



**EIPR commentary on the results
of the World Bank's investigations
into the violations of
the Titan Cement Factory**

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'Six years after the complaint, the World Bank investigation confirms the factory's violations, without a commitment to repair the damage"

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Introduction

After 6 full years, the final report was issued by the office of the “Investigator” of the World Bank, in the complaint filed against the Alexandria Portland Cement Company (Titan Cement Factory) in Wadi Al-Qamar area in Alexandria, and against the “International Finance Corporation” (IFC), which finances the plant and which is also affiliated to the World Bank Group. The results of the investigation confirmed the credibility of the complaint about the negative impact of the factory on the environment and the health of the population, and the occurrence of violations of workers’ rights caused by the company’s cement factory, which has been funded by the Finance Corporation since 2010.

EIPR and other organizations had submitted this complaint in April 2015, in coordination with the people of Wadi al-Qamar and with former workers at the factory, who submitted it to the World Bank’s Investigator’s Office (called the Compliance Advisor’s Office), which is the office concerned with investigating complaints from those affected by the projects supported by the International Finance Corporation, the arm of the World Bank Group that finances the private sector.

The complaint was based on the factory’s violation of the environmental and social sustainability standards adopted by the International Finance Corporation, which requires that parties financed by it to abide by them throughout the financing period. It is worth noting that the Corporation had issued these same standards after many years of criticism in different parts of the world, for supporting projects that do not comply with international standards, and seriously harm the environment, workers and residents.

I: Summary

The CAO investigation report was published on its website in September 2021, and the Arabic version was published in December 2021. The findings of the reports were organized around the three main aspects raised in the complaint, namely environmental, community Engagement, labor and working conditions

Regarding environmental aspects, the report emphasized the negative impact on the environment and the health of the residents, especially due to the dust and gas emissions. The reports explained that emissions of fine particles were 6 times higher than the acceptable levels of the World Bank at that time in the beginning of the contract in 2010/ It is well known that inhalation of fine particles severely harms the lungs, heart and nervous systems and especially affects children and vulnerable populations

Although plans were made to reduce emissions and install new bag filters, this took years to implement and the plans were postponed many times. The report explained that persistent delays in implementing pollution control measures have prolonged impacts on the local community from nuisance dust and cumulative health effects associated with air pollution. And despite that actual reductions in emission levels had been achieved and reported, the investigation report clarified that the monitoring methods used by the factory do not allow the CAO office to confirm that the stalk emissions really comply with the required standards. The report also revealed that levels of fugitive dust, which are emitted from work processing places such as conveyor belts and others, remain a problem.

The report confirmed the occurrence of what the residents had repeatedly complained about and documented by photos and videos; namely the recurring episodes of releasing large amounts of dust from the oven stalk into the air. These episodes of “anomalous dust emission” are very serious because they lead to sharp rise in pollution levels, and although they only last for a relatively short length of time, the residents complained that these episodes usually result in sending children and ill patients to emergency rooms. The CAO reports that no steps were documented to mitigate these episodes

The report further emphasized that nothing was done to decrease the elevated noise levels which were higher than accepted levels since the signing of the contract in 2010 and had increased significantly later on. As for the vibrations, they were not even measured at any time along the project's life although a number of nearby residents complained that the vibrations cracked the walls of their houses.

The report clarified that since the start of the contract with IFC in 2010, the factory had not submitted any documents of a permanent operating license or an environmental impact assessment study (EIA) in accordance with the requirements stipulated by Egyptian laws. After the complaint, the IFC submitted to the CAO office an EIS dating back to 2002! However, the CAO report commented that the EIS did not address the environmental and social risks of the factory as required by good industrial practices, and it was more akin to a “scoping report” than to a proper environmental impact study.

The IFC also submitted to the CAO office an approval of the Environmental Affairs Agency to the expansion of the factory in 2000. It is worth noting that, according to Egyptian laws, the Ministry of Environment is not the authority responsible for issuing the final license for factories, but rather the Ministry of Industry.

Regarding workers' rights, the CAO report noted that from the beginning there were red flags in relation to the workers' situation, as the factory employed approximately 80% of its employees under the contract system through intermediary companies contracted to recruit workers. International recommendations consider the presence of 25% or more of subcontracted workers to be an alarming indicator, as they are most vulnerable to exploitation.

The investigator found that the IFC did not take measures that would oblige the factory to extend the scope of protection to all workers. The complaint of former (subcontracted) workers was that they were subjected to discrimination in wages and social and in-kind benefits. The report also indicated that even as late as 2019, IFC conducted focus groups with contract workers that showed they still held their concerns regarding salaries and medical insurance.

The report also mentioned deficiencies in occupational health and safety policies and procedures for workers, with regard to the use of personal protective equipment – especially among contract workers.

Upon the CAO mission visit to the factory in 2017, it found that the factory's and IFC's claim that contract workers performed only non-essential tasks, was incorrect. Many of those workers performed routine activities in the cement production line, under the direct supervision of the factory management, and some of them have continued to work for more than ten years, which reaffirms that they deserved equal wages and benefits like directly employed workers.

The investigation's findings also confirmed what the former contract workers had said about the factory's habit of reducing labor expenses by implementing early retirement plans, through which the direct workers were transferred to the status of a contract worker by retrenchment, and then re-employing them through labor supply companies. The company implemented a plan of that kind in 2016 and another in 2017.

The investigation also documented the factory's violation of the contract workers' rights to organize and to express their grievances, which continued throughout the whole period of contract between IFC and the factory. Even as late as 2019, the contract for subcontracted workers stated that the factory does not bear any responsibility for workers in the event of injury or death, and that it should be guaranteed that workers do not stop working for any reason such as strikes and protests. Such contractual terms are in obvious contradiction with workers' rights guaranteed and protected in Egyptian laws as well as in international treaties and norms.

IFC response, after the conclusion of the investigation by the CAO office, the IFC is obliged to publish its comment and develop an action plan that responds to the findings of the report. Unfortunately, however, the action plan developed by the IFC did not respond to all the findings of the investigation report (the action plan included only 6 items, while the investigator's report included 12 items).

In our opinion, the action plan did not respond to the most important findings of the investigation nor to the most important concerns of the complainants, as it came without any mention of any of the workers' concerns, and did not address any of the major environmental problems. Of the six items listed in the plan, only one item is concerned with environmental problems (noise), while the rest of the items were related to disclosure, communication, and the development of the IFC future procedure! Even the four items required from Titan Cement factory (out of 6 items) were conditioned with the approval of the company itself, on the pretext that the IFC has divested from the company since 2020.

II: Notes on the Complaint process

Regarding the IFC Environmental and Social Sustainability Standards, the International Finance Corporation (IFC) is one of the bodies of the World Bank Group which is tasked with financing the private sector. The IFC has long been criticized for supporting projects that do not comply with international standards in terms of environmental and labor rights. For this reason, IFC had included a number of environmental and social standards in its financing policies that were developed in accordance with international standards, and declared that it was committed to them and stipulated that the private parties which it supports must apply them over the life of the investment or financing it obtains. This includes assessing the environmental and social impact of projects, avoiding as well as mitigating negative environmental and social impacts on workers and communities among many other requirements.

Regarding the CAO office and complaint mechanism, the Office of Compliance Advisory Ombudsman (CAO) is the independent accountability mechanism which receives complaints from those harmed by any of IFC-supported projects. The CAO office mainly considers the extent to which IFC complies with environmental and social sustainability standards in the projects it finances. The investigator also examines the performance of the funded project (the institution's client), the credibility of complaints filed against it, and the resulting environmental and social consequences and damages.

Upon completion of the investigation by the CAO office, the report is sent to the IFC to prepare its response and the appropriate action plan to address the concerns and deficiencies. The final CAO report is then sent with the IFC response to the President of the World Bank Group for approval, after which it is posted on the CAO's website, and the investigation process remains open to monitor the implementation of the IFC action plan that addresses the findings of non-compliance.

Regarding Titan Complaint process, the complaint was submitted to the CAO office in April 2015. In July 2016 a preliminary report on the complaint was issued by the CAO's compliance mechanism expressing areas of grave concern and the announcing the beginning of a comprehensive investigation. In January 2017, a delegation from the CAO office visited Egypt, accompanied by international environment and labor experts, and met the concerned parties. In September 2021, the final report containing the results of the in-depth investigation was issued and published on the CAO office website, together with the response of the IFC which included the action plan. .

It is worth noting that EIPR had published a report prior to filing the complaint, entitled [the International Finance Corporation and Enforcement of Environmental and Social Sustainability Standards: A Case Study of Titan Cement Company](#), in October 2014. That report focused on workers' rights, working conditions, the violent dispersal of the workers sit in, occupational health hazards, as well as the environmental and health impact of the factory's emissions on the local community.

III: Detailed analysis of the investigation findings

As mentioned in the summary above, the findings of the report revolve around three aspects raised in the complaint

First, the environment; including review of the project's environmental and social impact assessment, plant licensing, air emissions and health impacts, switch to coal as fuel, noise and vibration issues

Second, community engagement; including information disclosure, stakeholder engagement, consultation and safety

Third, labor; including terms of employment, freedom of association, occupational health and safety, and early retirement.

A. The environment

1-IFC Evaluation of the environmental and social aspects when choosing a project

The CAO office considered that the IFC erred since the beginning of the contract with the factory since it did not conduct an appropriate assessment of the expected environmental and social impact of the factory, which was classified within (Category B) only in a manner that is not commensurate with the nature and size of the project; the close proximity to housing in a mixed industrial area; nor the cumulative pollution effects on the population.

The report stated that even within this disproportionate assessment of the project's impacts, the IFC did not meet the correct procedures as it did not document the plant's environmental impact assessment (EIA) documents. IFC officials said to the CAO team that they were satisfied with viewing these documents at the company's headquarters, and that many of the documents were in Arabic without translation, and that they relied on the company's assurances and on Titan International's reputation in this regard.

Later, and during the investigation process, the IFC submitted to the CAO office the EIA study of the plant that dated back to 2002. The review of the investigator's office states that this assessment did not conform to good international industrial practices, and did not take into account the impact the project would have on nearby communities. Nor did it, according to the review, include sufficient information about the methodology, and the review ultimately concluded that the EIA was very similar to a "scoping report" with limited baseline analysis.

2- Factory licenses and permits

The complainants assert that the factory operates without a the proper legal license, and that the license that the factory has is a temporary one that has been renewed for more than 15 years, in violation of the Egyptian laws. This odd situation was explained in the Commissioner's report of the Alexandria Administrative Court Case No. 11632 of 64.

The CAO investigators found that the review summary issued by the IFC at the beginning of the contract did not include anything related to the factory's license, and that throughout the project life, although IFC knew about the aforementioned lawsuit, the IFC did not seek to verify its client's license status or compliance with national laws. Instead, the IFC relied on the client's assurances and accepted its narrative that these allegations were unfounded.

It was noted, according to the investigation's report, that the IFC team was convinced that criticism of the company's position was motivated by political interests and not by reasons of objectivity or public concerns, and that other industries in the region did not comply with all local standards too, although «the basis on which IFC team reached these conclusions was unclear,» according to the report.

Later, during the investigation process, the IFC submitted to the CAO office a number of documents, including the approval of the Egyptian Agency for Environmental Affairs related to the expansion of the APCC plant, issued in October 2000. The approval referred to an environmental study related to the expansion and identified a number of conditions and requirements. It is worth noting that, according to Egyptian law, the Ministry of Environment is not the authority responsible for issuing the final license for the factory, but rather the Ministry of Industry after approval of the Ministry of Environment, and there was no such license included in the documents.

3-Emissions and air pollution

Residents complained that the factory's emissions, especially of dust, cause serious damage to their health, and they have documented episodes of severe emissions from the furnace stalk which do not match the data published by the factory about its good environmental performance.

The investigator reported that the adverse pollution impacts on the community are verifiable, and that IFC recognized that the emissions of the plant were very high (the emissions of fine particulate matter from the main furnace were six times higher than the acceptable level for the World Bank Group at the beginning of the contract in 2010).

The investigation's report recognized that throughout the funding period, the IFC has sought to improve pollution prevention techniques, and the report confirmed that there has already been an improvement in the levels of emissions, but the report also mentioned the following reservations on this result:

- Timelines for installing modern filters had been lagging behind, and available evidence indicated that most particulate gas emissions remained above World Bank Group levels until at least 2015 and that high emissions of nitrogen oxides remained until 2016.
- In addition to this, it was not possible based on the data submitted to ascertain whether the required standards were really adhered to as the factory claimed, since the factory only submitted annual average of quarterly samples , of stalk emissions which is inconsistent with World Bank Group standards that require emissions levels to be met for 95% of the plant's operating time, based on average daily values.
- The plant implemented a dust emission dispersion model in 2012 and concluded that the expected maximum concentration did not exceed the permissible limit. However, the doc-

ument lacked details of the input and methodology for assessing its compliance with the World Bank Group's guidelines, especially that the dispersion model was done at ground level away from the stalk and did not account for additional sources of fugitive dust.

- In 2016, the factory established air quality stations inside the factory, but the CAO investigators found that these stations measured sources of dust leaking from low sources only, while high sources were not measured. The investigation states that in order to assess the impact of the plant on ambient air quality, and to achieve good control of the level of air quality, the air quality stations had to be located off-site in the surrounding communities.
- Complainants have documented numerous incidents of intense stalk emissions, and IFC recorded one incidence of this "anomalous dust emissions" of the clinker slag (an industry intermediate product that appears as cement slurry). It is worth noting that Titan International Company had previously recognized one such incident of anomalous emissions in 2018 too. Although the IFC was aware of these incidents and assessed their seriousness, there is no evidence that any measures have been taken to address this issue. Although these releases may be relatively short-lived and may not even affect the levels of daily average measurements of emissions, they are capable of causing serious health consequences, especially for children and vulnerable individuals.
- The factory had stated that the main source of dust in the Wadi al-Qamar community was vehicular traffic on unpaved roads around the residential area, and that the factory was not a major source of dust leaking in the region. This claim was based on a media article that quoted the former Minister of Environment, his quote in turn was based on the results of the work of committees of experts and Ministry officials. But the CAO office report showed that tests that could substantiate or refute such claim, for example by analyzing the composition of dust intrusion in the area, or comparing ambient air quality while the plant was closed to that while operating were never done, before accurately estimating that the factory's real contribution to ambient pollution.

4-Coal use and energy consumption

The IFC records from the outset indicated that the plant's energy efficiency is relatively low compared to best practices, but there was no plan to improve this performance. Although coal is one of the worst sources of energy in terms of its polluting effect, especially if associated with low efficiency use of power; the IFC did not review the quality of the EIA study for the use of coal conducted by the factory. Nor were the cumulative effects related to the use of coal taken into account, especially given the proximity of the factory to the residential areas.

5-Noise and vibration

According to the CAO report, the noise levels from the factory in 2011 were much higher than both the Egyptian standard and the World Bank standard, and the factory did not take any steps to reduce noise or to measure and monitor the impact of vibrations. The CAO found that until the Investigator's report was issued, the IFC had not required the client to properly assess noise levels or take steps to mitigate the effects of noise and vibration on the local population.

B: Community engagement

In general, the CAO report found that the factory performance in relation to issues of community engagement did not meet the relevant requirements, whether regarding disclosure of environmental and social information; reporting on the implementation of corrective actions; or in terms of consultation with those affected and management of security risks. In particular, the investigation found that the IFC erred in applying its criteria, classifying the project as small-impact, and failed to confirm that the factory undertakes informed consultation with the community.

As an example of non-disclosure, the report stated that in May 2017, EIPR, published a video clip showing heavy emissions from the Stalk. Titan International company responded, via the Business and Human Rights Resource Center, saying that the incident had been observed and brought under control. But the EIPR replied by revealing that there were at least 14 of these documented incidents, which occurred between 2015 and 2017, and that there was no disclosure of them. Unfortunately, EIPR's reply that time received no response from Titan company.

C: Workers' rights and working conditions

The workers complained about the factory's violation of the standards of the ILO and Egyptian Labour Law, and they complained about the conditions for hiring contracted workers. More complains from the workers concerned depriving them of work benefits and freedom of assembly, in addition to poor health and safety conditions in the workplace.

1-Working conditions of contract workers

At the beginning of the contract, the IFC learned that the factory employed nearly 700 contracted workers from intermediary companies to recruit workers (about 80% of its workers). International recommendations consider the presence of 25% or more of subcontracted workers to be an alarming indicator, as they are most vulnerable to exploitation. Nevertheless, the IFC did not review the client's business practices in relation to the workforce, nor did it meet with them.

The factory claimed that indirectly contracted workers did not perform essential tasks in the factory, and therefore they do not have to receive equal treatment to directly contracted workers. But when the CAO mission visited the factory, It found many of those indirectly contracted workers carrying out routine activities in the cement production line or in the packaging facility, and under the direct supervision of the company's management. Some of them had been employed continuously for several years, which invalidated the company's claims about the different types of tasks assigned to different types of employees.

The CAO report revealed that IFC knew about the company's intentions to hire technical-skilled workers (not non-essential ancillary workers) as contract workers. In 2016, the factory implemented an early retirement plan, and a later one in 2017. In these plans, the factory was changing the status of directly hired workers into contract workers by terminating the direct contracts, and subsequent re-employment through labor supply companies. The IFC did not raise the issue or provide any commentary on it to Titan.

According to the investigation's findings, the factory continued to deny the status of contract workers, and the situation had not been corrected until the end of contract with IFC in 2019. IFC records proved contract workers still complained of unfair terms of employment.

2-Freedom of organization

The February 2013 sit-in demonstrated the conduct of the factory and the IFC, which violated the rights of workers to assemble and negotiate, in addition to violating sustainability standards. In February 2013, a number of contract workers organized a peaceful sit-in at the company's headquarters following the company's refusal to negotiate with them about improving work conditions. The sit-in was forcibly dispersed and a large number of participants were arrested. Eighteen of the workers who participated in the sit-in were indicted under the false pretext of illegal detention of some employees and fabricated attacks on security forces. But in 2016 all of these charges were dropped by the court and they were acquitted.

The report confirmed that since 2011, the IFC had been aware of numerous reports of protests and strikes at the factory over working conditions. However it did not follow up with the Factory on any of the claims or complaints brought forward by workers. The IFC merely noted – according to the investigator's report – that such events were also occurring in other facilities in Egypt at that time!

The report mentions that before the court acquittal of the striking workers, it was noted that within the IFC that there was an acceptance and belief in Titan's claims that the "attacks" and criticism of the company were politically motivated. The IFC overlooked the dismissal of nearly 50 contract workers for their participation in the protest. It also overlooked the company's refusal to negotiate with individuals who were later acquitted, as the company notified the IFC that the Egyptian law does not allow contract workers to negotiate or establish an independent union, which the company used as a justification for its refusal to negotiate even after the acquittal. The IFC did not oppose this unfair treatment.

The Investigator's report stated that although all of this was provided a strong indicator of restrictions on employed workers' of contract workers' rights to organize, which is inconsistent with its sustainability standards, the IFC did not request further information on this, nor did it attempt to ascertain what the actual provisions of Egyptian law were.

Throughout the investment period, Titan company maintained its rigid position and did not allow its workers and especially contracted workers to express their grievances nor did it allow them freedom of organization. provisions that relief Titan from any responsibilities for contract workers in the event of injury or death, and ensuring the e workers would not stop working for any reason such as strikes and protests, were included in the contracts and the IFC did not provide sufficient guidance or recommendations to the company in relation to these rights

3- Occupational health and safety

The Preliminary investment review conducted by the IFC in 2010, did not take into account the occupational health and safety risks of workers associated with the client's reliance on workers contracted through third parties., and merely relied on the international reputation of Titan. However, the IFC follow-up to the factory revealed a number of deficiencies in the implementation of occupational health and safety policies and procedures in line with the issues raised by the complainants, especially with regard to the use of personal protective equipment, poor hygiene inside the factory, and contractual provisions that limit the factory liability for the health and safety of contract workers.

IV: IFC's response to the report's findings

As mentioned above, the final report of CAO which included the findings of the investigation was published on September 20, 2021, along with the response of the IFC to the CAO findings and the action plan that the IFC will pursue to address the issues raised in the investigation's findings.

The IFC action plan included the following items:

1. Disclosure of information: the IFC committed itself to publishing on its website the documents of the environmental and social assessment of the project that it carried out in 2009, as well as the study of the environmental impact assessment carried out by the company in 2002, within a month from the issuance of the report. This means that they should have been published before the end of October 2021.
2. Disclosure of information and community engagement : The IFC proposes that Titan Cement Egypt, within a month of the issuance of the report, to disclose the findings of its environmental monitoring report as well as the measures taken in the past ten years to mitigate the factory's environmental emissions, and - if the company agrees to these measures – the timetable for implementation will be agreed upon.
3. Noise: The IFC proposes, within a month of the issuance of the report, that Titan Cement-Egypt continues working on identifying and evaluating the sources of noise, and, subject to company agreement to such a proposal, the timetable for implementation will be agreed upon.
4. Community engagement plan and community grievance mechanism: The International Finance Corporation proposes, within a month of the issuance of the report, that Titan Cement-Egypt documents the procedures for community engagement and grievance management procedures and, subject to company agreement to these measures, the timetable for implementation will be agreed upon.
5. Security risk assessment and security management: The International Finance Corporation proposes, within a month of the issuance of the report, that Titan Cement-Egypt document its security management procedures, and subject to the company's agreement, the implementation timetable will be agreed upon.
6. Updating the environmental and social review procedures of the IFC when evaluating the projects it finances, to reflect developments and improvements, and the updated procedures will be published in the first quarter of 2022.

Finally it is worth noting that, although the results of the investigation identified 12 items that the IFC must address; the IFC action plan included only 6 items. The IFC stated in its response and commentary on the investigation report that IFC management did not agree with some of the findings of the CAO report about Its failure to adhere to the performance standards. Although the independence of the CAO office would not allow the IFC to interfere or modify the CAO findings even if it takes issue with it, unfortunately, the development and implementation of the action plan remains the exclusive right of the IFC institution. The CAO regrettably cannot obligate IFC to respond to all the findings of its investigation.