Social Assessment Procedure which respectively stipulate the preparation of ESIA before project implementation and environmental clearance from the EPA [the Ethiopian Environmental Authority] and compliance with the national legislations of the Bank’s RMCs.\textsuperscript{11}

**The Management Response** says that the preliminary ESIA completed in 2006 identified the project’s adverse impacts and the measures to offset them, and recommended an additional Down Stream study and a Resettlement Action Plan (RAP).\textsuperscript{12} It adds that the contractor Salini has experience from its contracts for constructing the Gibe I and Gibe II dams, and collaborated with EEPCO and EPA in the application of international best practice in Gibe III.\textsuperscript{13} In addition, the Management provides that Salini submitted a revised design upon which the consultants prepared ‘stand-alone’ reports assessing the environmental and social impacts of the Dam and Reservoir, Gibe III-Sodo Transmission Line, Chida-Sodo Road Realignment and their relevant RAP, Public Consultation and Disclosure Plans.\textsuperscript{14} The Management says the ESIA, ESMP and RAP were approved by EPA on July 23, 2008, and subsequently the ESIA Reports were updated in January 2009.\textsuperscript{15} Since the date of the Government of Ethiopia’s request for financing (April 5, 2007), the Bank has fielded several missions to inspect the project’s construction and its environmental/social management system.\textsuperscript{16} The Management also informs that the ESIA study with the guidance of the ADB and other donors evolved to comply with policies. It furthermore, says that the independent review of the ESIA/RAP commissioned by ADB/EIB in collaboration with the WB will help to further improve the quality of the reports.\textsuperscript{17} Finally, the Management says that the project preparation is still ongoing, and ADB will ensure compliance with the Bank’s policies and the international best practice.\textsuperscript{18}

### 2.3. Belated and Inadequate Environmental and Social Impact Assessment

**The Requestors** say the EPA approved Gibe III documents in July 2008, and the final versions of these documents dated January 2009 were received by Bank staff on February 23, 2009 and made available on EEPCo’s website in March 2009. They claim that as of

\textsuperscript{10} The Management Response, *supra* note 7, p. 6.

\textsuperscript{11} The Request, *supra* note 3, p.6.

\textsuperscript{12} The Management Response, *supra* note 7, p.7.

\textsuperscript{13} *Ibid.*

\textsuperscript{14} *Ibid.*

\textsuperscript{15} *Ibid.*


\textsuperscript{17} *Ibid.*

\textsuperscript{18} *Ibid.*
April 6, 2009, several of these documents such as; Gibe III Dam ESIA, Additional Study of Downstream Impacts, ESMP, Public Consultation and Disclosure Plan remained inaccessible. In addition, there was no process to incorporate public comments on the ESIA version of July 2008 prior to the publication of the final documents in January 2009.19 The electronic copies of the 2008 ESIA documents were available at the project office in Addis Ababa, but local civil society groups would risk being targeted should they request a copy from that office.20 The Requestors argue that the ESIA documents are inadequate, given the size and impacts of this project, and that their objectivity was compromised by the need to provide a positive assessment for the project.21 The Requestors mention examples of several sub-standard analysis in these documents including:22 misrepresentation of project benefits; inaccurate baseline information; inadequate consideration of project alternatives; and unsuitable mitigation measures. The Requestors add that the ESIA does not comply with a number of the Bank’s policies, notably the Gender Policy of 2001 and the Involuntary Resettlement policy of 2003.23 The Requestors conclude that the project’s ESIA demonstrates gross neglect of the Bank staff due diligence in project preparation.24

The Management Response says that the ESIA was prepared in June 2006 and subsequently updated. The ESIA of July 2008 was available for incorporating public comments, a copy of which was also accessible at the project office in Addis Ababa. The Management says the ADB, EMU, ELC, EPA, WB provided their comments between July 2008 - January 2009 prior to the publication of the final ESIA. In addition, the ESIA, ESMP, Additional Downstream Study, ESIA of Chida-Sodo Road Realignment Project and Public Consultation and Disclosure Plan were posted on the websites of EEPCO and ADB.25 The Management provides detailed responses to the sub-standards mentioned by the Requestors,26 inter alia stating that: the Gibe III project will finance the implementation of various mitigation and compensation measures; EFTA and ESIA updated studies will address any unidentified issues; EEPCO has the capacity to implement the project as detailed in the WB’s Implementation Completion Report dated June 29, 2006; and the ADB is following up with the project in line with the Bank’s policies and international best practice.27

2.4. Grave Risks for Indigenous Communities in Southwestern Ethiopia

The Requestors say the regulation of the Omo River flow and elimination of the annual flood caused by the Gibe III dam will destroy the livelihoods of at least 200,000 people belonging to different ethnic groups.28 They add it is doubtful that a controlled ten days artificial flood would support the existing level of flood recession and could replicate the

19 The Request, supra note 3, pp. 6 - 7.
20 Ibid., p. 7.
21 Ibid.
22 Examples are detailed in the Request, supra note 3, pp. 7-8.
23 The Request, supra note 3, pp. 8- 9.
24 Ibid.
26 Ibid., pp. 9-24.
27 Ibid.
28 The Request, supra note 3, p. 9.
conditions required for cultivation. The likelihood of non-compliance with the artificial flood regime increases when it may interfere with profitable water uses, such as hydropower generation and commercial irrigation schemes. They say the project documents show only a superficial understanding of the role of the annual flood without adequate mitigation. The loss of resources could result in inter-tribal conflicts. The Requestors say that, according to their confidential sources the communities have independent food security and most of them receive very little food aid, contrary to the ESIA’s statements that these communities are chronically food insecure and depend on food aid. The Requestors say the ESIA severely underestimated these risks.\textsuperscript{29} They add that ADB has failed to conduct due diligence - putting the survival and well-being of these peoples at grave risk.\textsuperscript{30}

**The Management Response** states that the above issues are addressed by ESIA’s ‘Downstream Impacts’ study and the ESMP. In addition, it says that the EFTA includes assessment of costs and benefits that will be used in the economic analysis model, and the independent review of the ESIA commissioned by EIB will further assess this issue. In addition, Salini has developed an ESMP report, and under the EPC contract an Independent Environmental Inspector has been appointed. EPA will randomly verify and report monthly to EEPCO on the contractor’s performance, while ADB will continue to pay attention to environmental issues during project implementation.\textsuperscript{31} With respect to the inter-ethnic conflicts, the Management mentions that community members and other non-governmental players will be consulted for identification of possible interventions.\textsuperscript{32} In addition, the farmers’ organizations will be trained to participate in the decision-making process. Finally, the Management informs that regular information meetings will be held as an important component of the management and monitoring feedback system.\textsuperscript{33}

2.5. Fiscal Risks for Ethiopia

The Requestors argue that the risks of the Gilgel Gibe III Dam project underperformance to the country’s debt sustainability have not been adequately assessed. The Gilgel Gibe III Economic, Technical and Engineering Feasibility study, submitted to Bank staff on April 15, 2009, includes critical concerns regarding the project’s engineering design, and affordability of electricity which suggests physical and economic failure of the Gibe III Dam. They further argue that an investigation of the concerns raised in this report should be conducted before construction of the dam wall, and before the Bank considers funding of the project.\textsuperscript{34} The Requestors add that the project’s contract procurement violates both Ethiopia’s and the Bank’s procurement policies,\textsuperscript{35} stating that the Ethiopian government directly awarded the primary contract for Gibe III to Salini without a bidding process.\textsuperscript{36} The Requestors ask why procurement guidelines

\begin{itemize}
\item \textsuperscript{29} *Management Response* note 7, p. 10
\item \textsuperscript{30} Ibid., p.11
\item \textsuperscript{31} Ibid., p. 25.
\item \textsuperscript{32} Ibid., p. 26.
\item \textsuperscript{33} Ibid.
\item \textsuperscript{34} The Request, *supra* note 3, p.11.
\item \textsuperscript{35} Ibid.
\item \textsuperscript{36} Ibid.
\end{itemize}
exist if the Bank is only going to find ways to evade them. Furthermore, they say that they believe the government and the people of Ethiopia are exposed to financial risks and rapid debt accumulation because the project costs and costs effectiveness were not adequately reviewed. The Requestors demand that the contract should be subjected to scrutiny and investigators should explore whether the contractor is set to realize disproportional benefits and/or the government exposed to undue liability in the event of project failure, including the risks from low hydrology and climate change.

The Management Response says that EEPCO produced scenarios for national demand projections to meet domestic demand after 2013 .... and in the event that adequate capacity is not developed, Ethiopia will need to use costly thermal generation or resort to load shedding which may seriously impact the country’s economic growth. Management says that the EFTA study will confirm the financial and economic viability of the project and the country’s debt sustainability. With respect to the Gilgel Gibe III Engineering Feasibility study referred to by the Requestors, the Management says that the rockfill design suggested by the said report has been changed to a Roller Compacted Concrete and reflected in the contract amendment dated April 2008. With respect to the procurement issue, Management says that Salini, being the contractor for Gibe I and II, has worked for EEPCO for several years and it is the only company that investigated and prepared the design for Gibe III. Moreover, the Management Response mentions that the Bank reviewed the negotiated EPC contract and took comfort from the following: (i) Experienced consultants advised EEPCO in negotiation of the contract and produced independent cost estimates based on a detailed review of international prices; and (ii) The EPC contract uses the standard FIDIC conditions for EPC/turnkey Contracts. The Management informs that a detailed assessment of EPC and the procurement process is being conducted as part of the EFTA study. Furthermore, that the Government of Ethiopia requested the Bank to consider financing the electromechanical component of the project which will be procured through International Competitive Bidding in accordance with the Bank’s procurement rules.

III KEY DEVELOPMENTS

The problem-solving exercise of the complaint of FoLT about Gibe III project commenced on June 10, 2009 in Nairobi, Kenya. It was followed by two mediation meetings on September 1–2, 2009 and November, 17–18, 2010. The parties (FoLT and the Bank) agreed that the Bank should commission two studies on Lake Turkana Water Levels and Public Consultations with communities living along the Lake. The final draft studies were submitted by the Bank to FoLT on April 21, 2010, for comments. FoLT provided its comments and critics to the studies on June 21, 2010, and on July 6 and 7, 2010 respectively.

37 The Request, supra note 3, p. 11.
38 Ibid., pp. 11-12.
39 Management Response, supra note 7, p. 26
40 Ibid., p.27
41 Ibid.
42 Ibid., p. 28
43 Ibid.
44 Ibid.
In the course of the preparations of the third mediation meeting between FoLT and the Bank to discuss the aforementioned studies, the Bank’s Management, on August 6, 2010, informed CRMU that it had received a letter from the Ethiopian authorities expressing that they are no longer pursuing the Bank’s financing of the Gibe III project. In light of that, the Management advised CRMU to inform FoLT that the Bank will no longer participate in the problem-solving exercise. A detailed report on the problem-solving exercise between FoLT and the Bank has been prepared and submitted to the Requestors (FoLT), the Bank Group’s President and Management and will be distributed to the Boards of Directors for information. The report will also be made accessible on the Bank’s website: www.afdb.org/irm under Register of Requests, RQ 2009/1.

In this report, the Director of CRMU has declared that the mediation between FoLT and the Bank is concluded and provides recommendations on the way forward.

IV CRMU DIRECTOR’S OPINION ON ELIGIBILITY AND COMPLIANCE REVIEW

Due to the fact that the ADB will not finance the Gibe III project and the subsequent conclusion of the problem-solving exercise between FoLT and the Bank, including the CRMU Director’s recommendation that the problem-solving of FoLT’s request should not be converted to a compliance review, the Director of CRMU has determined that:

• The Request of Anuak Justice Council, the Bank Information Center, Campagna per la Riforma della Banca Mondiale and the International Rivers (RQ2010/1b), is not eligible for a compliance review.

Notwithstanding the above:

• In accordance with paragraph 48 of the IRM Rules of 30 June 2006, the Request at hand has been referred to the Chairperson of the IRM Roster of Experts to determine the eligibility or otherwise of the Request for a compliance review. Pursuant to Paragraph 49 of the IRM Rules, if the Chairperson determines that the Request is not eligible for a compliance review, he shall inform the Boards or the President, where the project in issue has not been approved by the Boards - typical of the case for the Gibe III project) of the ineligibility. If the Chairperson determines that the Request is eligible, he shall recommend to the Boards or the President as the case may be that the compliance review be authorized.

• In the event that the Bank Group decides to reconsider the financing of the Gibe III project, the Requestors could, under paragraph 2 (vii) of the IRM Rules, submit a new request.
April 22, 2009

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RE: Request for CRMU Compliance Review and Investigation of the Bank’s Gibe III dam Project (Ethiopia)

Dear Mr. Sovik:

We are writing as international organizations concerned about the potential impact of the Gilgel Gibe III Dam, particularly on the environment and peoples of southwestern Ethiopia and northwestern Kenya. We believe that this project, which the African Development Bank (AfDB) is considering funding, will have irreversible and highly negative effects on up to a half million people living downstream from the dam site, most of them members of indigenous communities, and who rely on the Omo River for their livelihoods and economic well-being. The natural flood cycle of the Omo River is central to the downstream region’s economy and food security; the planned project would fundamentally disrupt the river’s flow and community systems which now support hundreds of thousands of Ethiopians and Kenyans from several distinct indigenous peoples, increasing the likelihood of regional destabilization and resource conflict.

We furthermore believe that preparation of this project represents multiple violations of African Development Bank policy and guidelines. We request a compliance review and investigation of the Bank’s engagement in the Gibe III dam project.

We are aware that, on March 26, 2009, your office registered a request by Friends of Lake Turkana, a Kenyan organization, concerned about the project’s consequences to Lake Turkana and the people who rely on it. We support that request, and believe that the following evidence regarding impacts to Ethiopians will justify a comprehensive project compliance review and investigation by the CRMU. Like Friends of Lake Turkana, we believe that intervention and considerable consultation with project-affected peoples is imperative before the AfDB Board conducts any discussion of funding for the Gibe III project.

45 See Annexe 1 for a summary of signatory organizations.
Our engagement with the AfDB began on September 22, 2008, with an email inquiry by Ms. Terri Hathaway of International Rivers to Mr. Emmanuel Nzabanita, Gibe III Task Manager. On December 11, Ms. Hathaway submitted a summary of seven key concerns to Mr. Nzabanita with a request to arrange a phone conference which would include NGO representatives from Bank Information Center, Campagna per la Riforma della Banca Mondiale, Friends of Lake Turkana, and International Rivers. On January 20, 2009, we sent a more detailed discussion document for a phone conference and informed Bank staff of the interest of two additional groups, Anuak Justice Council and Indigenous Peoples of Africa Coordinating Committee, to also participate in the conference call.

On January 22, Mr. Nzabanita informed us that the conference call was scheduled for February 4. However, on January 30, we received notice that the phone conference was canceled without reason, accompanied by a written response to a small selection of our concerns. We informed the Bank of our disappointment in the cancellation and asked how we could engage with Bank staff going forward. No additional opportunities to discuss project concerns have been presented by Bank staff. In addition, at no time during this communication did Bank staff inform us that a revised ESIA, released in early March 2009, was forthcoming. This experience has given rise to serious concerns on our part that the AfDB has no intention of seriously engaging with anyone expressing concerns about the Gibe III project.

During our engagement with the AfDB staff and the preparation of this letter, we have continued to share information with confidential intermediaries who are in touch with the downstream affected communities. Due to the region’s physical and linguistic isolation, and the extremely poor consultation process (discussed below), affected peoples have virtually no awareness of this project or anticipated impacts. This has impaired the process of engaging local, affected peoples to understand project risks and to protect their rights.

We have also attempted during this time to gather documentation of support for our request by affected peoples. However, we have ceased all attempts to gather documented support due to fears of government retaliation, including physical harm, for any affected persons coming forward. We believe that retaliation could target families and entire indigenous peoples. Faced with long-term government neglect, racism and physical isolation, the confidentiality policy of the CRMU cannot provide adequate security for these vulnerable communities.

One intermediary warned that individuals or communities who are identified as supporters of our request could be exposed to “dangerous local processes, up to ethnic cleansing.” Communities which have been previously identified for past actions to protect their rights and resources may be particularly at risk if they speak out on this project. After a major BBC report about the Gibe III Dam aired in March, at least one

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46 See Annexe 2 for an archive of our email communication with AfDB staff.
47 See Annexe 3 for our detailed discussion document.
48 See Annexe 4 for the response document prepared by Mr. Emmanuel Nzabanita, Gibe III project Task Manager.
local who assisted in the production was identified, contacted and warned by government officials. Other individuals identified in the BBC program may now be targeted.

These concerns are further validated by recent experiences in Ethiopia. A Human Rights Watch report released in 2005 documents the military-led atrocities against the Anuak, an indigenous people in the nearby Gambella region of Ethiopia.\textsuperscript{49} We believe that similar, state-sanctioned actions could take place amongst Gibe III affected communities. In 2007, the UN Committee on the Elimination of Racial Discrimination observed:

According to information before the Committee, both from within the UN system and Ethiopian civil society, as well as from international non-governmental organizations, very serious violations of human rights along ethnic and racial lines have recently occurred in the State party. […] In the above context, the Committee is alarmed by well-documented reports of grave incidents of racial discrimination and is deeply concerned that inter-ethnic conflicts could escalate to a much larger scale in the near future, fuelled by political tensions and violations of basic economic, social and cultural rights, and exacerbated by competition over natural resources, provision of food, access to clean water and agricultural land, thereby putting many ethnic groups at serious risk in the State party.\textsuperscript{50}

Prioritization of the Gibe III Dam is supported at the highest levels of Ethiopian government, which has long intimidated any groups that might offer critical views of government development projects, making what space is available to civil society very constricted and perilous. The new ‘Charities and Societies Law’, Proclamation No. 621/2009, 13/2/09, criminalizes human rights advocacy work of local NGOs receiving more than 10% of their budget from foreign sources.\textsuperscript{51} Such work, including on land rights and gender equality, could result in up to five years imprisonment. This serves as an additional signal of the limited space for civil society engagement in the development debate. This diminishing space comes after the mass violence and arrests in the wake of Ethiopia’s 2005 parliamentary elections in which opposition leaders, perceived supporters, journalists and NGO staff were all targeted.

A recent USAID field investigation report on the Gibe III Dam found:

“The current political landscape for civil society/NGOs remains difficult in the aftermath of the May 2005 parliamentary elections. This political environment discourages public discourse on development issues, including both energy policy and projects to implement the policy. An NGO law passed in early January 2009 is the most recent attempt to weaken civil society’s voice and disengage civil society from the policy-making process. The new law heavily restricts the


\textsuperscript{50} Concluding observations of the Committee on the Elimination of Racial Discrimination: Ethiopia. 20/06/2007. CERD/C/ETH/CO/15. Available at: \url{http://www.unhchr.ch/tbs/doc.nsf/(Symbol)/0b3f737a40b0deaac125730700522121?OpenDocument}.

thematic areas where civil society organizations can operate and places funding restrictions on local NGOs by international NGOs. The areas that are compromised include governance, civil society, and human rights issues. Some stakeholders see the new law as an additional element of political control and targeted towards a small number of NGOs (about 100) that were politically active during the earlier elections, with the GoE trying to head off any disagreements.

“The absence of a free debate in the media also compounds concerns associated with the lack of public discourse. There appears to be tight government control of the media with no questions openly asked concerning national development issues and policies. This further restricts the limited amount of political space civil society has to engage in with the government.”52

We believe that that Gibe III affected communities have been grossly uninformed of the project’s impacts, the project’s impacts to these communities have been poorly analyzed and underestimated, and these communities risk physical harm should they speak out. Given the extreme risks for state-sanctioned retaliation against vulnerable communities and civil society, we urge the CRMU to register our request without documented support from affected communities.

Our concerns with the Gilgel Gibe III Dam are:

1. Lack of consultation with project affected peoples and civil society in Ethiopia;
2. Unaddressed violations of domestic law in project preparation;
3. Belated and inadequate environmental and social impact assessment and related documents;
4. Grave risks for indigenous communities in southwestern Ethiopia, due to major environmental changes the dam will cause and grossly inadequate mitigation; and
5. Fiscal risks for Ethiopia.

1. Lack of Consultation
To date, the political atmosphere in Ethiopia has prevented affected peoples and civil society from raising concerns about the Gibe III Dam, due to the following factors:

- Most affected peoples do not understand how the project may affect them because the project consultation process has been untimely and grossly inadequate;
- Most downstream affected communities are part of indigenous groups which are physically and linguistically isolated, and politically and economically marginalized;
- Project developers have made virtually no project information publicly available in Ethiopia to date, including via media coverage, leaving Ethiopian civil society uninformed about the project’s potential risks and impacts; and

The Ethiopian government has taken actions in recent years to restrain public debate over controversial government priorities, such as hydropower development, and civil society activities on human rights advocacy.

The majority of Ethiopian project-affected peoples are located downstream of the dam site in the Lower Omo Valley. The Environmental and Social Impact Assessment (ESIA) identifies at least 100,000 Ethiopians who are members of indigenous households engaged in flood recession cultivation, and the region’s total population is approximately 500,000 people. The dam will impact not only recessional farmers, but pastoralists and fishers who also rely on the annual flood patterns. The dam’s impacts on these food sources and livelihoods could ultimately devastate the food security and local economy which engages most of the region’s 500,000 people. Most of these individuals are members of indigenous peoples who are geographically remote and politically vulnerable. The region includes virtually no modern infrastructure, such as roads, electricity, and phones. Few members of these communities speak Amharic, Ethiopia’s national language, and even fewer can speak English, the language in which the ESIA project documents have been produced.

Project documents state that only 93 community members from four of the eight or more downstream indigenous peoples were consulted: Mursi, Nyangatom, Dassanech and Karo. Other affected indigenous peoples in Ethiopia, namely the Hamar, Bodi, Kwagu, Muguji, and Bashada, have never been consulted. All downstream consultations occurred in 2007, after construction commenced, so those few who were invited to share their perspectives would likely have seen the project as a fait accompli in which their views were unlikely to affect outcomes. The process outlined by the project’s ESIA suggests that they were selected by the Ethiopian government rather than by the communities they were ostensibly representing. According to one confidential source close to one of the communities, consultative surveys that were designed to be completed by members of indigenous peoples in the Lower Omo Valley were reportedly filled out by local officials without the knowledge or input of the communities. The impact of these or any future consultations are undermined by the fact that the project is already well underway.

A recent, major BBC report found strong evidence of the lack of consultation of downstream affected communities. USAID’s January 2009 investigation also found significant lack of consultation with affected communities.

The inadequacy of the consultation process is a violation of affected people’s right to consultation protected under the Ethiopian Constitution, which states: “the design and implementation of programmes and projects of development shall not damage or destroy

the environment; [...] people have the right to full consultation and to the expression of
their views in the planning and implementation of environmental policies and projects
that affect them directly.”

Multiple contributions to our analysis of project impacts have been received only on
condition of our agreement to maintain confidentiality. One contributor commented, “In
all my years of [...] I've not come across anything quite so devastating -- both
ecologically and culturally – as this [dam].”

According to the Bank’s 2001 Environmental and Social Assessment Procedures for
African Development Bank’s Public Sector Operations:

5.1 During the ESA process for Category 1 projects, the Borrower is required to conduct
meaningful consultations with relevant stakeholders, including potential beneficiaries,
affected groups, Civil Society Organisations (CSOs) and local authorities, about the
project’s environmental and social aspects and take their views into account. These
consultations shall take place according to the country’s legal requirements, if they exist,
but should at least meet the minimal requirements described hereafter.

5.2 The Borrower initiates consultations as early as possible during the project
preparation phase. For meaningful consultations, the Borrower provides relevant
information in a timely manner and in a form and language accessible to the groups
being consulted.

Section 4.24 of AfDB’s Policy on Information Disclosure states that “local populations
shall be informed of the results of the ESIA and their opinions about proposed
recommendations solicited.” Section 4.25 states, “before the Bank Group proceeds to an
appraisal mission for Category 1 projects, available ESIA studies shall be released in the
borrowing country project area at some public place accessible to potential beneficiaries,
affected group and local CSOs.” Reports from the area suggest that the ESIA documents
have not been made available to affected communities and that consultations did not
occur in a manner consistent with Bank policy.

The project consultation process has been grossly inadequate and violates Bank
consultation requirements noted above.

2. Unaddressed violations of domestic law in project preparation
Construction began on Gibe III dam in 2006, nearly two years before approval of an
ESIA – a gross violation of international best-practice, and more relevantly, of Ethiopia’s
Environmental Impact Assessment Proclamation, which states, “Projects will be subject
to ESIA and execution is subject to an environmental clearance from the EPA [...] All
other licensing agencies shall, prior to issuing of a license, ensure that either EPA or the
regional Environmental Agency has authorised implementation of project.”

The Bank’s Environmental and Social Assessment Procedure policy states:
2.5 The projects financed by the Bank shall comply with the RMC’s environmental and social legislation, policies and guidelines, with local and national requirements on public consultations and disclosure, as well as with international agreements ratified by the borrowing country.

3.16 OPs shall undertake a Pre-approval Audit with SDPRU assistance if the scoping exercise indicated a need for evaluating past and present environmental and social liabilities associated with the project.

Project preparation did not adhere to multiple domestic laws and international agreements ratified by the government of Ethiopia. There is no indication that the Bank has addressed this violation of both its own policy and those of Ethiopian law. Nor is it clear that the Bank has undertaken a pre-approval audit to address the two year legacy of project impacts prior to an ESIA.

3. Belated and Inadequate Environmental and Social Impact Assessment (ESIA)
The Ethiopian Environmental Protection Authority approved a package of documents related to Gibe III in July 2008. Final versions of the documents dated January 2009 were received by Bank staff February 23, 2009 and made available on EEPCo’s website in March 2009. (As of April 6, 2009, several of these documents remained inaccessible due to a technical problem which EEPCo has yet to fix.).

- Gibe III Dam Environmental and Social Impact Assessment (ESIA)
- Additional Study of Downstream Impacts
- Environmental & Social Management Plan
- Public Consultation and Disclosure Plan
- Dam and Reservoir Site Resettlement Action Plan (vols 1 and 2)

There was no public information available regarding any process to receive and incorporate public comment on the July 2008 version prior to the publication of the January 2009 final documents. While electronic copies of the 2008 documents were reportedly available from the project office in Addis Ababa, local civil society groups would risk being targeted should they request a copy from the project office.

Collectively, the ESIA documents reflect wholly inadequate analysis and scientific study, especially given the physical and financial size of this project, its risks, and impacts. The ESIA’s positive assessment of the project’s effects relies on a simplistic analysis based almost entirely on assertions unsupported by facts. The document’s objectivity was overwhelmingly compromised by the need to provide a positive assessment for a project far along in its construction phase. Key examples of sub-standard analysis include:

1. Misrepresentation of project benefits:

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56 We have not reviewed additional studies: Chida-Sodo Road Realignment; Gibe III-Sodo Transmission Lines Project; and Gibe III – Sodo Transmission Lines Resettlement Action Plan.

57 Please see Annexe 3 (our AfDB discussion document), Annexe 5 (our ESIA critique) and two critiques prepared by the African Resources Working Group (May 2008 and January 2009). ARWG reports are available at www.arwg-gibe.org.
• Restoration of Turkana basin, based on simplistic statements, is stated as a benefit, yet the dam poses a grave ecological risk to Lake Turkana;
• Displacement of firewood use by electricity is identified as a benefit, but this is unlikely. Firewood is used for cooking and heating, energy-intensive household uses. Most households, including those connected to the grid will continue to use firewood or charcoal for these purposes; and
• Reservoir fishing was also considered a benefit of the Gilgel Gibe Dam project, but a ban on fishing has reportedly been established in the Gilgel Gibe reservoir.

2. Poor and inaccurate baseline information:
• Baseline health studies are inadequate;
• Upstream and downstream areas were studied separately, and at different times. The analysis of the two areas was not standardized, making it difficult to understand the thematic impact (ie, fishery resources) across the entire project impact area. By geographically separating project impacts, the assessments seem to minimize the project impacts;
• Current use of food aid is overstated in the Lower Omo Valley and the independence and self-sufficiency of the valley’s resource economy is not adequately identified;
• Complete neglect of identifying the social context of the Turkana region; and
• Lack of comprehensive geological studies including slope stability, particularly given current geological complications of Tekeze and Gilgel Gibe II hydro projects.

3. Inadequate consideration of project alternatives:
• The 2008 ESIA documents limit project alternatives to two alternative layouts of the Gibe III Dam, but neglect any discussion of project alternatives which could meet the identified needs;
• The January 2009 ESIA documents gives a vague, one page analysis of project alternatives, added long after the choice to build Gibe III Dam was made;
• Energy supply alternatives which should have been discussed include: geothermal potential, a planned 120 MW wind farm at Mekele, and other small, medium and large hydro dam options; and
• Gibe III is also an export revenue scheme. There is no discussion of why hydropower exports are the preferred investment for possible export revenue schemes. Nor is there any discussion of supply alternatives for the East African Power Pool, to which Ethiopia intends to sell power.

4. Many project impacts are poorly analyzed and/or quickly dismissed:
• Downstream, regional impacts of lost livelihood resources (annual flood), and subsequent negative effects on food productivity, the local resource economy, and potential resource conflicts in the downstream area is poorly understood and addressed;
• The Resettlement Action Plan excludes downstream communities losing livelihood resource assets and some 275 Hadiya nomadic households (about 1,400 people) losing grazing land access in the reservoir region (as identified in a 2006 version of the EIA);
• Erosion and other impacts of the daily flood pulse on immediate downstream areas is not adequately considered;
• Biodiversity loss and impacts to nationally and internationally protected areas are quickly dismissed as negligible;
• Lack of hydrological modeling of the Omo Basin to determine risks in a changing climate; and
• Cumulative impacts of existing and planned dams, along with extensive irrigation plans along the Omo, are analyzed in 1 page, giving a simplistic analysis of cumulative basin level impacts.

5. Unsuitable mitigation measures leave hundreds of thousands at risk of diminished quality of life and livelihoods:
• The artificial flood is based on inadequate assumptions, insufficient methodology and analysis, lacks scientific modeling of predicted results for required food productivity, and lacks identification of areas the planned flood would no longer reach;
• The determination of the environmental flow is based on unsound methodology which does not reflect current best practice of the discipline and could further harm the downstream ecosystem rather than protect it. Observers say the environmental flow at Gilgel Gibe Dam has not been consistently respected;
• Buffer zone around the reservoir is planned, but ineffective enforcement of the buffer zone surrounding the Gilgel Gibe dam reservoir has resulted in riverbank erosion; and
• Mitigation of health impacts around the reservoir region rely on prevention and monitoring, and lack expanded treatment for infections, particularly for malaria and sexually transmitted diseases. Health infrastructure for communities surrounding the reservoir may not be reinforced as suggested.

The ESIA’s discussion of gender impacts and benefits is simplistic and does not demonstrate compliance with the Bank’s 2001 Gender Policy. The Resettlement Action Plan fails to include downstream communities losing livelihood resource assets, some 275 Hadiya nomadic households (about 1,400 people) losing grazing land access in the reservoir region (as identified in a 2006 version of the EIA), and the 192 households affected by the transmission line. The compensation for lost resources identified for those affected by the transmission line uses a different methodology. This represents a major violation of the Bank’s 2003 Involuntary Resettlement policy, which applies when assets are lost or livelihoods are affected, and which identifies disadvantaged groups, including minority ethnic and linguistic groups, at the center of its approach. The policy states:

1.1.7 The policy applies to all Banks' funded operations, in public and private sector, whether Bank financing is directly channeled as investment loans or administered by a financial intermediary. The policy also applies when project results in assets being lost and/or livelihoods being affected, without actual displacement or resettlement of affected people.

4.1.1 Resettlement planning should be based on a development approach which would involve offering the displaced persons and host communities several development
**options** consisting of activities to reconstruct the production foundation of the resettled and making them self-sustaining producers and wage earners. […] The development activities should be **gender sensitive** and **be appropriate for the special needs of disadvantaged groups, ethnic, religious and linguistic minorities, elderly, female headed households, indigenous groups, etc.**

The project ESIA violates multiple Bank safeguard policies and demonstrates gross neglect of the Bank staff’s due diligence in project preparation.

### 4. Grave Risks for Indigenous Communities in Southwestern Ethiopia

Since the early 1970s, a large body of detailed information about the peoples of the Lower Omo has been provided by scholars from various countries. It is clear from this work that, unless effective mitigating measures are taken, the regulation of the Omo River flow and elimination of the annual flood caused by the Gibe III dam will destroy the livelihoods of at least 200,000 people, belonging to six different ethnic groups -- Bodi, Mursi, Kwedu/Kwgeji, Nyangatom, Kara and Dassanech. This could further devastate the economic well-being of nearby indigenous and non-indigenous communities alike.

Flood recession cultivation is a vital contribution to the long term sustainability of the economy of each of these groups, in combination with cattle herding and, for those living in the north of the lower basin, shifting cultivation. For some, such as the Kara and Dassanech, flood cultivation provides all their grain requirements. For the Dassanech, who occupy the Omo delta, the flood is also vital for their pastoral activities since, during the driest months of the year (from November to March), the recently flooded ‘flats’ provide excellent grazing when no alternative pasture is available.

It is highly doubtful that a controlled flood, as described in the project documentation, would support the existing level of flood recession cultivation. First, the details given are extraordinarily brief and superficial, considering that this is a highly complex (technically and institutionally) method of sustaining a flood-plain ecosystem. The natural flood lasts from March/April, when the river begins to rise, until September when it begins to fall, having reached its peak level in August. It is hard to imagine that the short, intense duration of the proposed, ten-day artificial flood could replicate the conditions required for cultivation. Second, the combination of the sediment-trapping reservoir and the intense flood will cause the downstream river to erode the river banks rather than depositing the nutrient rich soil done by natural, extended flood cycle. Third, an artificial flood regime requires compliance from the dam operators, and no clear measures for compliance are identified. The likelihood of non-compliance with an artificial flood regime increases when it may interfere with profitable water uses, such as hydropower generation (much of it for export) and commercial irrigation schemes.

Project documents show only a superficial understanding of the role of the annual flood in the area’s local economy and food security, and virtually no acknowledgement of customary land and resources rights of the affected communities. Without adequate

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mitigation, project impacts will be devastating for the quality of life of local people, creating chronic hunger, poor health, and food aid dependence. It could also result in resource conflicts and a general unraveling of the region’s social stability and economy. Confidential sources say that the communities have a high level of independent food security and most receive very little food aid (and only during extreme years), contrary to the ESIA’s statements that these communities are chronically food insecure and regularly depend on food aid. The extent of these risks is severely underestimated in the ESIA, and, we fear, by the AfDB.

The recent USAID report found:

“The project will transform these groups’ subsistence lifestyle into the more formal market-based economy, which will require them to change their livelihood strategies and cultures at an accelerated pace. Currently, these groups do not have the capacity to move effectively into the mainstream of society without extensive support. They are ill-equipped to compete in the labor market due to their lack of formal education and inability to speak the national language. The project will enable the GoE to have more control over these groups by distributing or not distributing food aid, providing or not providing agricultural inputs, and requiring payment of taxes. The project has the potential to exacerbate existing pressures on groups by increasing competition over decreasing resources. For example, although rainfall is variable and unpredictable, pastoralists depend upon it for agriculture or pasture. If the rains fail, the groups can lose large areas of land rapidly. With population growth reducing the amount of available highland land, agricultural activity is expanding into pastoralists’ land, which also has the potential for igniting conflict.” (p. 8)

Article 2(2) of the UN Convention on Civil and Political Rights (ratified by Ethiopia) states that, “in no case may a people be deprived of its own means of subsistence.” If indigenous peoples along the Omo River are deprived of their flood retreat cultivation practices, their survival will be in great jeopardy.

We are also aware that the Ethiopian government is proposing to build two additional large, hydropower dams on the Omo River downstream of the Gibe III dam site. There is further information that the government is awarding numerous mineral and oil exploration concessions in the broader region. Reports suggest that around 160,000 hectares of grassland in the lower basin have already been allocated to foreign and Ethiopian investors for biofuel feedstock production. The African Resources Working Group noted:

"Additional dispossession and disruption of the ethnic groups of the lowermost Omo basin, from the planned irrigation agricultural schemes and industrial projects described in the downstream EIA and planned by the Ethiopian government… will precipitate waves of new conflicts among groups already competing with one another over the shrinking natural resource base available to all of them."
In 1997, the United Nations Committee on the Elimination of All Forms of Racial Discrimination confirmed that the failure of states to recognize and respect indigenous customary land tenure is a form of racial discrimination. The Committee issued a call upon states: “to recognize and protect the rights of indigenous peoples to own, develop, control and use communal lands, territories and resources and where they have been deprived of their lands and territories traditionally owned or otherwise inhabited or used without their free and informed consent, to take steps to return these lands and territories.”

Gibe III dam’s risks to livelihoods and the violation of communities’ rights are exacerbated by the government’s future regional plans. The AfDB must ensure the utmost due diligence in its project engagement and take every possible step to safeguard the interests of these indigenous peoples. At this time, the Bank has failed to conduct due diligence, putting the survival and well-being of these peoples at grave risk.

5. Fiscal Risks for Ethiopia

Gilgel Gibe III Dam represents the single largest infrastructure investment in Ethiopia to date. The project is supposed to provide supply for domestic and regional electricity demands, in part to generate export revenue. However, risks of project underperformance and risks to the country’s debt sustainability have not been adequately assessed. An independent, desk study report entitled Gilgel Gibe III Economic, Technical and Engineering Feasibility was submitted to Bank staff on April 15, 2009, which identifies several critical concerns previously unknown to us. Concerns regarding the project’s engineering design, limited technical oversight, and affordability of electricity suggest strong potential for physical and economic failure of the Gibe III Dam. Further investigation of the concerns raised in this report should be conducted before construction of the dam wall takes place, and before the Bank considers project funding.

These risks are exacerbated by the project’s contract procurement which violates both Ethiopia’s and the Bank’s procurement policies. The Ethiopian government directly awarded the primary contract for Gibe III (worth $1.7 billion) to Salini Costruttori without a bidding process. We must ask why procurement guidelines exist if the Bank is only going to find ways to evade them.

While the CRMU may not have the mandate to consider procurement violations, we hope that it does have the power to investigate some of the resulting financial risks which could lead to an unsustainable debt for Ethiopia. We believe that the government and people of Ethiopia are exposed to fiscal risk and problems of rapid debt accumulation because project costs and cost-effectiveness were not adequately reviewed. The contract should be subjected to close scrutiny, given the irregular circumstances under which it was agreed to, and investigators should explore whether the project contractor is set to realize disproportional benefits and/or the government exposed to undue liability in the


event of project under-performance or failure, including due to risks from low hydrology and climate change.

**Conclusion**

We request, therefore, that the CRMU undertake an urgent investigation into the Gilgel Gibe III Dam project. We will make every effort to provide further reliable data, and, where possible, connections to community members and informed experts, on a confidential basis, who can assist with your investigations. We hope that our request will complement that of Friends of Lake Turkana, and that CRMU will be able to undertake an effort that can respond to the issues raised by both of these requests.

Sincerely,

Obang Metho  
Anuak Justice Council  
Solidarity Movement for a New Ethiopia  
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Indigenous Peoples of Africa Coordinating Committee

Terri Hathaway  
International Rivers  
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Annex 2
Management Response

RESPONSE TO THE NOTICE OF REGISTRATION (No.: RQ2009/1b)

ETHIOPIA: GIBE III HYDROELECTRIC POWER PROJECT

I. Introduction

The Compliance Review and Mediation Unit (CRMU) received on 28th April 2009 a second Request in relation to the Gibe III Hydroelectric Power Project in Ethiopia which is under consideration for financing by the African Development Bank (AfDB). The Request, dated 22nd April 2009, was submitted by Anuak Justice Council; the Bank Information Center; Campagna per la Riforma della Banca Mondiale; and International Rivers. The requestors allege that they are concerned about the potential negative impact of Gibe III, particularly on the environment and the peoples of southwestern Ethiopia and North Western Kenya, and they demand CRMU to handle their request through a Compliance Review.

The Request according to CRMU fulfills the preliminary requirements for registration specified in paragraphs 13, 19, 20 of the Operating Rules and Procedures of the Independent Review Mechanism (IRM).

Pursuant to IRM Rules, CRMU Director informed the Bank President that the Request has been registered for compliance review in the IRM Register of Requests on 22nd July 2009. The Register of Request is accessible on the AfDB website at www.afdb.org/irm.

In conclusion, the requestors ask CRMU to undertake an urgent investigation into the Gibe III Dam project. They commit to make efforts to provide further reliable data and, where possible, connections to community members and informed experts, on a confidential basis, who can assist with the investigation. They also hope that their request will complement that of Friends of Lake Turkana (FoLT), which is presently handled by CRMU through a problem solving exercise to resolve issues of concern which relate to the downstream impact of Gibe III. Finally, the requestors expect that CRMU will respond to the issues raised by both requests.

In handling this request, CRMU has undertaken the following:

1) CRMU has registered the Request for compliance review.

2) The Request has been assigned the following Request number: RQ2009/1b. The Requestors and the Bank’s Management and other interested parties shall refer to this number in future correspondences with CRMU.

3) In accordance with paragraph 31 of the IRM Operating Rules and Procedures, the Bank’s Management must provide CRMU by no later than 20th August 2009 (extended to 27th August 2009 through an email from Mr E. Sovik, Director, CRMU) with written evidence that it has, or intends to comply with the Bank Group’s relevant policies and procedures.
4) CRMU has noted that the requestors hope that their request will complement the complaint of Friends of Lake Turkana (FoLT) as both relate to the same project. However, CRMU has decided to handle the present request through a Compliance Review due to the magnitude of the issues raised by the requestors and the need for determination of the eligibility of the request.

5) Upon receipt of the Management’s response, the Director of CRMU will, in accordance with paragraph 44 of the IRM Operating Rules and Procedures, conduct a review to determine if the Request is eligible for a Compliance Review. In order to complete this review, the Director of CRMU may require additional information from the Requesters and the Bank’s Management.

6) It may be necessary, pursuant to paragraph 30 of the IRM Operating Rules and Procedures, to extend the schedule for this eligibility review pending upon the availability of information and any concurrent actions resulting from the FoLT problem solving exercise which may implicate the present request.

7) Upon conducting the above-mentioned review, the Director will determine whether the Request is eligible. In case it is determined to be eligible, he will submit a report recommending a Compliance Review to the President/or the Boards of Directors, depending on the approval status of the project. If the Request is determined ineligible by the Director, the procedures described in paragraph 48 of the IRM Operating Rules and Procedures will apply.

II. Background

The Gibe III Hydroelectric Power Project, which is being developed by the Ethiopian Electricity Power Corporation (EEPCO), is located within the Gibe – Omo River Basin, in the middle reach of the Omo River, around 450 km by road south of the capital Addis Ababa. It is a 1,870 MW power plant which is intended to produce 6,500 GWh of firm energy per year. The Gibe III Hydropower scheme comprises a 240 meter high dam which will create a reservoir with a surface area of some 200 km² and a live storage of some 11,750 million m³ and a surface powerhouse equipped with ten power generating units and a switchyard. The scheme, from the root of its reservoir to its tailrace outfall, extends over a corridor some 155 km long. Administratively, the reservoir stretches over five zones and twelve weredas. The downstream area extends from the dam site up to Lake Turkana. Omo River below the Gibe III dam traverses through the four weredas of South Omo Zone. The power produced by the 1,870 MW Gibe III project will be delivered to the interconnected System (ICS) through a 65 km long four double circuit 400kV overhead transmission line that connects the Gibe III to a new substation at Sodo.

III. Concerns of the Requestors and Responses from the Bank’s Management

The Requestors presented five concerns with the Gibe III Hydroelectric Power Project. These concerns together with responses from the Bank’s Management are provided below.
Concern 1: Lack of consultation with project affected peoples and civil society in Ethiopia

The requestors say that the political atmosphere in Ethiopia has prevented affected peoples and civil society from raising concerns about the Gibe III Dam, due to the following factors:

- Most affected people do not understand how the project may affect them because the project consultation process has been untimely and grossly inadequate;
- Most downstream affected communities are part of indigenous groups which are physically and linguistically isolated, and politically and economically marginalized;
- Project developers have made virtually no project information publicly available in Ethiopia to date, including via media coverage, leaving Ethiopian civil society uninformed about the project’s potential risks and impacts; and
- The Ethiopian Government has taken actions in recent years to restrain public debate over controversial government priorities, such as hydropower development, and civil society activities on human rights advocacy.

The requestors add that only few members of these communities speak Amharic and even fewer can speak English, the language in which the ESIA project documents have been produced. In addition, they say the project documents state that only 93 community members from four of the eight or more downstream indigenous peoples were consulted: Mursi, Nyangatom, Dassanech and Karo. Other affected indigenous peoples in Ethiopia, namely the Hamar, Bodi, Kwagu, Muguji, and Bashada, have never been consulted. They provide that all downstream consultations occurred in 2007, after construction commenced, so those few who were invited to share their perspectives would likely “have seen the project as a fait accompli in which their views were unlikely to affect the outcomes”. They state that the process outlined by the project’s ESIA suggests that “these people were selected by the Ethiopian government rather than the communities they were ostensibly representing”. According to one of their confidential sources close to one of the communities, the requestors say that, “consultative surveys that were designed to be completed by members of indigenous peoples in the Lower Omo Valley were reportedly filled out by local officials without the knowledge or input of the communities”. The requestors elaborate that the impact of these or any future consultations are undermined by the fact that the project is already well underway. The requestors - by referring to the conditions provided in both the 2001 Environmental and Social Assessment Procedures for the African Development Bank’s Public Sector Operations, and the Bank’s Policy on Information of Disclosure - believe that “the project consultation process has been grossly inadequate and violates Bank consultation requirements”.

Response to Concern 1

A separate volume of the ESIA Study “Public Consultation and Disclosure Plan” (PCDP) describes the public consultations for Gibe III Hydroelectric project carried out with project affected communities, community elders, local authorities, NGOs, etc. in 2006, 2007, 2008 and 2009. Pictures attached show meetings with communities and a map showing the locations of public consultations meetings is presented below.
The following were the key objectives of the consultations:

- To inform members of the communities about and discuss the nature and scale of adverse impacts of the project on their livelihoods and seek their participation in the project cycle;
- To identify appropriate mitigation and benefit enhancement measures that could be identified through public consultations with stakeholders; and
- To provide opportunities to the project affected communities and their leaders to have a say towards the project so that their views and proposals are taken into consideration in the formulation of mitigation and benefit enhancement measures.

A combination of various consultation methods were used to assess knowledge, perception and attitude of the communities about the proposed project and its potential impacts. The
methods used during the consultation process included interviews with key informants/people, small group discussions and public/community meetings.

The consultative meetings at zonal and wereda levels were done through the official language: Amharic. However, the community and individual based discussions were conducted in local languages through an interpreter that speaks the local language.

**Total Consulted stakeholders:** As shown in the table below (from the PCDP, January 2009), a total of 1,749 people drawn from governmental organizations, NGOs, peasant association (Kebeles), local residents, household heads, and from the project client and contractor participated in the consultation. The consultative meetings include people from different demographic characteristics and this gave wider opportunity to gather satisfactory information about the attitudes of the people towards the implementation and the consequences of the project.

**Summary of Consultations**

<table>
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<tr>
<th>Organisations/Party Times</th>
<th>Times consulted</th>
<th>No. of consultees</th>
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<tbody>
<tr>
<td>Regional, Zonal, Wereda Government</td>
<td>32</td>
<td>203</td>
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<tr>
<td>Peasant Association</td>
<td>72</td>
<td>409</td>
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<tr>
<td>Local residents</td>
<td>32</td>
<td>869</td>
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<tr>
<td>Household Heads/Individual</td>
<td>268</td>
<td></td>
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<tr>
<td>NGOs</td>
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<tr>
<td>EEPCO/Client</td>
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<td>EPC Contractor</td>
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<td></td>
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<tr>
<td>Owner’s Engineers</td>
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<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>136</strong></td>
<td><strong>1749</strong></td>
</tr>
</tbody>
</table>

**Major Findings of Public Consultations:** during public consultations with each community group a number of important points were raised and discussed. The participants expressed their anxiety, fears, uncertainties, preferences, needs, demands, reservations, expectations, hopes, aspirations, general comments, commitments, appreciation, and questions for clarifications. The summary of key issues discussed is presented below.

- The Omo River has always been the life blood of the community providing an essential water source for their livestock and crop production. They know the absence of flooding will put the communities in a state of precarious balance between survival and deprivation;

- The community members use flood plains to grow various crops both for consumption and for sale following the overflow of the Omo River during the rainy season and subsequently after the flood waters have receded. Any reduction in the area flooded or the duration of flooding would have consequences on the recession agriculture and grazing resources and fishery resources;

- Once the hydro-electric dam is in place, constant flow will set in, and no more swelling of the Omo River is to cause flooding in downstream areas. As a result, there will not be grazing areas, croplands and pools of water for fishing that may be used by pastoral communities;

- Plants growing on the flood plains have flowers used to harvest honey;
Quasi-lakes are also created by the overflows which downstream communities use for fishing. When the lakes are filled with flood water they are used for irrigation to produce food crops and the surplus is bartered for livestock and milk; and

They catch fish from the lakes for the purpose of household consumption and for sale.

The required information on project objectives, descriptions, and potential impacts were shared with the Stakeholders to make them aware of the project impacts, and the likely mitigation measures to be pursued and implemented. The participants have been encouraged to forward ideas, questions and comments to facilitate the implementation.

Consultative meetings upon completion of the ESIA and additional downstream studies: Stakeholders identified and consulted during the initial phase of the public consultation process were called to the next phase of consultative meetings. In May 2009, an additional consultation was carried out and a total of 83 community members from the downstream areas (Lower Omo) were consulted. The purpose of the meetings was to:

- update them with new project information;
- present the initial findings on the consultative meetings;
- present the draft PCDP; and
- present the proposed community development initiatives.

In addition, the Bank organized a special session for NGOs at its last Annual meeting held in Dakar in May 2009. The Bank will also in collaboration with the EIB and World Bank organize a session with NGOs once the final EFTA\(^{61}\) and additional ongoing study results are available. The Bank is currently in the process of organizing consultations with the Lake Turkana Communities. A report documenting these consultations is expected to be finalized in October 2009.

A joint World Bank, EIB and AfDB environmental and social due diligence is planned for October 2009 for the lenders to further confirm the adequacy of consultations and benefit packages developed by EEPCO.

Moreover, the project office will design, host and maintain a project website throughout the life of the project. This electronic medium will serve as a permanent promotion, information and public relations forum for the project making it easier to reach out to both national and international stakeholders and address their concerns in addition to equipping them with accurate and up-to-date information about the project and its progress. The project will complete the following tasks to make the website up and running:

- Design and host an interactive and dynamic project web site;

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\(^{61}\) The Economic, Financial and Technical Assessment (EFTA), which is currently being undertaken by Mott MacDonald (United Kingdom) and Sogreah (France), is an independent assessment of the project’s economic and financial viability and of the technical soundness of the project. The assessment includes a review of the EPC contract and of the key project risks.
• Populate the web site with project and other relevant information (including Environmental Inspection Report, Progress Report, Environmental Monitoring Reports) classified as ‘public domain’, as necessary; and

• Keep the web site as dynamic, lively and interesting as possible and maintain it throughout the life of the project.

**Concern 2: Unaddressed violations of domestic law in project preparation**

The requestors say that the construction began on the Gibe III dam in 2006, nearly two years before approval of an ESIA - a gross violation of international best practice, the Ethiopia’s Environmental Impact Assessment Proclamation - which states that “projects will be subject to ESIA and execution is subject to an environmental clearance from the EPA... all other licensing agencies shall, prior to issuing of a license, ensure that either EPA or the regional Environmental Agency has authorized implementation of the project.” The requestors provide that the Bank’s Environmental and Social Assessment Procedure Policy states in paragraph 2.5: the project’s financed by the Bank shall comply with the RMC’s environmental and social legislation, policies and guidelines, with local and national requirements on public consultations and disclosure, as well as with international agreements ratified by the borrowing country. They also refer to paragraph 3.16 of the same Policy that Operations shall undertake a Pre-approval Audit with SDPRU assistance if the scoping exercise indicated a need for evaluating past and present environmental and social liabilities associated with the project. According to the requestors, the project preparation did not adhere to multiple domestic laws and international agreements ratified by the government of Ethiopia. They say that “there is no indication that the Bank has addressed this violation of both its own policy and those of Ethiopian law”... “Nor is it clear that the Bank has undertaken a pre-approval audit to address the two year legacy of project impacts prior to an ESIA”.

**Response to Concern 2**

The preparation of the draft preliminary ESIA was completed in June 2006 and was followed by the construction of access roads and camp, with detailed site investigations starting in July 2006. The 2006 ESIA report identified key environmental issues associated with the construction and operation of the project and confirmed that these adverse impacts could be satisfactorily offset, minimized, mitigated or compensated. The report also recommended additional studies on Downstream Impacts and for the Resettlement Action Plan (RAP). It should be noted that the main contractor Salini already had a presence in the country and in the area as part of their contracts on the construction of Gibe I and Gibe II dams. As such a close collaboration with EEPCO and the Ethiopian Environmental Protection Agency (EPA) had already been established resulting in the application of international best practice for the ongoing construction for Gibe III, while awaiting a formal permit.

In October 2007 the EPC Contractor submitted a revised design (level I design) and based on this the Consultants carried out additional investigations and prepared and submitted the following ‘stand-alone’ reports:

i) Environmental and Social Impact Assessment – Dam and Reservoir

ii) Environmental and Social Impact Assessment – Downstream (additional study)
iii) Environmental and Social Impact Assessment – Gibe III – Sodo Transmission Line
iv) Environmental and Social Impact Assessment – Chida – Sodo Road Realignment
v) Environmental and Social Management Plan
vi) Resettlement Action Plan - Dam and Reservoir and Chida – Sodo Road Realignment
viii) Public consultation and Disclosure Plan

These ESIA ESMP and RAP reports were approved by the Ethiopian EPA on 23rd July 2008. The ESIA reports were subsequently updated in January 2009, incorporating comments from the AfDB and the Ethiopian EPA. Moreover, the EPC Contractor had an environmental and social management plan being implemented during the construction phase in line with their earlier practice.

Following the request by the Government of Ethiopia to co-finance the project on April 05, 2007, the Bank has fielded several missions to Ethiopia, including visits to the project site to inspect the implementation of the contractor’s onsite construction, environmental and social management system and interacted with the Ethiopian EPA staff to get their views and also to provide feedback on Bank views to improve the system. In the Bank’s judgment, the onsite construction practice is in line with international best practice. The ESIA study evolved gradually over time with the guidance from the Bank and other donors in order for the studies to comply with existing policies and guidelines. The independent review of the ESIA/RAP studies to be commissioned by the EIB and AfDB with collaboration of the World Bank will help to further improve the quality of the reports. As of today, the project preparation is still ongoing and throughout this process, AfDB is ensuring that it is compliant with all of its policies as well as international best practice.

**Concern 3a: Belated and inadequate environmental and social impact assessment and related documents**

The requestors say that the Ethiopian Environmental Protection Authority approved a package of documents related to Gibe III in July 2008. According to them, the final versions of the documents dated January 2009 were received by Bank staff on February 23, 2009 and made available on EEPCO’s website in March 2009. They claim that as of April 6, 2009, several of these documents remained inaccessible due to a technical problem which EEPCO has yet to fix. The documents are:

- Gibe III Dam Environmental and Social Impact Assessment;
- Additional Study of Downstream Impacts;
- Environmental and Social Management Plan;
- Public Consultation and Disclosure Plan; and
- Dam and Reservoir Site Resettlement Action Plan (vols. 1 and 2)

The requestors say that there was no public information available regarding any process to receive and incorporate public comments on the July 2008 version prior to the publication of the January 2009 final documents. In addition, they express concerns based on the inadequacy of the ESIA as “lacking analysis and scientific study especially given the
physical and financial size of this project, its risks and impacts”. They also say that the ESIA’s positive assessment of the project’s effects relies on “a simplistic analysis based almost entirely on assertions unsupported by facts. The document’s objectivity was overwhelming compromised by the need to provide a positive assessment for a project far along in its construction phase.”

Response to Concern 3a

As indicated above, the draft preliminary ESIA was prepared in June 2006, which led to the start of construction of the access road and camp and detailed site investigation design in July 2006. The report duly recognized that river flood dynamics are crucial to the survival of the downstream communities. Therefore, it was recommended to restore the system by releasing an artificial flood. Based on the recommendation of the ESIA, in October 2007 the EPC Contractor submitted a revised design (level I design) incorporating two middle level outlets. These middle outlets are foreseen through conduits embedded in the lateral blocks with the intake at el. 755. m a.s.l. and are capable of discharging up to 800 m3/sec each. The report also recommended an additional Study on Downstream Impacts and Resettlement Action Plan (RAP). As a result, the “stand-alone” reports indicated in the response to Concern 2 (previous page) were updated.

There was public information available regarding the process to receive and incorporate public comment on the July 2008 version. The electronic copies of the 2008 documents were made available from the project office in Addis Ababa. Comments were received from EMU, ELC (Owner’s Engineer), EPA, AfDB, WB, etc. (which were received on various occasions and forms between July 2008 and January 2009), prior to the publication of the January 2009 final documents.

The above documents have been disclosed and have been uploaded on EEPCo’s website: http://www.eepco.gov.et and also on the Bank’s website: www.afdb.org (through the following links: (i) Documentation; and (ii) Environmental and social assessment):

- Environmental and Social Impact Assessment (Main Report)
- Environmental and Social Impact Assessment: Additional Study on Downstream Impacts
- Environmental and Social Management Plan
- Resettlement Action Plan
- Environmental and Social Impact Assessment: Chida-Sodo Road Realignment Project
- Public Consultation and Disclosure Plan

Finally, as indicated in the response to Concern 1, EEPCo will design, host and maintain a project web site throughout the life of the project.

Concern 3b: Sub-standard analysis and related misrepresentation of project benefits

The requestors provide several examples of sub-standard analysis and relate them to the misrepresentation of project benefits; poor and inaccurate baseline information; inadequate
consideration of project alternatives; many of projects impacts which are poorly analyzed and/or quickly dismissed; and unsuitable mitigation measures which leave hundred of thousands at risk of diminished quality of life and livelihoods. In their view, “the Project ESIA violates multiple Bank safeguard policies and demonstrates gross neglect of the Bank’s staff due diligence in project preparation.”

Response to Concern 3b

1. Misrepresentation of project benefits:

   - Restoration of Turkana basin, based on simplistic statements, is stated as a benefit, yet the dam poses a grave ecological risk to Lake Turkana

Existing studies show that the flows into Lake Turkana will be substantially improved due to the presence of the dam. The following graphs illustrate the comparison between the monthly flows (at the Gibe III site) before and after the dam construction based on the most significant operating scenario envisaged. The analysis considers the discharges recorded during a 38 years period (1964 - 2001) simulating the operation of the plant.

   **Figure 1: Monthly flows at Gibe III site: average 1964-2001**
The graph below shows the average flows (38 years period). The subsequent graph shows the maximum discharges of a highly rainy year (year 1988).

**Figure 2: Monthly flows at Gibe III site: year 1988 (max flows)**

Average flows during the month of August currently range from 820 m$^3$/s to 2360 m$^3$/s (Gibe III section, 38 years flow records). While operating the Gibe III plant, the complete regulation of the downstream releases is allowed by the turbine outflows, up to a maximum of about 1000 m$^3$/s, together with the large outlet works discharges.

A controlled flood is foreseen from the reservoir during the months of August / September to coincide with the peak flows from the residual basin. This release is intended to limit the downstream flooding to the required extent, in duration and in areas, while reproducing the natural average flooding conditions. The planned discharge from Gibe III Hydroelectric facility will have the same magnitude as the average-year maximum flows on the Omo river downstream stretch. While moving downstream along the Omo River, towards Lake Turkana, a distance of over 700 km, the effects of the Gibe III flow regulation decrease following the contribution of the discharges from the residual basin.

The graph below shows the average flows of the Omo River at Lake Turkana (38 years mean). The subsequent graph shows the minimum discharges of a highly dry year (1988).
Figure 3: Monthly flows at Lake Turkana: average 1964-2001

Figure 4: Monthly flows at Lake Turkana: year 1987 (min flows)
Moreover, the Bank has hired the services of well qualified and experienced experts, including a hydrologist consultant, a socio-economist and sociologist to carry out the following: (i) assessing the impacts of Gibe III on Lake Turkana; (ii) assessing socio-economic conditions of people living around Lake Turkana; and (iii) undertaking public consultations with Lake Turkana communities including those recommended by the NGO “Friends of Lake Turkana”. The hydrological assessment will address some of the key environmental issues such as impacts on the lake water levels during reservoir filling and dam operation and associated impacts on salinity, flora and fauna in the lake. The result of these studies will allow the Bank to adequately assess the potential ecological impacts of the project on Lake Turkana.

- Displacement of firewood use by electricity is identified as a benefit, but it is unlikely that firewood will be used for cooking and heating, energy-intensive household. Most households, including those connected to the grid will continue to use firewood or charcoal for these purposes

Ethiopia has one of the lowest level of energy consumption per capita in the world, which is 28 kWh. Only 15% of the population has access to electricity and this mainly in urban areas. The use of wood fuel has been shown to have the negative effect of contributing to deforestation, loss of natural habitats, air pollution, and potentially harmful emissions.

One of the key components of the power sector development programme is the launching of a massive rural electrification program under the Universal Electrification Access Programme (UEAP). The UEAP envisages extending the access of electricity to some 24 million people. This is expected to increase electricity access from the current 15% to 50% of the country within five years. It will improve rural electrification and expand the use of electric power for social and economic activities.

- Reservoir fishing was also considered a benefit of the Gilgel Gibe Dam project, but a ban on fishing has reportedly been established in the Gilgel Gibe reservoir

The Gibe III dam at an elevation of about 900 m a.s.l. would create a reservoir of an area of 200km² with a max depth of 230 m at the dam. This is a large scale artificial lake that will create an opportunity for the development of commercial fishing activities in the project area. As such, there will be no ban on fishing. It is expected that many commercially valuable fish species like Nile perch, Lates niloticus, the Bagrus, Tilapia, Clarias, Barbus, and other large fish species that are currently in the riverine system would adapt and flourish in the reservoir. This would create the opportunity to develop a commercial fishing industry that would support the local community economically and nutritionally. Once the reservoir system is stabilized, with regard to its productivity, further study should be undertaken on the possibility and/or the need for stocking more fish species that could fill up open niches to enhance productivity of the reservoir without negative impact on the exiting fish fauna both in the reservoir and down stream.

This would provide sustainable job opportunities for up to 400 fishermen who would be direct beneficiaries from the reservoir fish resources. There will be much more indirect job
opportunities that would be created through the fishery related activities like the boat making and repair, fishing nets production and supply, fish processing and distribution, fish retail etc. A total of about 2,000 new job opportunities being created by the reservoir fishery would be a reasonable estimate.

Currently, fishermen around Gibe II are organized into more than 10 cooperatives at Kebele level and are participating in commercial fishing on a priority basis. Wereda cooperative promotion offices are playing a key role and this experience in cooperative commercial fishing will be reviewed before the implementation of the Gibe III scheme.

2. Poor and inaccurate baseline information:

- **Baseline health studies are inadequate**

  In collaboration with the district and regional health authorities a baseline health studies were carried out. In addition, in collaboration with all stakeholders activities will be implemented to help control and mitigate diseases. After the implementation of the project, existing health institutions in each affected weredas will be strengthened and a surveillance program for mosquito breeding areas, the occurrence of schistosomiasis, onchocerciasis and trypanosomiasis vector suitable habitats will be put in place.

- **Upstream and downstream areas were studied separately, and at different times. The analysis of the two areas was not standardized, making it difficult to understand the thematic impact (i.e. fishery resources) across the entire project impact area. By geographically separating project impacts, the assessments seem to minimize the project impacts**

The Preliminary ESIA report of 2006 has identified the potential for significant environmental impacts on the downstream environment. This assessment was of short duration and of limited scope. Therefore, it was recommended to carry out an additional study. Following this recommendation, potential impacts on the downstream environment in relation to the construction and operation of the Gibe III scheme were addressed and the recommendations are contained in a “stand-alone” report (this is done mainly to give the downstream issue more importance/emphasis). However, the upstream and downstream areas were studied at the same time.

- **Current use of food aid is overstated in the Lower Omo Valley and the independence and self-sufficiency of the valley’s resource economy is not adequately identified**

  Wereda officials from the Lower Omo Valley reported that for most people, the grain produced from these cultivations was only sufficient for 3-6 months. Food aid distribution often represents as much as 50% of the inhabitants livelihoods. Thereafter, they depend on food aid from the government and NGOs.

- **Lack of comprehensive geological studies including slope stability, particularly given current geological complications of Tekeze and Gilgel Gibe II hydro project**

  The ESIA view of seismic risk is based on the seismic risk assessment study carried out by the Contractor Salini as part of the Level I design. The geotechnical characteristics of the bedrock have been investigated by seismic campaigns, to determine their resistance to...
compressive stress and to determine the deep of the fractures and the result is presented in the Seismic Hazard Assessment Report and in the 2009 ESIA Report. This has resulted in the selection of the seismic design criteria, i.e. maximum ground acceleration (PGA) with the return period appropriate for design of dams. At the same time a specific hydrogeological study has been performed, taking particularly into account slope stability problems and induced seismicity and the result is presented in a Reservoir Seepage Risk Analysis and in the 2009 ESIA Report.

3. Inadequate consideration of project alternatives

- The 2008 ESIA documents limit project alternatives to two alternative layouts of the Gibe III Dam, but neglect any discussion of project alternatives which could meet the identified needs.
- The January 2009 ESIA documents give a vague, one page analysis of project alternatives, added long after the choice to build Gibe III dam was made;
- Energy supply alternatives which should have been discussed include: geothermal potential, a planned 120 MW wind farm at Mekele, and other small, medium and large hydro dam options;

Gibe III is the least cost option for providing 6,500 GWh of energy relative to other alternatives as confirmed in EEPCo’s plans and is being confirmed in the EFTA study. Other options were considered and rejected for reasons given in table below:

<table>
<thead>
<tr>
<th>Name</th>
<th>Description</th>
<th>Reasons for rejection</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Thermal Power Generation</strong></td>
<td>Construction of thermal stations using gas or</td>
<td>The production cost of thermal plants is higher than that of hydro schemes. Ethiopia is a landlocked country that depends on imports for gas and petroleum products. Moreover, thermal plants have gas emissions that are harmful to the environment.</td>
</tr>
<tr>
<td></td>
<td>Heavy Fuel Oil</td>
<td></td>
</tr>
<tr>
<td><strong>Geothermal Generation</strong></td>
<td>Construction of geothermal power stations.</td>
<td>Geothermal resources are concentrated along the rift valley and are estimated to be about 700 MW. The cost of producing energy from geothermal is still high and the potential is relatively small compared to the projected demand.</td>
</tr>
<tr>
<td><strong>Coal Generation</strong></td>
<td>Construction of coal fired plants to generate the</td>
<td>Coal reserves in Ethiopia, which are classified as sub-bituminous, are estimated to be 41 million tonnes. As of now, compared to the available hydro potential in the country, coal generation is still more expensive and less environmentally friendly.</td>
</tr>
<tr>
<td></td>
<td>required energy.</td>
<td></td>
</tr>
<tr>
<td><strong>Solar and Wind</strong></td>
<td>Construction of solar panels and converters, and</td>
<td>Plants relying on solar and wind technologies could not meet the amount of power required to meet the projected demand by EEPCo. Besides, the unit production cost of such plants would be higher.</td>
</tr>
<tr>
<td></td>
<td>wind farms.</td>
<td></td>
</tr>
</tbody>
</table>
Imports from Neighbouring Countries

<table>
<thead>
<tr>
<th>Imports from Kenya, Sudan and Djibouti</th>
<th>The neighbouring countries are currently experiencing shortages and Kenya is resorting to emergency supplies. They are therefore not able meet Ethiopia’s requirements.</th>
</tr>
</thead>
</table>

Other hydropower sites

<table>
<thead>
<tr>
<th>The generation plan includes several other sites that could have been developed.</th>
<th>In terms of cost, Gibe III produces the least unit cost among the undeveloped power sites. Its close proximity to Kenya where the bulk of the power will be exported was also a factor.</th>
</tr>
</thead>
</table>

- **Gibe III is also an export revenue scheme. There is no discussion of why hydropower exports are preferred investment for possible export revenue schemes. Nor is there any discussion of supply alternatives for the East African Power Pool, to which Ethiopia intends to sell power**

The HEP plant is being built to satisfy domestic needs within Ethiopia. Moreover, surplus power will be sold to other countries in the region, which are also suffering from generation capacity deficits. Ethiopia has a vast hydro-power potential that is only marginally exploited which could help alleviate the regional power deficits. In addition, this has been flagged as a priority project by the East African Power Pool (EAPP) whose main goal is to increase the availability of affordable and reliable electricity by pooling together all available electrical energy resources in the East African region. The seven Member States of the EAPP seek an optimized and coordinated manner to increase the rate of electrification in the region, while also promoting regional integration and trade facilitation. The implementation of interconnections with Djibouti and Sudan are at advanced stages. A memorandum of understanding for the interconnection between Ethiopia and Kenya has been signed, the Feasibility Study for the Ethiopia-Kenya interconnections has been completed and the recruitment of a consultant for the detailed design will be undertaken shortly. The studies undertaken support that both Ethiopia and the importing countries would benefit from the interconnection as the cost of supply for power generated in Ethiopia (including transmission costs) is lower than the cost of alternative generation domestically for the importing counties. Moreover, other countries in the region (Uganda, Tanzania and others) are also forecasted to face energy shortages in the future and would therefore benefit from Ethiopia availing power to the region. Such energy exports will allow Ethiopia to earn foreign exchange from export sales in the future. Finally, clean energy from Ethiopian hydro-sources will help reduce carbon emissions relative to thermal generation plants.

4. **Many project impacts are poorly analyzed and/or quickly dismissed:**

- **Downstream, regional impacts of lost livelihood resources (annual flood), and subsequent negative effects on food productivity, the local resource economy, and potential resource conflicts in the downstream area is poorly understood and addressed**

In our view the analysis of potential resource conflict in down-stream area is well understood and has been properly addressed in the ESIA and RAP reports. It is clear from the reports that the local resources economy is almost entirely dependent on agriculture and fishing. The Salamago, Nyangatom, Hamer and Dasenech Weredas ethnic groups
exist entirely at subsistence level. The reports have analyzed the situation and identified main causes and effects of food insecurity in the Omo River downstream which are predominantly considered due to natural events. These include: uneven distribution and erratic rainfall, floods, landslides, pest infestation, epidemic diseases of human and livestock.

As stated in the reports, the dam project will not directly affect rain-fed crop production at the higher elevations where floods do not reach, but the communities that practice rain-fed cropping are also dependent on post-flood recession crops. The reports’ analysis further demonstrates that improving the output of rain-fed cropping will be important to help compensate for any adverse effect on livelihoods, giving people more food, increased cash income and better nutrition – a situation which will improve the current scenario where-by the communities depend on food aid for much of the year.

Similarly, ethnic conflicts are endemic in the area. The reports have identified the sources of conflicts among the ethnic groups such as the Bodi, Mursi, Nyangatom, Dasenech, Hamer, and Kara. These reports have thoroughly analyzed the sources of conflicts that include:

(i) Competition for control of the scarce grazing and water resources, especially during the dry season;
(ii) Raiding and counter-raiding of cattle and other livestock;
(iii) Genital mutilation;
(iv) Competitions over cultivable riverbanks and land;
(v) Stealing of crops; and
(vi) Fish resources of Lake Turkana and stealing of fishing gear.

The reports further mention efforts that are on-going aimed at resolving these conflicts. Several peace making initiatives have been made since 2002 in an effort to end conflicts among the ethnic groups in the Lower Omo valley and adjacent areas. At present EPaRDA (Ethiopian Pastoralist, Research and Development Association), a nongovernmental organization is taking the lead over this matter. So far EPaRDA has organized conferences with leading members of the ethnic groups including women, elders and youths. In addition, EPaRDA has assisted these groups in forming peace committees that will follow up and assure the agreements reached are fulfilled.

- **The Resettlement Action Plan excludes downstream communities losing livelihood resource assets and some 275 Hadiya nomadic households (about 1,400 people) losing grazing land access in the reservoir region (as identified in a 2006 version of the EIA)**

Along the Gibe, Gojeb and Omo River, established river crossings used by the agro-pastoral communities will be submerged by the long stretch of the Gibe III reservoir. Several agro-pastoralists belonging to Hadiya community use these crossings when they move from place to place along the banks of the Omo River in search of grazing land for their livestock. The construction of the dam and creation of the reservoir is expected to partially flood the woodland/ grassland used by these agro-pastoralists and the other communities around the reservoir area. However, this loss will not compromise the traditional lifestyle of these agro-pastoralist communities and will not also push them into a more distant and marginal land.
These communities will benefit from the recommended buffer area development plan which is integrated with forage improvement and development.

Improvement of the veterinary services in project affected areas is also one of the recommended interventions meant to partially offset potential negative impacts stemming from loss of benefits from the natural vegetation in the area. To compensate for the loss of traditional crossing points it is recommended to construct bridges at major crossing points across the Gibe River. The picture below shows one of the bridges that are being constructed.

- Erosion and other impacts to nationally and internationally protected areas are quickly dismissed as negligible

These activities have been programmed to be done after the completion of the river diversion, in order to have the possibility to explore some inaccessible zones of the reservoir by means of a small boat (which has been very recently purchased also for this scope). Landslide and geology validation is underway using remote sensing (aerial and satellite imageries). About 20 days visit on site for reservoir surface investigation is envisaged to be realized after the 2009 rainy season. Results and observations gathered will be used to complete the landslide susceptibility assessment that has already commenced, and will be presented in a dedicated report. A summary of the studies to be carried out is included below:

  a) Existing landslides inventory (1:50,000 scale photointerpretation)
From remote sensing (aerial and satellite imageries) a 1:50,000 scale photo-interpretation will be done. Landslides will be identified, soil classification and preparatory factors will be found out in order to redact three kind of charts: geology, geomorphology and land use charts.

b) Landslide and geology validation

Validation of the three produced charts will be done by using the same remote sensing (aerial and satellite imageries) and by a dedicated surface investigation on site in the reservoir area (about 20 days of surface investigation and mapping at site).

c) GIS (statistical) analysis - landslide susceptibility map redaction

Applying a statistical modeling of geology, geomorphology and land use factors, by using the weight of evidence methodology (Bonham Carter et al., 1988. Methodology details can be provided upon request) a landslides susceptibility map will be produced. This map will show the zones of the reservoir susceptible to landslides. This map is based only on study and statistical analysis of satellite imagery and surface investigations, on the whole reservoir area, and therefore can be used only as a tool for a preliminary landslide assessment evaluation. It is in any case very useful to confine the further detailed investigation and detailed landslide risk assessment to the only areas that are found to have high landslide susceptibility.

d) Final report redaction

At the end of this study a Landslide Susceptibility Assessment Report will be produced, including:

- the geology, geomorphology and land use charts
- the main results of the site visit validation
- the description of the statistic analysis applied
- the reservoir landslides susceptibility map
- the programme of investigations for landslides susceptibility map validation.

On the basis of this last programme of investigation a further landslide risk assessment and reservoir slopes stabilization study can be planned, to characterize the landslides and their risk assessment by a dedicated detailed campaign of investigation.

- *Biodiversity loss and impacts to nationally and internationally protected areas are quickly dismissed as negligible*

The Project will have no impact on Nationally Protected Areas. The UNESCO designated heritage site is not close to the proposed Gibe III dam and reservoir areas. The lower valley of the Omo River which is designated as a UNESCO World Heritage site is located far downstream and will not be affected by the Gibe III scheme. An additional archaeological impact assessment as well as the elongated stone ramparts in Wolayita and Dawro has been carried out by the Authority for the Research and Conservation of Cultural Heritage (ARCCH) and a draft report has been issued. No visible archaeological remains, which have scientific, cultural, public, economic, ethnic and historic significances, have been observed within the dam site and the future reservoir area. The sites have no archaeological
importance. However, a Chance Find protocol has nevertheless been prepared to cover any unexpected finds

- **Cumulative impacts of existing and planned dams, along with extensive irrigation plans along the Omo, are analyzed in 1 page, giving a simplistic analysis of cumulative basin level impacts**

The cumulative impact has been assessed with the objectives to ensure that large-scale and potentially significant cumulative impacts (if there are any) will not be ignored and will be addressed in the planning, design and operation phases of these projects. The result has been presented in the ESIA report. The cumulative impact analysis considered existing Gibe I, Gibe II and Gibe III Schemes and the planned Gibe IV project in the Omo-Gibe system. Therefore, the cumulative impacts to water resources, water quality, forestry and natural vegetation, fishery resources, wildlife and their habitats, socio-economic, cultural resources, agriculture and grazing resources in the Omo-Gibe system appear to be negligible due to their geographic location.

Furthermore, the proposed irrigation is small scale irrigation to help with livelihood sustainability of the communities who otherwise depend on recession agriculture. It is by no means intended to be large and will neither affect power generation nor flood recession, or the water level in Lake Turkana.

5. **Unsuitable mitigation measures leave hundreds of thousands at risk of diminished quality of life and livelihoods:**

- **The artificial flood is based on inadequate assumptions, insufficient methodology and analysis, lacks scientific modeling of predicted results for required food productivity, and lacks identification of areas the planned flood would no longer reach.**

Under present ‘average’ flood condition, river banks are submerged annually along the lower Omo River and around the river mouth. The annual flooding of the land bordering the Omo River soaks the land for traditional recession cultivation and dry season grazing, replenishes lakes and swamps on the floodplain and favours fish breeding.

The downstream environmental assessment indicates that to satisfy the demand for traditional recession agriculture, dry season grazing and fishery resources, seasonally more water will be released and flooding will be created on the land bordering the Omo River. These controlled floods will allow maintaining the required environmental flows also during the drought years. The regulating capacity of the reservoir will also allow controlling the natural floods peak discharges with short durations (which caused the 2006 floodings).

The middle outlet will allow the release of the environmental controlled flood. Two middle outlets are foreseen through conduits embedded in the lateral blocks with the intake at el. 755. m a.s.l. and capable of discharging up to 800 m3/sec each. The outlet works are planned to guarantee a flexibility of the plant operation. With these in place the discharge rules can be adapted following the requirements both of the energy production and of the downstream environment.

This controlled flood will guarantee the timely discharge of the required flows for the agriculture, livestock and fishery sectors, as well as the entire natural ecosystem. The peak
controlled floods releases shall be adjusted during the first years of operations to be adequate in flow and timing to achieve the current natural penetration in the soils and for soil moisture to carry the crops through to maturity. This flooding is needed to maintain the overall productive, biological activities and related biodiversity values by allowing annual regulated submersion of adequate portions of the Lower Omo basin.

A site visit flying the Omo River Valley from the Gibe III Dam site up to the Turkana Lake was carried out in July 2008 (pictures below) in order to inspect the river floodplain areas right after the first high flow period of the year. Scope of the survey was to confirm or eventually refine the assessment of the “controlled flood” to be released from the Gibe III outlet devices.

Based on this assessment, it was confirmed that the extensive grassland and permanent cultivation areas of the River delta including the floodplain presently used by fish species had been flooded after the occurrence of the first peak of the 2008 wet season recorded at Gibe III dam site (1,460 m3/s).

- The determination of the environmental flow is based on unsound methodology which does not reflect current best practice of the discipline and could further harm the downstream ecosystem rather than protect it. Observers say the environmental flow at Gilgel Gibe Dam has not been consistently respected.

An environmental flow, meaning a necessary flow of water to keep the Gibe downstream aquatic and riverine environment healthy, is a prerequisite that has been taken into consideration. In the unlikely event that the plant will not be in operation, a minimum ecological flow of about 25 m3/sec will be released by means of the outlet device in the powerhouse expressly designed for the purpose. The discharge of 25 m3/sec basically corresponds to the lowest monthly average dry season flows encountered during the period 1964-2001 (March 1973). This is considered more appropriate to guarantee the health status of downstream lacustrine environments beyond and above the existing minimum.
environmental discharge requirement of 15 m³/sec as prescribed by the Employer’s Requirements of the EPC Contract.

This proposed discharge, identified on the basis of existing hydrological records, is to be adopted as a provisional measure to ensure sustainability of riverine ecosystems pending more appropriate parameters as resulting from the foreseen activities on geomorphological and ecological river response as elaborated within an appropriate hydraulic model, with gradual passage between purely hydrological to environmental techniques being considered as standard international practice.

The ecological flow will therefore maintain the minimum natural dry season conditions immediately downstream of the dam and only for a short distance (See figure below). The relevant discharges coming from the perennial effluents in the residual basin will substantially contribute restoring the natural conditions further downstream. The perennial rivers in the residual basin, comprising 57% of the Omo-Gibe catchment, provide about 33% of the inflow (see details below).

**Figure – River system of the residual basin**
### Average monthly runoffs at Gibe III, Residual and Lake Turkana in m³/sec

<table>
<thead>
<tr>
<th></th>
<th>Gibe III</th>
<th>Residual</th>
<th>Turkana</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>79</td>
<td>120</td>
<td>199</td>
</tr>
<tr>
<td>Feb</td>
<td>71</td>
<td>94</td>
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<td>Mar</td>
<td>63</td>
<td>166</td>
<td>229</td>
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<tr>
<td>Apr</td>
<td>88</td>
<td>150</td>
<td>238</td>
</tr>
<tr>
<td>May</td>
<td>146</td>
<td>379</td>
<td>525</td>
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<tr>
<td>Jun</td>
<td>344</td>
<td>235</td>
<td>579</td>
</tr>
<tr>
<td>Jul</td>
<td>948</td>
<td>174</td>
<td>1122</td>
</tr>
<tr>
<td>Aug</td>
<td>1520</td>
<td>157</td>
<td>1677</td>
</tr>
<tr>
<td>Sep</td>
<td>1057</td>
<td>449</td>
<td>1506</td>
</tr>
<tr>
<td>Oct</td>
<td>571</td>
<td>308</td>
<td>879</td>
</tr>
<tr>
<td>Nov</td>
<td>215</td>
<td>229</td>
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<tr>
<td>Dec</td>
<td>116</td>
<td>122</td>
<td>238</td>
</tr>
<tr>
<td>Mean</td>
<td>435</td>
<td>215</td>
<td>650</td>
</tr>
</tbody>
</table>

- **Buffer zone around the reservoir is planned, but ineffective enforcement of the buffer zone surrounding the Gilgel Gibe dam reservoir has resulted in riverbank erosion**

The normal operating level of the Gibe III reservoir is 889 m asl. And settlement in the project area is biased towards the cooler and more habitable highlands (above 1,300 m asl) where almost all of the population live. The valley bottom lands are not cultivated as a result of less favourable rainfall, tsetse fly infestation and the consequent occurrence of cattle disease (trypanosomiasis). The steepness of the slope on either side of the valley appears to be another important factor which has discouraged the use of the valley for agricultural purposes. Therefore, the impounded water will be confined within the gorge of the river far away from population settlements.

The buffer zone planned will also include promotion of agro-forestry practices. The goal of this intervention is to i) promote farm forestry in selected households in and around the buffer zone that are affected by the project; ii) reduce soil degradation, and iii) provide sufficient wood and fodder supply. Selected farming families will be involved in this intervention. Around 20,000 hectares will be covered in 5 years period. Therefore, with this intervention the possibility for conflict of land use between the nearby community and the planned buffer area development will be avoided or significantly reduced.

- **Mitigation of health impacts around the reservoir region rely on prevention and monitoring, and lack expanded treatment for infections, particularly for malaria and sexually transmitted diseases. Health infrastructure for communities surrounding the reservoir may not be reinforced as suggested**

The project will establish fully furnished clinics within all affected Weredas. The project office will jointly carry out regular monitoring activities with the Ministry of Health (Federal Level) and the Bureau of Health at Regional Level. Under the social development component, EEPCO will undertake various mitigation and compensation measures and these include public health intervention, improving clean water supply and rural access roads, veterinary clinics, etc.

To ensure the legal fulfillment of the recommended social development plans, a Resettlement Steering Committee (RSC) will be established at central level and it will be
composed of representative to be drawn from all relevant government (at the Federal, regional, zonal, and Wereda levels) and non-governmental agencies. The RSC will play higher level policy and advisory role and will oversee the implementation of the social development plans. A witness NGO will be assigned to act as an independent evaluator.

- The Resettlement Action Plan fails to include downstream communities losing livelihood resource assets

There will be no physical relocation of people downstream of the reservoir. The recommended measure for the downstream involves restoration of the system by releasing the artificial flood and therefore, there is no need for a Resettlement Action Plan for the downstream communities. However, several social development projects that will address potential economic displacement will be implemented and include:

1. **Development of flood recession agriculture**: support actions are proposed for recession agriculture and are meant to increase productivity and attain self-sufficiency in the lower Omo.

2. **Irrigated Agriculture**: the project would assist the lower Omo population by implementing and promoting small scale irrigation schemes.

3. **Livestock production**: it includes rangeland development and management, forage improvement and development, improvement of the veterinary services, and improved livestock practices.

4. **Fishery development**: including the development of the riverine and lake fishery to bring more income and improve the livelihood for the community. This requires inputs in terms of improved technical skill, fishing materials, infrastructure, processing, storage, transport and fish market facilities.

5. **Socio-economic support programme**: enhance economic opportunities (other than traditional and subsistence farming), but also technical and business skills among the Lower Omo populations, which are very low. Therefore, they will be supported by the project through training, facilitation and capacity building so that they can set up profitable ventures. In addition to capacity building (at community and Wereda level), the project would also finance livelihood economy diversification support programme and agriculture in service training for Farmers Training Centre (FTC). Under this programme, cooperatives will be established and capacity building and technical assistance will also be provided.

6. **Food aid during reservoir filling**: the food aid is to compensate for the loss of flood recession cropping until such time their source of livelihood has been restored. It will be required during reservoir filling and before the start of the controlled flooding.

The Gibe III Project will finance the implementation of various mitigation and compensation measures as indicated above. The total environmental mitigation, management, monitoring and training cost amounts to some ETB 281.8 million (about $ 28 million).

EEPCO has the capacity and willingness to implement these activities. Experience gained during the construction of Gilgel Gibe I is well documented in the World Bank’s
Implementation Completion Report dated June 29, 2006. The following are some of the findings of the report:

- The Gilgel Gibe I was the first project to be implemented under the New Constitution. The Ethiopian Parliament acknowledged (2001) that it should be the model for future resettlement. The World Bank similarly (June 2001) acknowledged that the project followed good practice commendable for emulation.

- Compensation of affected persons was done according to the RAP and consistent with World Bank Guidelines. All indications point to the fact that the PAPs are better off now than before the resettlement. There were 706 households that were to be resettled and 300 ha of riparian forest to be inundated. Two years ahead of impounding, all resettlement was completed at an expropriation cost of US$8,611,000 made available by Ethiopia Government between 1999 and 2000. Out of the 706 households, 562 were resettled through government assistance while 144 opted to resettle on their own. Of those assisted by government, each was provided with 2.5 hectares of land for farming. In the first year, government ploughed 2 hectares for free and provided each household with chemical fertilizer and improved seed varieties.

- The integrity of the buffer zone was maintained through resettling of all people living within 500 m of the maximum reservoir level. The vacated area covering 4000 hectares was re-vegetated in order to keep waterborne diseases away from people. In addition surrounding people were told not to swim in the reservoir.

**Concern 4: Grave risks for indigenous communities in southwestern Ethiopia**

The Requestors say that since the early 1970s, a large body of detailed information about the people of the Lower Omo has been provided by scholars from various countries. It is clear to them that from this work, unless mitigating measures are implemented, the regulation of the Omo River flow and elimination of the annual flood caused by the Gibe III dam will destroy the livelihoods of at least 200,000 people, belonging to six different ethnic groups - Bodi, Mursi, Kwengu/Muguji, Nyangatom, Kara and Dassenaech. This could further devastate the economic well-being of nearby indigenous and non-indigenous communities alike. They claim that the project documents show only a “superficial understanding of the role of the annual flood in the area’s local economy and food security, and virtually no acknowledgement of customary land and resources rights of the affected communities”. According to the requestors, without adequate mitigation, project impacts will be devastating for the quality of life of local people. In addition, they say “it could also result in resource conflicts and a general unraveling of the region’s social stability and economy”. The requestors state that “The extent of these risks is severely underestimated in the ESIA, and we fear, by the AfDB”. By referring to the UN Convention on Civil and Political Rights (ratified by Ethiopia) and the United Nations Committee on the Elimination of All Forms of Racial Discrimination, the requestors contend that “Gibe III dam’s risks to livelihoods and the violation of communities’ rights are exacerbated by the government’s future regional plans”. They say that “the AfDB must ensure the utmost due diligence in its project engagement and take every possible step to safeguard the interests of these indigenous peoples. At this time, the Bank has failed to conduct due diligence, putting the survival and well-being of these people at grave risk”.
Response to Concern 4

It should be noted that the responses to most of the concerns raised above have been given in other parts of this document. These issues have been addressed adequately in the ESIA studies particularly in the separate ESIA Volumes on “Downstream Impacts” and “Environmental and Social Management Plan”. To raise the comfort level, the EFTA study scope includes assessment of Environmental and Social Costs and Benefits to be used in the economic analysis model. The independent review commissioned by the EIB mentioned above will also further assess this issue.

The EPC Contractor (Salini) has developed a detailed ESMP report. As set out in the EPC Contract, an Independent Environmental Inspector for the Construction Phase of the Gibe III Hydroelectric Power Project has been appointed. Monthly site Environmental inspection is carried out by the project Environmental Inspector and a report is regularly issued.

The Environment Inspection Report provides the following:

- A description of construction activities that may affect the environment;
- Remedial actions which have been initiated, and whether or not the resultant action is having the desired result;
- Identify any unforeseen environmental concerns and recommend suitable additional actions;
- Tracking of issues causing environmental concern; and
- Amendments to the Environmental Management Plan or any other required plans.

At random intervals, the Environmental Advisory Panel will be required to verify whether the actual performance of the contractor is honestly reflected in these reports. EPA will randomly verify the actual performance of the EPC Contractor and the EMU Team. The monthly site Inspection and Monitoring Reports will be distributed to the Ministry of Water Resources, EEPCo, EPA and Regional Environmental Protection Offices and financiers. The Bank will continue to pay attention to environmental issues during project implementation.

Major causes of the inter-ethnic conflicts in the Lower Omo Valley are discussed in the Downstream ESIA report and were covered in the response to Concern 3b (Section 4) above. The community members, technical staff, NGOs and CBOs at the region, zone, Woreda and Kebeles levels will be consulted for identification of possible interventions. Organizational Capacity development plan has been developed for departments responsible for development planning and implementation, natural resources management, indigenous affairs, public health protection and line agencies expected to assist. Institutional work will also include support to the formation of farmers’ organizations to ensure that poorer farmers and pastoralist communities are both aware of their legal rights, and able to express their interests in the decision-making process. A system of regular information meetings will be held during which relevant information will be exchanged and this will ensure solid communication channel, representing an important component of the management and monitoring feedback system.
Concern 5: Fiscal risks for Ethiopia

Concern 5a: The requestors say that Gilgel Gibe III Dam represents the single largest infrastructure investment in Ethiopia to date. The project is supposed to provide supply for domestic and regional electricity demands, in part to generate export revenue. However, they say, the “risks of project underperformance and risks to the country’s debt sustainability have not been adequately assessed”.

Response to concern 5a

EEPCo produced 3 scenarios for national demand projections: Target, Moderate I and Moderate II. Under all scenarios, Gibe III will be necessary to meet domestic demand after 2013. Moreover, assuming that no additional capacity is built after Gibe III, EEPCo’s projections identify supply deficits as of 2011, 2018 and 2019 in the Target, Moderate I and Moderate II scenarios respectively. The above projections are purely for national demand and do not include export sales to neighbouring countries, most of which are currently facing power generation deficits.

In the event that adequate capacity is not developed, Ethiopia will need to use costly emergency thermal generation to meet domestic demand, or else resort to load shedding which may seriously impact on the country’s economic growth. Emergency generation capacity was used in Financial Years 2008 and 2009 and had marked negative impacts on EEPCo’s cashflows and profitability. As such, EEPCo considers it crucial to develop the necessary generation capacity to adequately meet national demand. Moreover, Ethiopia is looking to benefit from its endowment in hydro-power resources by exporting power in order to earn foreign reserves. Gibe III was identified by EEPCo to be the best option in terms of capacity and cost to achieve all of this.

An Economic Financial and Technical Assessment (EFTA) study is currently being produced to confirm the financial and economic viability of the project. This analysis will consider a number of sensitivities for key project parameter. The EFTA study will also analyse the impact of the project on the country’s debt sustainability. An international financial advisory firm is in the process of being engaged by EEPCo to raise financing for this project. It is intended that a considerable part of the total debt for the project will be raised on concessionary terms. Debt is also expected to be raised from Development Finance Institutions (including ADB’s non-sovereign lending window) and commercial banks based on the strength of electricity export receipts (potentially through a Special Purpose Vehicle (SPV) established to raise financing for this transaction using a limited recourse project financing structure). The Financial Advisor is also being mandated to advise EEPCo on the negotiation of the terms of the PPAs with neighbouring countries and on the impact of this project on EEPCo’s financial standing. As such, the financial advisor will consider the tariff rates for domestic sales and export prices. It is also noted that the Feasibility Study for the Ethiopia-Kenya Interconnection Project prepared by Fitchner (February 2009) supports the economic and financial viability of the interconnection project.

Concern 5b: The requestors mention that an independent, desk study report entitled Gilgel Gibe III Economic, Technical and Engineering Feasibility was submitted to Bank Staff on April 15, 2009, which “identifies several critical concerns previously unknown to us”. They
claim that “the concerns regarding the project’s engineering design, limited technical oversight, and affordability of electricity suggest strong potential for physical and economic failure of the Gibe III Dam”.

Response to concern 5b

It is first noted that the report cited above (dated April 15, 2009) assumed a rockfill design with a concrete external liner. However, while such design was originally envisaged, the design has been changed to a Roller Compacted Concrete (RCC) dam, as reflected in the contract amendment dated April 2008.

The project contractor (Salini) and the Employer’s Representatives (Coyne et Bellier and ELC Electroconsult) are all reputable firms with considerable international experience in the construction of dams and the supervision of such works. All engineering design related issues are part and parcel of the design and engineering of the dam. There are separate volumes of engineering design reports prepared by Salini and reviewed by the Employer’s Representatives that address all these issues. Furthermore, the EFTA consultants (Mott MacDonal and Sogreah) are conducting a further Technical Assessment on behalf of the lenders.

As previously indicated, the draft EFTA study has shown a resilience of the financial and economic viability under a number of “conservative scenarios”. Moreover, the analysis considers the affordability of the electricity generated by the project, which is the least cost in the region.

Concern 5c: The requestors say that these risks are exacerbated by the project’s contract procurement which violates both Ethiopia’s and the Bank’s procurement policies. They add that the Ethiopian government directly awarded the primary contract for Gibe III (worth $1.7 billion) to Salini Construttore without a bidding process. They state “we must ask why procurement guidelines exist if the Bank is only going to find ways to evade them”.

Response to concern 5c

In 2005, EEPCo’s projections for domestic and export demand indicated that large-scale developments in the country’s generation capacity were necessary. Being the EPC contractor for Gibe I, II and Beles hydro-power projects, Salini had been working in Ethiopia with EEPCo for several years and therefore already had teams mobilised in the country. Salini independently undertook very preliminary investigations for Gibe III and approached EEPCo with proposals for the development of the Gibe III project, with a preliminary design submitted in December 2005 followed by a Basic Design Proposal at the beginning of June 2006, which included a Draft Contract Agreement and a Financing Plan. The Basic Design proposal and Draft Contract Documents were reviewed by EEPCo’s consultants (ELC Electroconsult and Coyne et Bellier) and contract negotiations commenced on the 29th June 2006. According to Salini, Gibe III did not appear on the Ethiopian Master Plan due to the inaccessible nature of the site.

The Bank reviewed the negotiated EPC contract and took comfort from the following: (i) Experienced consultants (Coyne et Bellier and ELC Electroconsult) advised EEPCo in its
negotiations with the Contractor and produced independent cost estimates based on a detailed review of international prices; and (ii) The EPC contract uses the standard FIDIC conditions for EPC/Turnkey contracts. A detailed assessment of the EPC contract and of the procurement process is being conducted as part of the EFTA study.

Furthermore, as requested by the Government of Ethiopia, the Bank is considering financing the electromechanical component of the project. This component would be procured through International Competitive Bidding in accordance with the Bank’s procurement rules.

**Conclusion**

Gibe III is a critical project for EEPCo and the Ethiopian economy as a whole. The Bank, together with other financiers, is assisting EEPCo in ensuring that all issues associated with the project are identified and dealt with adequately.

The Bank has always indicated its willingness to discuss with the requestors to understand what their concerns are and how to mitigate them. Bank’s staff has strived to give positive answers to all queries coming from the requestors with scientific data provided by the Contractor, the Owner’s Engineer, Bank’s staff and other consultants. In addition, please note the following:

- The project will not have irreversible and highly negative impacts, nor will it disrupt the river’s flow as intimated by the requestors. Possible impacts on the river’s flow, on the livelihood of communities and on cultural heritage will be mitigated as indicated in this response;
- The Bank did not violate any of its policies and guidelines as intimated by the requestors. The project is still under processing and because of Bank’s involvement, three (3) additional studies are being conducted, and consultations with people around Lake Turkana are being carried out;
- Finally, Management confirms its willingness to fully cooperate with CRMU and to comply with Bank’s relevant policies and guidelines.