Early Warning System

IFC-36008

Karot Hydro

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Quick Facts

Countries	Pakistan
Specific Location	Province of Punjab in the West and Azad Jamu and Kashmir in the East
Financial Institutions	International Finance Corporation (IFC)
Status	Approved
Bank Risk Rating	A
Voting Date	2016-10-19
Borrower	KAROT POWER COMPANY (PVT.) LIMITED
Sectors	Energy, Hydropower, Water and Sanitation
Potential Rights Impacts	Cultural Rights, Healthy Environment, Housing & Property, Labor & Livelihood, Right to Food, Right to Water
Investment Type(s)	Loan
Investment Amount (USD)	$ 125.00 million
Project Cost (USD)	$ 1,640.00 million

Project Description

Project Summary:

Karot Power Company Limited is a special purpose vehicle incorporated in Pakistan with a majority share ownership by the China Three Gorges South Asia Investment Limited Company. The Karot Hydro power project is a planned 720MW run-of-the-river hydropower plant on the Jhelum River in Pakistan. In addition to IFC financing, this project will be the first to be financed by China's Silk Road Infrastructure Fund. Media sources confirm that the Karot hydropower project is part of the China's $46-billion infrastructure development program called the China-Pakistan Economic Corridor, which will connect Kashgar in China's northwestern territory of Xinjiang with the Pakistani port of Gwadar.

The projects major components include construction of the dam, spillway, intake structure and the power house. The dam will have a maximum height of 95.5metres and will hold 152 milliom cubic meters of water at normal pool level of 461 masl. With powerhouse located on the surface, the project will generate up to 720MW of electric power. The Project is expected to start construction in December 2015 and according to media sources, is scheduled to be operational by 2020.

Location: The project is proposed to be built on Jhelum river that forms the boundary between the Province of Punjab in the West and Azad Jamu and Kashmir in the East. The dam will be located near the villages of Karot and Hollar, approximately 55km, south-east of Islamabad.

Resources needed: A total of 2,242 acres (907.69ha) of land will be needed for the project.

Key dates: This project was approved for funding on October 19, 2016.

Early Warning System Project Analysis

Risk Assessment: Category A. This is a Category A project according to IFC's environmental and social review because the project has the potential for resulting in significant adverse environmental and social impacts that will be diverse and irreversible.

APPLICABLE SOCIAL & ENVIRONMENTAL STANDARDS
According to IFC documents, the following environmental and social policies are triggered:

PS 1 – Assessment and Management of Environmental and Social Risks and Impacts- this safeguard is triggered due to "conversion of 27 kilometers of free-flowing river to still-water lake through impoundment by the dam structure; conversion of 7 to 48 kilometers of the downstream hydrologic regime for four to six months yearly from natural seasonal variation to abrupt daily changes during peaking and creation of a barrier that will stop upstream and downstream migration and movement of fish and other aquatic organisms."

PS 2 - Labor and working conditions- this safeguard is triggered because "there will be up to 3,500 workers at the peak of construction, consisting of about 3,000 Pakistani and 500 Chinese and the project will need to construct work camps to accommodate them." The process of hiring project workers will involve providing opportunities to members of local communities affected by project development and it is expected that they will make the majority (85%) of its construction workforce. This will require close supervision to ensure that it is achieved.

PS 3 - Resource Efficiency and Pollution Prevention- this safeguard is triggered because "construction activities will include different activities including excavation, blasting, drilling, quarrying, aggregate crushing, concrete batching, spoil use and disposal, concrete laying, brickwork, cabling, erection of structures and equipment." These activities will require safety measures and operating a landfill for project wastes.

PS 4 – Community Health, Safety and Security- this safeguard is triggered due to "increased flow of construction traffic to and from the project dam site where the bulk of construction activities will take place. The influx of construction workers and project-induced migration during the construction period may put further stress on the availability and quality of health care services for the local population."

PS 5 – Land Acquisition and Involuntary Resettlement- this safeguard is triggered because "the project will require approximately 1,030 ha of land, nearly 56 ha of which is privately owned land occupied by housing and agricultural crops, and another 340 ha is uncultivated land that provides marginal grazing for livestock. The remaining land requirement consists of government land available for community access, including river banks and land flooded by the Jhelum River itself." This requirement includes areas for the construction of civil works – including access roads, dam, intake structures, spillway, powerhouse, switchyard and tailrace and tunnel spoil disposal areas – as well as temporary works such as labor camps and construction lay down areas. Approximately 70 percent of the entire project land requirement constitutes the inundation zone that will be created by the project reservoir.

PS 6 – Biodiversity Conservation and Sustainable Management of Living Natural Resources- this safeguard is triggered due to "loss of flowing riverine habitat, downstream change in flow regimes from natural flows, and placement of a barrier to several fish species' migrations to their spawning grounds." The vegetation in the footprint of the new reservoir will be flooded and the impact will involve the loss of relatively large areas of dense scrub (205.86ha), scattered scrub (54.96ha), bare rocks (127.77ha) and open broad-leaved scrub forest (degraded dry sub-tropical broad-leaved scrub forest, 28.18ha).

PS 8 – Cultural Heritage- this safeguard is triggered because "two mosques and three gravesites in Karot village are situated in the area where the bulk of project civil works will be constructed. Two other mosques are situated in the project reservoir area." These will require involving affected communities in moving them to a new location.

People Affected By This Project

OUR RISK ASSESSMENT

The Right to a Healthy Environment- According to project documents, construction activities, gaseous emissions as well as activities like drill blasting for the tunnel, pressure shafts and caverns are likely to affect the health of the people in the project area. Hazardous wastes including used and spilled oils, chemicals, batteries and medical waste are likely to affect the people in the affected communities for there are no landfills for some distance from the site to be used for depositing these wastes. Project documents also state as a major impact/risk of the project as the “loss of flowing riverine habitat, downstream change in flow regimes from natural flows, and placement of a barrier to several fish species’ migrations to their spawning grounds.” To address cumulative impacts of the Karot project and other CSAIL hydropower projects on the Jhelum River, CSAIL will develop a Basin-wide Biodiversity Action Plan.

The Right to Water- In the absence of adequate mitigation measures, river water quality may significantly deteriorate during the construction phase due to contamination arising from the increase in suspended solids, turbidity and waste from run-off. The spillover of hazardous chemicals and fuels used during construction are also a concern, as it may impact the 3,500 workers on the various construction sites and in the worker accommodations.

Labor Rights - As noted above, this project may have impacts on the health, safety, and rights of the 3,500 workers (at the peak of construction) on the construction sites.

Right to Food - To the extent that populations living near the rivers depend on fish for their sustenance, this project may contribute to adverse impacts on food security insofar as the river habitat is impacted by construction and there are downstream changes to the river flow.

Right to Property & Adequate Housing- The project will require approximately 1,030 hectares of land, nearly 56 hectares of which are privately owned land occupied by housing and agricultural crops, and another 340 hectares are uncultivated land that provides marginal grazing for livestock. Sixteen villages have been identified by IFC as located within the project area of influence, which extends approximately 27 km from the dam and powerhouse construction site to the upstream limit of the reservoir. Nine of these villages are located on the east bank of the Jhelum River and seven on the west bank. Project land acquisition will affect approximately 186 households (approximately 1,401 people) from these 16 villages. Seventy four Project Affected Households (PAHs) in the villages of Karot (49 households) and Hollar (25 households) will be physically and economically displaced by the construction. All project land is being acquired via a government-managed process in accordance with the Land Acquisition Act of 1894 (LAA). The company consultants have identified gaps between the compensation framework provided under the LAA and the related requirements of IFC Performance Standard 5.

Right to Livelihood- A total of 116 households and 78 commercial/business structures will be affected by construction of the dam and reservoir. These structures will include shops, roadside restaurants and a petrol station within the project area. As a result, a total of 32 wage earners employed as laborers and helpers will be affected by the relocation.

Right to Culture- Cultural sites including two graveyards and one shrine that are within the project area are likely to be affected during the construction of the dam, spillway and powerhouse.

Investment Description

- International Finance Corporation (IFC)

Bank financing: International Finance Corporation. This project is also co-financed by China's Export Import Bank and the China National Development Bank.

Borrower: Karot Power Company Limited. A special-purpose company incorporated in Pakistan and majority owned by China Three Gorges South Asia Investment (another company that the IFC has invested in) is undertaking the construction, operation and maintenance of the hydropower plant.

Amount of bank loan or investment: US$125 million

Total project cost: $1.64 billion

Private Actors Description

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	China Three Gorges South Asia Investment Limited Company	Client	-

Contact Information

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CONSULTATIONS

Consultations were held in seven villages (Karot, Gorah, Sansu, Soan, Barohi, Hollar and AinPana) reaching a total of 91 people. Affected communities highlighted an unfair compensation package compared to the current market value of their assets. They proposed that compensation should be paid before the project starts operations, project affected persons from Karot and Hollar villages should be resettled near the project area and relocation sites should be prepared complete with basic social infrastructure before shifting the affected people.

PROJECT-LEVEL GRIEVANCE MECHANISM

The Project Management Unit will establish two Affected Person's Committees in Karot and Hollar villages each headed by an elected member of the area before compensation starts. These committees will be in close liaison with the Grievance Redress Committee to resolve issues at the appropriate time. For major grievances that might require litigation, two Grievance Redress Committees will be constituted at Karot and Hollar villages to resolve such issues adequately. Affected persons can take recourse to the Environmental Protection Agency or court if they are dissatisfied with the decision of the Grievance Redress Committee.

THE COMPLIANCE ADVISORY OMBUDSMAN OF THE IFC

The Compliance Advisory Ombudsman (CAO) is an independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by a project financed by the International Finance Corporation (IFC). It is not necessary to exhaust the grievance mechanism procedures before accessing the CAO. If you submit a complaint to the CAO, they may investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. You can learn more about the CAO and how to file a complaint at:

ACCOUNTABILITY MECHANISM OF IFC

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org/

Campaign Documents

- China Makes Multibillion-Dollar Down-Payment on Silk Road Plans
- Q&A about the Silk Road Fund's First Project Investment
- The Silk Road Fund and China Three Gorges Corporation Cooperate to Invest in a Hydropower Project in