

Lessons to learn from the Ilisu dam project in light of the Common Approaches

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The case of granting and subsequently withdrawing coverage for deliveries to the Ilisu hydropower project was an outstanding process during five intensive years for the German, Austrian and Swiss ECAs. The ECAs had promised to benchmark the project against World Bank standards. It was also a test case for trying to improve a large dam project by demanding the implementation of 153 conditions and it is the first example where ECAs used an environmental default clause and actually had to enact it to withdraw from the project.

Overview of the project

The Ilisu Dam in the Kurdish populated Southeast of Turkey is currently the largest hydroelectric power plant planned by the Turkish government. The 300 km long reservoir will be situated 60 km from the borders with Syria and Iraq. It will: displace 65,000 people, flood an area with extremely high biodiversity including an important bird area, lead to the destruction of 10,000 year old cultural heritage sites like the internationally famous town of Hasankeyf (under Turkish prime monument protection), have severe impacts upon the downstream waterflows for the riparian countries Syria and Iraq, as well as impact upon both these neighbors' biodiversity hotspots on the Tigris. The dam will be situated in the Turkish-Kurdish conflict zone where the military still is omnipresent and human rights violations occur on a regular basis.

Overview of the process

One and a half years after the Turkish authorities produced a draft Environmental Impact Assessment Report, it became obvious that despite of several amendments the World Bank standards were far from being met. Neither the relevant Environmental Impact Assessment nor a Resettlement Action Plan were even near completion. In order to move ahead quickly, a common agreement was created in October 2006, where Turkey promised to fulfill 153 conditions (embodied in an agreed Terms of Reference or "ToR") - mostly before the start of construction of the actual dam. A further contract included an environmental default clause, allowing the three ECAs to withdraw from the project in a three step procedure in the event that Turkey failed to fulfill the agreed ToR. On this basis, the project was approved in March 2007. An international committee of experts was set up to monitor the implementation of the ToR and to assist the Turkish authorities. However, the Turkish partners continued to delay the implementation of the ToR for another two years and started expropriations and construction in violation of the ToR. When the ECAs responded by triggering the first stage of the exit procedures, Turkey failed to take sufficient action to satisfy the ECAs that the problems could be remedied. As a consequence, the three ECAs decided to finally withdraw cover from the project in July 2009. This also ended all contracts with the banks that had received guarantees for their financing of the project.

Evaluation of the process

The ECAs had hoped that Turkey would welcome their involvement in the project, not least because of the role they could play in helping Turkey to bring the project up to international standards. We highly respect this aim and the persistence shown by the ECAs in insisting that World Bank standards must be adhered to. The environmental default clause was triggered when it became obvious that there would not be a timely and proper implementation of the safeguard conditions. We congratulate the ECAs for taking this unprecedented and absolutely necessary step.

However, over four years, the ECAs were not able to convince the Turkish partners to adopt the safeguard approach required by international standards. They also did not succeed in improving the project by their engagement with support by international experts, nor provide the local people with capacity building and tools to fight for international standards.

Our main critique is that export credit guarantees for deliveries to the Ilisu project were granted much too early. At the time of approval in March 2007 it was clear that the majority of the World Bank's requirements for an Environmental Impact Assessment and Resettlement Action Plan were not fulfilled at all.

In fact, at the time of approval, regarding resettlement there was no planning unit within the Turkish government, no complete budget, and no separate development project plan. Furthermore, no meaningful income restoration plan existed and, even worse, no fertile land on which to resettle those affected, was available. The Environmental Impact Assessment did not even include basic, necessary studies. A water treaty had not been signed with Syria and Iraq about the downstream flows of the Tigris. There was also no proof that the cultural heritage of the 10'000 year old Hasankeyf, such as the medieval bridge and mosques, could ever be moved to another location (as proposed by the project developers).

The ECAs' own environmental practitioners, NGOs, scientists and experts strongly warned not to approve export credit guarantees at this premature state of planning. The World Bank would have never approved a project which was still missing the most fundamental planning instruments. Further, the World Bank explicitly warns against the use of conditions and the so called "incremental " or "rolling planning" approach – where problems which should have been addressed prior to project approval are allowed to be addressed at some future date - having itself experienced numerous disasters with this approach. Nonetheless, the three ECAs and the German, Swiss and Austrian governments failed to learn from the World Bank's experience and went ahead to approve deliveries to Ilisu, albeit under conditions. This process was possible only due to the non-binding status of the Common Approaches.

Our second major point of critique concerns the 153 conditions. The conditions did not even cover some of the most basic World Bank requirements, like an economic due diligence analysis, or a cost-benefit analysis or the integration of the project into a regional development plan. While it might be possible to improve certain aspects of resettlement, it is impossible to demand the removal of cultural monuments which clearly cannot be displaced, like Hasankeyf's medieval bridge or the many clay structures, mosques and the cultural heritage of the caves in the impacted area and the remains of important archeological sites. Cultural experts had already warned in the 1990s that the sandstone of Hasankeyf does not allow monuments to be moved. According to environmentalists the impacts on the biodiversity of the region would have been so severe that mitigation seemed not possible. Conditions designed to safeguard the interest of the riparian states were not adequate to meet

international law. Nor was the human rights situation in the region, which prevented the free participation of the population in the project planning as stipulated by World Bank standards, addressed in the conditions.

The setting up of the experts committee proved to be a very good instrument to assess the compatibility of the project with international standards. The experts acted far more independently than had been anticipated by NGOs and, as can be judged from the assessments that have been made public, worked hard to find solutions to insolvable problems. We must however also note that the commitment of experts to enforce the strict implementation of international standards appeared to vary greatly between individual experts and it seems to be hard to find experts who are willing to take a firm stand towards the project sponsor.

NGOs played a crucial role during the entire process and we welcome several invitations by the ECAs to consult and inform NGOs. We were the first who had raised the warning that Turkey had already started expropriating people without compensation soon after the approval of the export credit guarantees. However, our role should have been embraced by experts or integrated into a closer monitoring process. A monitoring person was hired however at a very late stage and paid by the exporters. He supported the government in writing the procedural reports.

What would have to change so that cases like Ilisu can be avoided in the future?

1. It has to be guaranteed that the conditions set out in the World Bank safeguards are being met and that solutions are found BEFORE the approval of the export credit guarantee to cover deliveries to a project. This means that all relevant studies, consultations, agreements and realistic mitigation plans must be completed before approval; their implementation then needs to be proven before start of construction. Ilisu shows over again that rolling plans do not work.
2. The Ilisu case shows that signed promises are not proof enough for the willingness of a project sponsor to comply with standards. Therefore a special legal framework is necessary within which to embed the conditions agreed in the EIAR and the Terms of Reference. In the absence of this the affected population does not have any legal possibility to achieve implementation of the promises.
3. When considering cover for dam projects, the ECAs should implement the recommendations of the World Commission on Dams (WCD) whose procedures, if implemented, provide an early warning system to assess the commitment of all stakeholders to achieve highest standards.
4. The human rights situation has to be assessed thoroughly and made public.
5. The Common Approaches have to be taken seriously and individual aspects cannot be handpicked. We believe, that the ECAs should have at least reported that they acted under the exemption clause of Article 12.3 of the Common Approaches as there was no EIA to World Bank standards available before signing the contracts.
6. As was the case with Ilisu, all relevant documents like the Environmental Impact Assessment, Resettlement Action Plan, amendments, conditions and monitoring reports must be made public.