

EGYPTIAN INITIATIVE FOR PERSONAL RIGHTS



المبادرة المصرية للحقوق الشخصية

Investment without Sustainable Development:
Imaginary Profit and Realized Losses

A Case Study of the MOPCO Plant in Damietta

Dr. Ragia Elgerzawy

Economic and Social Justice Program
Egyptian Initiative for Personal Rights
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*** Introduction**

Public protests against expansion in the activities of petrochemical companies in Damietta, and particularly that of Agrium fertilizers plant, have attracted widespread attention of the public opinion in Egypt. Over the past years, the development of protests, the diverging positions of the parties to the conflict, and the arguments put forward by supporters and opponents have been followed closely. The conflict, which started in 2008 with Agrium, is still pursued currently against MOPCO (which acquired Agrium).

The popular movement against Agrium/ MOPCO acquired unique connotations, because it became the widest movement formed in defense of a Right related to the environment. Moreover, it was the most effective; indeed, the population managed to pressure the authorities at the time to respond to their demands - if only partially. The use of litigation by the people as part of their approach to protest was a valuable precedent. This was one of the rare instances where there would be a lawsuit filed against environmental pollution, and related to the rights of people to participate and to sustainable development. The case papers and documents comprised a huge amount of information about the topic, which would have been otherwise unreachable.

Thus, the EIPR program on Economic and Social Justice dedicated particular attention to studying the issue. A mission was sent to Damietta, to examine the situation. The mission visited the port of Damietta, and the two companies MOPCO and Methanex as a sample of the petrochemical companies in the Free Zone area in the port. The mission held interviews with officials and contacted the parties to the conflict as well as executives in the governorate and the Egyptian Environmental Affairs Agency (EEAA) in Cairo. These efforts were accompanied with follow up on the case, examining the file of Case no. 2321, Judicial Year 1, Administrative Court, Mansoura.

The EIPR team initially thought of conducting research on the negative impact of the MOPCO plants (formerly Agrium) on the environment and of evaluating its responsibility for the pollution and damage done to the environment, given that this was the original complaint by the residents. However, the study showed early on, that the topic has much more significant dimensions extending beyond the responsibility of the plant for polluting emissions or leakages. As such, the research extended beyond environmental impact of MOPCO activities to a rather broader overview of the connections between investment and development choices related thereto, and the environment, the population, and the economy in Damietta and Egypt at large.

The research team in Damietta found that the degradation of the environment and the frustration of residents were accumulated over a long period during which government policies and practices were mainly catering for an economic view that promoted profit at the expense of the environment and the population. The deterioration of the environment started in Ras el-Bar a long time ago for several reasons; and its impact was neglected. It was exacerbated with building the port during the eighties of the twentieth century. Instead of treating the situation, a number of petrochemical plants were licensed in the area. Thus, the environmental situation worsened severely. These plants were established despite the frequent demands by the residents and the local councils not to invest in such

industries, and to suffice rather by investing in fishing and tourism. The establishment of the Agrium plant was the last straw, followed by a strong wave of protests from the people, especially due to the provocation of storming the island of Ras el-Bar itself to build the plant on its land.

The Agrium/ MOPCO could be the perfect example for this type of studies that examine complex relations between environment and development choices, and decision making on the economy. MOPCO is indeed one manifestation of the dominant industrial investment trend, which puts to waste criteria for sustainable development. This activity is based on the allegation that attracting investments, even at the expense of the social and environmental dimension, would lead to profit making and growth. But in reality massive losses were incurred on all levels. This is what this study seeks to detail.

The study starts with identifying the importance of sustainable development and the economic, social, and environmental dimensions thereof. The report also addresses causes and manifestations of continued environmental deterioration in Damietta, further aggravated by unsound policies.

The report also addresses the impact of MOPCO on the environment, and presents a number of violations and polluting practices, which have gone unpunished due to the weakness of supervisory and legal structures. In fact, the company was compelled to stop some of its worst practices only after the popular protests.

The optimum use of available resources - particularly the depletable and unrenovable resources is a mandate of sustainable development. Thus, indeed according to the measure of alternative uses of resources, MOPCO could stand as the example of the worst use of resources. It suffices to cite the example of its consumption of huge amounts of natural gas, at a cost two-thirds less than the international prices, in a country suffering extensive energy shortage.

The involvement of communities in approval of development projects is a key factor in the success and continuity of development plans. The study shows that despite the fact that legislation and regulations are in place providing for consulting the residents prior to the execution of local projects, such was not done in the case of MOPCO. On the contrary, projects were conducted amidst loud persistent opposition from the local community, governmental and non-governmental. Moreover, the documents reflect numerous legal and administrative contradictions surrounding the company. This could even raise questions about the legal position and compliance of the company, particularly within an environment lacking transparency and accountability.

Even according to calculations which put profit above anything else; MOPCO is a failed model to the extent that closing it down is much more profitable to the national economy. Furthermore, those who make profit from such economic models are the rich who become richer, while one of the key conditions for sustainable development is to distribute the revenues of economic growth to all the population.

*** Sustainable Development**

By the seventies and the eighties of the twentieth century, the world had started to realize the hazards of environmental degradation, and to be aware of the massive attrition of natural resources by humans on earth¹. This became even worse with the domination of an economy that relies heavily on the attrition of non-renewable natural resources, leaving behind widespread pollution and degradation. It became clear that continuing along these lines will only lead to the destruction of earth and humans. Thus, the need was felt for finding alternative paths achieving the need to growth and prosperity, and to reducing the rate of environmental degradation. Hence, the concept of sustainable development appeared, i.e. development that can be sustained.

Sustainable development targets securing a long-term socio-economic activity, integrating the environmental dimension within the mechanism of political and economic decision making, and observing balancing the demands of profit-oriented investments, natural resources, and population needs. Thus, the concept of sustainable development presents an alternative model that is sensitive to realistic boundaries of the world environmental order, and saving us from the impasse of growing consumerism and the illusions of limitless economic growth. This model would also aim at the eradication of poverty, because poverty worsens the pressure on the environment and reduces the ability of human beings to benefit from resources in a sustainable manner².

Sustainability is achieved through linking three aspects: Economic growth, protection of the environment and resources, and just distribution of this growth or social justice. The values of sustainable development are integrated in the economy via diverse mechanisms such as optimum efficient utilization of resources, relying on alternatives of renewable energy, factoring costs of utilizing and protecting the environment in economic account, including the social dimension based on participation and responding to the needs of the population and the distribution of growth revenues.³

Despite the fact that the concept of sustainable development appeared originally to resolve the dilemma of the right of the developing countries to grow and fulfill its needs with a view to the decreasing resources and the degradation of the environment, many of these countries are still adopting a development concept that measures growth according to the GDP nationwide, and profits and sales on the level of companies. They are under the illusion that the economic path taken by large industrialized countries in the past could be

¹ United Nations Environmental Program, 1972. *Stockholm 1972- Declaration of the United Nations Conference on the Human Environment*. [Online]

Available at <http://www.unep.org/Documents.Multilingual/Default.asp?documentid=97&articleid=1503>
[Accessed 19 January 2014]

² UNEP, 1987. *Report of the World Commission on Environment and Development: Our Common Future*. [Online]

Available at: <http://www.un-documents.net/wced-ocf.htm>
[Accessed 19 January 2014]

³ UNEP, 1992. *Agenda 21 United Nations Environmental Program*. [Online]

Available at: <http://www.unep.org/Documents.Multilingual/Default.asp?documentid=52>
[Accessed January 2014].

replicated and, thus, postponing the demands of improving the conditions of the population and the preservation of nature to post-growth times.⁴

Whether the regimes of such countries believe that they could make this model a success, or they are pressured by the forces of international monetary organizations and multinational companies, or even driven by the greediness and corruption of stakeholders in power, they are all risking the future of their own countries.

Resources worldwide are facing an imminent threat of depletion both in quantity and quality. Thus, there are strong uncertainties surrounding the possibility of replicating the success of the economic model implemented by super powers. Furthermore, turning the back to poverty adds to the suspicions of the potential of success of protecting the environment from deterioration, or its restoration to its former state.⁵ There are real risks arising from the fact that developing countries focused on the consumption of resources to achieve economic growth normally end up losing resources and growth together.

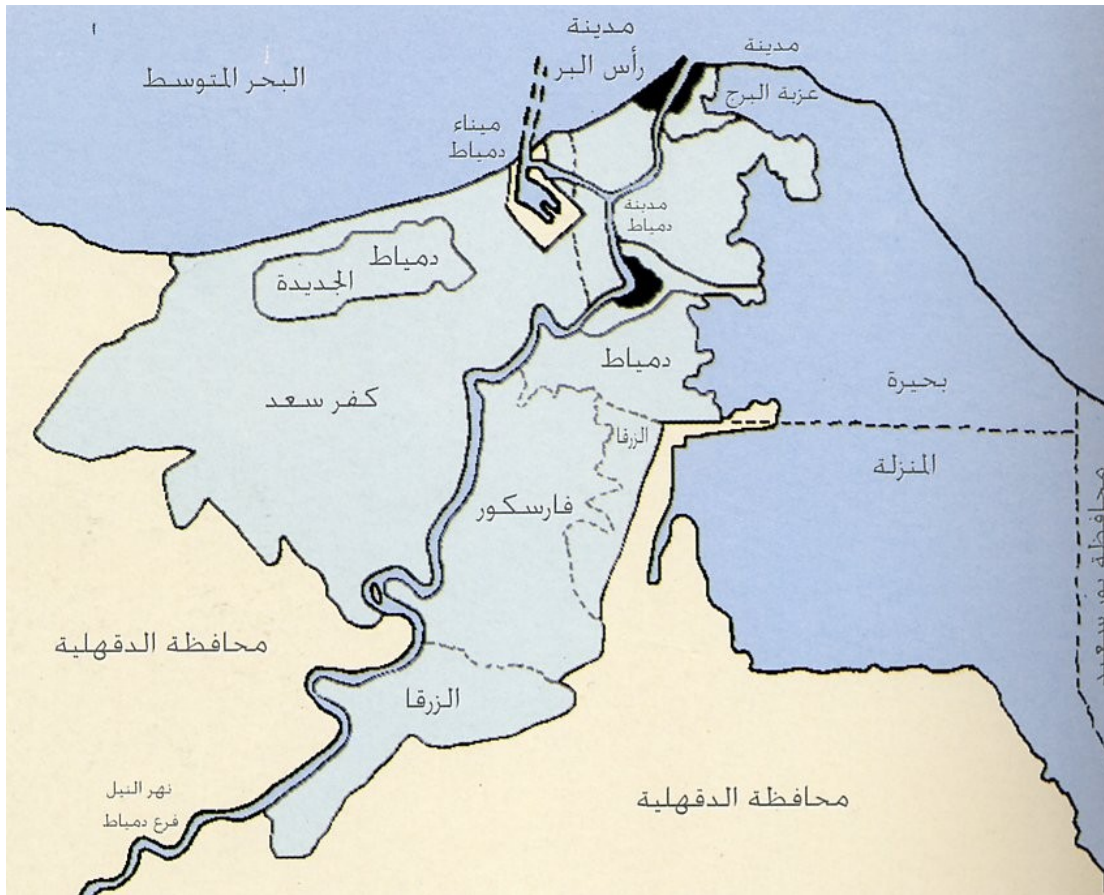
MOPCO is an embodiment of this type of investment in Egypt.

*** Environmental Degradation in Damietta**

The governorate of Damietta is located on the north east of the Nile Delta. It overlooks the Mediterranean from the North and al-Manzala Lake from the East. A location rich in natural and biological diversity especially in the area of Ras el-Bar, where fishing and tourism activities flourished greatly since long time. The Damietta port was established to the west of the navigation channel that linked the Nile and the sea in the eighties of the twentieth century. Within the port area exists the free zone and the petrochemical plants.

⁴ Murphy, J. D. a. D., 2010. *Sustainable Development: From Brundtland to Rio 2012*. [Online]
Available at: http://www.un.org/wcm/webdav/site/climatechange/shared/gsp/docs/GSP1-6_Background%20on%20Sustainable%20Devt.pdf
[Accessed january 2014]

⁵ Murphy, J. D. a. D., 2010. *Sustainable Development: From Brundtland to Rio 2012*. [Online]
Available at: http://www.un.org/wcm/webdav/site/climatechange/shared/gsp/docs/GSP1-6_Background%20on%20Sustainable%20Devt.pdf
[Accessed januart 2014]



The water quality around Ras el-Bar deteriorated due to a number of reasons. Among the factors involved is the lack of supply of the alluvium and dissolved materials brought by the flood annually prior to the construction of the High Dam. This is in addition to disorganized fishing activities, the pollution of Manzala Lake, issues of sanitary drainage, and others⁶.

The Report prepared by the Scientific Committee created by the Ministry of the Environment in June 2011 alerts the reader to the fact that instead of addressing the existing deterioration, the government took a decision to construct the Damietta port, despite its negative impact on the water environment. The report adds that the greatest disaster, nonetheless, was licensing the construction of a petrochemicals plant in the port area, according to the Report.

The Committee Report proved the degradation of the water characteristics in the area close to the port and in the navigation channel, changes in the chemical and physical characteristics of sediment, and presence of biological pollution. The Report showed the impact of this deterioration on the significant decrease in the economic fish larvae, to the

⁶ A final report on examining the environmental impact of plants established in the Industrial Free Zone in the port area in Damietta, prepared by the Scientific Committee formed as per the Decree no. 126 issued by the State Minister of the Environment on 30 June 2011.

extent of complete disappearance of some types such as sardines. Moreover, all analysis of Ras el-Bar coastline recorded as of 2009 illustrated chemical and biological pollution of its water to the extent of making it unfit for swimming.

*** Death Plants**

The Petrochemical plants were called "plants of death" by Damietta people. They were called such due to the violations which these factors committed. The MoE Committee recorded serious environmental violations by all the plants constructed in the Damietta area, without any exceptions.

This study focuses on the plant of Misr Fertilizers Production Company (MOPCO), not because it ranks highest on polluting the environment, but due to being the target of protests by residents and for being the focus of litigation.

After the protests by the people against Agrium in 2008, the transfer of the plant from east of the navigation channel on the Ras el-Bar island to the west of the channel in the Damietta Port, and merging the plant with that of MOPCO, was approved to contain the people's anger. The distance was only a few kilometers. MOPCO manufactures urea fertilizer from natural gas and air using the Uhde technology, at a rate of 2000 tons/ day, as such, MOPCO was supposed to triple its current production upon the operation of expansions (expansions are plants of Agrium). The Company seeks to export its entire production. The protests of the people against the original MOPCO plant focused on the completion and operation of expansions.

*** The Environmental Impact: Deliberate pollution**

MOPCO relies on a very efficient technology; and in theory could have had a relatively limited impact on the environment. However, the Company failed to observe sound practices in operation, and in addition, it breached the undertakings thereof upon obtaining the approval of the EEAA during the construction and expansion stages.

A number of environmental abuses that could be proved by the documents made available for us as listed below:

Illegal waste water drainage :

For more than one year, the Company continued to drain the wastes of the "water softening" process such as calcium carbonates onto the navigation channel. This practice only ended after people protested in 2011⁷. Some people we met stated that they used to see milky white water flowing to the navigation channel through an opening in the plant wall, after which they could not find fish to catch, as they used to.

Moreover, and since the early stages of operation, MOPCO violated the permissible drainage standards provided for in Law 48/1984, and continued to do so despite being alerted to stop this practice. We do have a correspondence from the Holding company of

⁷ The Mansoura University Report illustrates that the opening on the navigation channel has been only closed ten months ago, i.e. prior to the Committee visit, around February 2011.

water and waste-water Company (HCWW) in Damietta on 25 February 2009⁸; we also have another correspondence from the EEAA on 11 April 2009⁹; and again a third one from the HCWW on 25 September 2009,¹⁰ all such correspondences are to the effect of the breach by MOPCO of industrial drainage standards and demanding an end to it.

Violating the Environment Instructions in Treating Wastewater

Documents show Company failed to treat industrial wastewater in compliance with legal standards. The Scientific Committee formed by the MoE stated in its report that the Company mixes industrial wastewater with regular water to dilute it and to reduce the concentration of pollutants so that the product would be compliant with permissible limits, an act which is clearly prohibited as per the instructions of the EEAA and the law.

Defaulting on the implementation of terms and conditions provided for the obtainment of environmental approval

The Company failed to honor its undertaking of "supplying and installing a plant for treating all industrial wastewater in the Free Zone and to reuse treated water in planting non-fruit bearing plants". This was the condition to which MOPCO had agreed in the Environmental Impact Assessment Study presented to the MoE, and according to which it obtained the approval to the expansions.

This undertaking was also one of the terms and conditions of the Ministry of Irrigation to license a water inlet for the expansions.¹¹ The Scientific Committee formed by the MoE stated that the Company did not even leave sufficient space around the expansions to plant the trees.

Leakage of harmful emissions in the air

The Scientific Committee proved many other violation sduring field visit, such as defects in the system of the absorption of ammonia gas that led to leakages above the permissible levels. Two reports on the two incidents of leakage were filed on 13 and 17 July 2011 during inspection, which proved other violations such as the non-existence of a station for collecting oils and lubricants, at the risk of unsound disposal.

⁸ The HCWW in Damietta sent a correspondence to MOPCO on 25 Feb. 2009 refusing to receive industrial wastewater, and allowing the company a deadline of 3 months to separate industrial and sanitary wastewater.

⁹ A letter from EEAA and the Central Administration for the East Delta Region on 4 Nov. 2009 addressed to the Chair of the Board of MOPCO stating that the drainage of industrial wastewater by the Company on the sanitary wastewater network increased the percentage of ammonia and dissolved minerals, thus compromising the efficiency of the treatment plant of Ras el-Bar.

The Director of the Central Administration of East Delta Region demands, in the letter, that MOPCO presents an adjustment plan for the treatment of industrial wastewater.

¹⁰ A correspondence, on 25 Sept. 2009, between the HCWW and MOPCO regarding alerting the Company to stop pumping industrial wastewater to the Ras el-Bar treatment plant as it does not comply with the specifications.

¹¹ This is provided for in clause (w) of the terms and conditions for licensing the water inlet for MOPCO dedicated for withdrawing 1200 cubic meter/ hour from the Nile for 10 years, as of 27 Jan. 2011. This was a license issued by the Ministry of Water Resources and Irrigation and the Public Administration for the Development and Protection of the River Nile east to the Damietta branch in Mansoura.

*** Natural Resources: Abuse and depletion of natural resources**

Sustainable development requires observing the optimum use of available natural resources, especially when they are non-renewable and depletable such as natural gas, and water.

MOPCO uses large amounts of water, it uses a large plot of land and huge amounts of natural gas. However, the Company seeks to export its entire production, selling it at International prices. By comparing the returns of alternative uses for resources consumed by the Company, and by calculating long term impacts and losses, it becomes clear that MOPCO is not exemplary of best model on the contrary, it is closer to the worst model of resource utilization.

Natural gas: subsidy going for the rich

Natural gas is the active ingredient for manufacturing urea. MOPCO uses 55 thousand normative cubic meters (around 1,961 million thermal unite) per hour for each plant. The Company buys natural gas at the price of USD 4.5 per one million thermal units, which is less than world prices by about USD 6-7¹². It is as if the Egyptian government is subsidizing the company for consuming Egyptian natural gas, by an approximate annual amount of EGP 600-700, i.e. an amount approaching two billion EGP in the future given the expansions. This amount alone is way above any profits achieved to national economy from the Company transactions on all levels - not factoring in the losses and other lost opportunities. This situation is further aggravated by the fact that Egypt suffers a severe shortage in the energy resources and imports gas at world prices.

Water: Supply of pure water at low prices and depletion of rare natural resources

MOPCO consumes around 5 million cubic meters per year of purified water, paying EGP 12 million in return. After the expansions, consumption is going to increase to become 15 million cubic meters. However, Egypt is currently suffering from water scarcity and is facing the risk of being under the water poverty line within the next ten years. Under such bleak circumstances, it could be said that MOPCO consumes annually the share of 10 thousand individuals of water, and is expected to increase by threefold after the expansions.

Regardless of the scarcity of water, upon comparing the returns of this water in agriculture, it would suffice for the reclamation or cultivation of around 1500 acres or more depending on the crop and method of irrigation, with rental value of 10-12 million EGP annually . These acres would create job opportunities and livelihoods for thousands of farmers and their families, and would have supplied food and crops for thousands of other citizens.

¹² These prices were calculated in June 2013, and could have increased. Nonetheless, the purpose is not auditing accounts as much as it is illustrating that the price paid by the company is about one-third the price of natural gas in the international market.

Land and Location: Advantages to the company and losses to the people

MOPCO had 364,276 square meters allotted to them for an annual rent of EGP 4.5. millions. This very special location overlooking the Mediterranean, through which the Company could easily export its products worldwide, saves the company a lot of transportation money. The value of land in this area, at the Nile-Mediterranean meeting point, enjoying moderate weather and rich natural life used to be high due to its potential for coastal tourism and fishing. Ras el-Bar city has a long history in this regard, in addition to already existing investments in tourism¹³ The presence of the plant not only depriving people from utilizing this land otherwise, but extends to the loss in value of their investments and ruining their traditional means for livelihood.

*** The non-involvement of the community and non-fulfillment of its needs:**

The participation and approval of communities on development projects is a key element in the success and sustainability of development plans. MOPCO plant was, however, constructed against the will and interests of the people, therefore earning their rancor. This plant and its likes stripped the people of their resources, polluted the environment, had a negative impact on their livelihood without offering any alternatives, and even without fulfilling any national market needs. Despite the legislations and the regulations mandating that projects obtain the approval of the people, it was proven beyond doubt that these regulations and norms were flagrantly violated. Indeed, it is proven in official records that the MOPCO project was not even presented to the Local People's Council, to start with¹⁴. On the contrary, petrochemical projects have been the target of clear opposition from the LPCs and the Executive Local Councils (ELCs), which announced that the risks of such projects outdo the returns¹⁵. Despite the fact that obtaining the approval of the community is a prerequisite for environmental approval, and the lack of which led to the revocation of the Agrium project in 2008, still MOPCO was able to construct its plant.

Moreover, the LPC refused the request made to extend a gas line to the plants.¹⁶ Nonetheless, the line was extended despite the fact that the company was alerted that this is a violation¹⁷, and despite the lawsuits filed by citizens in whose lands the path for the line was dug.

*** Transparency and the rule of law: Weak supervision and no penalties**

¹³ Experts estimated the cost of a meter of land at EGP 3000-5000 in 2008 during the First Environmental Conference in Damietta: The Economy, Black Industries and their Impact on Damietta, which was held on 23 April 2008.

¹⁴ A correspondence from Mr. Ahmad Hishmat, the Secretary General of the Governorate of Damietta, to mandate officially the councils and the committees on 1 March 2007, addressed to Eng. Sherif Ismail, Chairman of EGAS.

¹⁵ The minutes of a meeting attended by the directors and deputy directors of Health, Environment, Electricity, Water, and Housing Departments and the Free Zone, as well as the LPC chair. The minutes are issued by the Environment Affairs Department in the Governorate, indicating clearly that all executive and representative councils reject these projects.

¹⁶ A correspondence from Mr. Ahmad Hishmat, the Secretary General of the Governorate of Damietta, on 1 March 2007, addressed to Eng. Sherif Ismail, Chairman of EGAS.

¹⁷ Correspondence by the Damietta LPC to the members of MOPCO general assembly in Dec. 2007.

The MOPCO case reflects the negative impact of a political environment infused with disrespect of the law, weak oversight, and impunity from being held accountable for the environment. Generally speaking, the documents of the case raise many contradictions with respect to the legal and administrative status of the Company, including, for example:

1. MOPCO applied to the General Industrial Development Authority (GIDA) to establish the project in Suez, and was rejected on 24 Dec. 2006, according to the decisions issued by the Supreme Council of Energy under the chairmanship of the Prime Minister related to rejecting energy intensive projects for the production of nitrogen fertilizers.

Despite the close instructions of the Prime Minister to governors¹⁸ not to issue approvals for industrial projects except upon the approval of the GIDA, and despite the instruction by GIDA chair to the governor of Damietta not to approve these projects that did not obtain the Authority approval¹⁹; and despite a request from the Minister of Local Development to the governor of Damietta to the same effect²⁰; MOPCO received the approval for constructing its plant in Damietta!

2. The decision to construct a petrochemical plant in the port of Damietta and Ras el-Bar is in violation of the goals of urban development provided for in Law 3/1982 governing urban planning, maintaining that the goals that need to be observed in the projects include preservation of the natural environment and the prevention of the construction of non-compliant buildings that do not meet the real needs of the city. This prohibition indeed applies to the position of highly polluting plants in the tourist city of Ras el-Bar, to the extent that the plant poses a hazard to all economic elements of tourist, fishing, and commercial activities of the city dwellers.

3- The decision by EEAA to approve petrochemical industries in the region was in contradiction to the Law on Environment mandating observing sensitive and coastal areas and prohibiting the establishment of polluting structures on coasts (Articles 73-75), given the unique location of the region. Furthermore, the environmental burden in an area already suffering from degradation would have needed to be observed. Surprisingly, the Environmental Committee report acknowledges the degradation of the marine environment in Ras el-Bar and Damietta, and confirms that it was a mistake to establish the port in the first place. The report also describes the approval of a petrochemical plant as a great disaster, bearing in mind that the MoE should also be held accountable for these approvals.

*** Calculations of feasibility from a social view: Winners versus Losers**

¹⁸ In the circular, no. 7951 on 11 October 2006, from the Council of Ministers to the governors.

¹⁹ A correspondence from Mr. Amr Assal, GIDA chair, on 6 Feb 2007, to the governor of Damietta, Mr. Mohammad Fathi al-Barade'i, in response to the request by the governor to the Authority to clarify the position of some companies including MOPCO.

²⁰ A correspondence from the Minister of Local Development, Muhammad Abdul Salam al-Mahjoub to the governor of Damietta, on 21 Feb. 2007.

While many investors and politicians promote the idea that establishing any investment projects reflects on a higher GDP, and that this automatically leads to improving the conditions of society at large, still this is quite not true with respect to these types of investments. As MOPCO confirms the achievement of massive profits, the return actually accrued by the national treasury is much lower than the real burden of this project and the entailing losses. Indeed, it is very costly environmentally, with a very marginal return to the residents and national economy. Thus, these models of investment can only be described as having failed to secure sustainable development.

This argument is justified upon comparing the profits and losses in the case of MOPCO:

- The Company pays EGP 12 million annually for water²¹, a similar amount for electricity, and EGP 4.5 million for land rental. The amount estimated for the cost of gas is 12 million US \$, and the taxes are estimated at approximately²² EGP 200 million annually. Thus, the overall annual revenue collected actually by the state could be EGP 300-350 million²³.

- In return, losses and lost opportunities for the state treasury arising from the difference in the price of natural gas alone supplied to the company compared to the International prices amount to EGP 600- 700 million annually, i.e. double the amount gained by the state treasury. Furthermore, it became clear how the operation of MOPCO deprives the national economy, the budget, and particularly the community members of opportunities and resources. The revenue from such losses were calculated and found to be much higher than those achieved by MOPCO economically and socially.

-On another level, MOPCO operates under the Free Zones system and exports fully the production thereof. Labor-wise, MOPCO is not labor intensive²⁴. In this manner, MOPCO does not offer benefit or value on the local or the national level, which could justify the burden of harmful environmental hazards posed by the project. Above all, MOPCO does not pay as part of their cost of production the cost of the grants of nature nor accounts for the cost of preventing its degradation. Ultimately, it is the individuals who bear the burden of disease and the consequences of environmental degradation. Both risks can never be calculated financially, because they impact on the quality of people's lives and the future of coming generations.

²¹ The calculations relied on documents presented by the Company in case no. 2321, Judicial Year 1, Administrative Courts of Mansoura, and information available.

The documents presented by MOPCO comprised many contradictions in the figures stated concerning the company profits, taxes, and labor force. Due to the lack of transparency and scarcity of information, the figures we present are rather estimates - however, we tried to make them as accurate as possible.

²² It is a fact that taxes in Egypt are considerably lower than other countries; moreover, the estimates made by the Company in its accounting books of the taxes it pays vary the range of EGP 450-560 million annually.

²³ MOPCO calculates the total profits accrued by the state at approximately EGP 900 million, without any concrete basis, particularly that the profits of the Company are estimated somewhere else at EGP 600 million.

²⁴ The Company claims that it offers employment opportunities (directly and indirectly) to around 1000 workers, some place else the figure is 700, while rising to 3500 workers in other instances. It is known, however, that plants for nitrate fertilizers are not labor intensive. Thus, it is expected that once construction is completed, the number of workers would not exceed few hundreds.

It is true that the Company is profitable. However, what really counts is not the volume of profits but their contribution to the improvement of the conditions of people and society. As we have seen, the return to the state treasury from MOPCO's activity is very meager compared to the burden thereof and the benefits that could be accrued to the people in the form of basic services such as education, or social support in the form of public services and utilities - which are currently very limited, given the existing policies.

The greatest share of the profit is achieved by the stakeholders in the Company capital - Egyptian and Arab banks constitute around 75% of these while International companies constitute the rest. At times these profits would be recycled in the form of loans to the large business people, large bonuses to top officials, in establishment of luxury projects that are only targeting the satisfaction of the needs of the rich, or profit oriented projects consuming the natural resources and polluting the environment. In most cases, these projects lead to the displacement of other individuals from their residence and livelihoods by numbers much larger than those employed - and are left to face a fate of poverty and diseases.

*** Conclusion and Recommendations**

What can we do

The study examined MOPCO as a case for this type of investment, only to show the real scope of profit, cost, and direction of revenues. Moreover, the study reflects the extent of wasting resources, and its impact on the deterioration of nature and depriving people from the sources of their wealth and livelihoods and , particularly the poor. This does not mean that the state should halt investing in industrialization. Nonetheless, it means that it is important to change current investment trends, and adopt sustainable development strategy.

Some recommendations are made as follows:

First: Recommendations related to development strategies in general

1. Adopt an economic development strategy based on sustainable development, which requires a firm political will to amend existing economic trends and methods, clearly biased to the rich and investors at the expense of protecting the environment and most of the population, especially the poor.
2. Support and strengthen the role of the MoE as a fundamental partner starting from the early stages of planning and strategizing up to and post implementation.
3. Address the weakness of the administrative body of the state through capacity building in the fields of the environment and the economy to be able to undertake its tasks efficiently, particularly monitoring and control. Coordinate properly the mandates and competence of administrative bodies.
4. Combat corruption through employing transparency, respecting the rule of law and accountability, avoiding exceptions and impunity, and implementing all other principles of good governance.
5. Achieve real participation of the people, and supporting the fundamentals thereof such as free access to information, dissemination of knowledge in simplified form, and respect to the priorities and needs of community members.

6. Amend the biased cost of natural gas offered to investment companies, given its scarcity in Egypt and the fact that these companies export their production. (See EIPR's report on the issue of subsidizing natural gas in Egypt: "Energy Subsidies in the Egyptian Budget: A Case of Social Injustice").

Second: Recommendations related to MOPCO and pollution in Damietta

1. Develop a timeline for moving the plant from the Damietta Port to a location far from the port and from population concentration. All such industries have a heavy impact on the environment. All plants, as the report of the Scientific Committee stated, committed serious breaches against the law,
2. All violating structures must be placed under the obligation to make adjustment plans approved by the Ministry of Environment, including the Damietta Port itself and the Wastewater Treatment Plant in Ras el-Bar. This is in addition to stricter control and follow up on the environment, while implementing the law in a more stringent manner.
3. Prohibit the establishment of any similar projects in the area, while committing to a development plan with real and efficient participation from the people in line with the nature of the region and prioritizing the needs of the people. This plan needs also to bear in mind the method of accommodation and adjustment of abusive activities and practices that the community members undertake themselves.

*** Appendix 1:**

The developments regarding the conflict over Agrium/MOPCO plant in brief

-In February 2006 the Egyptian Agrium company for manufacturing nitrogen products was established in agreement between the Egyptian Holding Company for Petrochemicals and the Canadian Agrium company. In the following year, Agrium Egypt obtained the approval of constructing a plant for nitrogen fertilizers in Damietta to operate according to the Free Zones system. The Company started constructing its plant on the island of Ras el-Bar, and the construction would have been completed in 2010.

- The news of a new petrochemical plant became known, despite the frequent objections from the people and the LPC. Anger further flared when people learned that the plant would be constructed on the tourist island itself.

In 2008, a massive popular protest movement was mobilized against the Agrium plant, and the government was forced to respond. A fact-finding commission was mandated by the Commission on Health and Environmental Affairs in the People's Assembly to undertake the investigation.

- In June 2008, the Commission issued a report indicating that the prerequisite of community consultation over the construction of the plant was not observed, and moreover, the Company failed to secure the approval of the LPC beforehand (as per the law) on the extension of gas and water pipelines. The report stated that "the Company risked the initiation of implementation without fulfilling these prerequisites; and therefore is liable for such actions."

- The Supreme Council of Energy, chaired by the former Prime Minister Ahmad Nazif, and under persistent public pressure, decided to revoke the Agrium project, provided that MOPCO, already established in the Damietta Port acquires the shares of Agrium and undertakes the project in the General Industrial Zone, west of the navigation channel.

- MOPCO, in turn, obtained in September 2009 the environmental approval to make extensions in the form of two extra plants under the names MOPCO 1 and MOPCO 2. Hence, the Company initiated the extensions.

- New popular protests flared against the MOPCO/ Agrium plants post the January 2011 revolution. It is noteworthy that many of those who led the anti Agrium protests had objected at the time the merger of the two companies. The justification was that shifting the plant a short distance from east to west of the channel is an evasiveness a solution.

- In June 2011, the Minister of Environment formed a committee to examine the environmental impact of the plants in the Zone of Damietta Port (including MOPCO), responding to popular demands that led the Governor of Damietta to refer the case to the then Prime Minister, Dr. Esam Sharaf.

- The Committee presented its report on all plants issuing 13 general recommendations, most important of which are:

Both MOPCO and Methanex need to use desalinated seawater. The drainage of industrial and sanitary wastewater is totally prohibited and final treatment is mandated. Damietta Port Authority must re-adjust its position with respect to sanitary wastewater drainage, provided that in the future no class "C" plant is to be approved nor any expansions. MOPCO expansions must stop until the position is adjusted and a plan to this effect is presented to the Committee and implementation thereof is completed within a deadline of 9 months as of the approval by the Committee of the plan. The approval of operation would be reviewed; and in case of default on implementation within the deadline, both the mother company and the expansions would be closed.

- The Council of Ministers approved the recommendations on 26 October 2011, including the closure of the mother company until adjustments are made. People rallied at the gates of the Free Zone for the enforcement of the decision, with resulting acts of violence and threats from protestors to burn down the Free Zone.

- In return, the governor of Damietta issued a decision on 13 November 2011 to stop the operation of MOPCO, including the existing plant.

- MOPCO appealed both decisions (lawsuit no. 2321, Judicial Year 1) before the administrative court of Mansoura. The Court mandated the President of Mansoura University to form a committee to present a report on the environmental status of the plant. The University Committee issued a report in February 2012 maintaining the non-existence of negative environmental impact on the surrounding environment.

- The Court order in 20 March 2012 revoked the decisions of both the Council of Ministers and the Governor. The order included a paragraph stating that Court order does not supersede the recommendations of the Environment Committee, and the Company administration must abide thereby. The Company was therefore legally entitled to operate the plant and pursue expansions. - The people lost the appeal case filed against this order.

- The people in Damietta objected to the execution of expansions prior to re-adjustment. They protested and prevented workers from entering the Company and escalated their protest. The then Prime Minister Kamal el-Ganzoury was forced to issue a decree allowing MOPCO to operate, but stopping all expansions until all recommendations issued by the Environment Committee on 25 April 2012 are implemented. The Company appealed this decree-

- The Company presented an adjustment Plan and discussed it with the Committee, which was approved by the MoE.

- An undertaking was signed between the CSO (one party of the litigants to the former case) and MOPCO on 12 August 2012 under the auspices of the Governor, Minister of Oil, Security officials, and the military forces. This undertaking provided for the compliance of the Company with the recommendations of the Environment Committee as scheduled, and stopping expansions as per the ministerial decree, in return for the permission to operate plant 3 (the original MOPCO plant).

- On 7 September 2012, the Company moved all heavy equipment to the expansions location, which was deemed by the people as an intention to pursue expansions and a breach of the undertaking and the decree of the Prime Minister.

-As such, some community members blocked the road and forced the Company to stop operating. A lawsuit was filed against the Company for breach of undertaking and Decree, demanding suspension of expansions and the dismantling and removal of constructions outside of Damietta.

- On 29 September 2013, the court order of the Supreme Court was issued granting the entitlement of MOPCO to pursue expansions in plants 1 and 2 and revoking the court rejection of the appeal by the Company of the Decree issued by the Prime Minister permitting the operation of plant 3 while suspending expansions.

- Some community members, especially those in villages close to the plants, still object to the expansions, due to their envisaged threats to the environment, health, and life.