

NGO Letter Requesting the Release of IFC Information Concerning the Baku-Tbilisi-Ceyhan Pipeline

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Mr. James Wolfensohn
President
World Bank
1818 H Street, NW
Washington, DC 20433

Mr. Peter Woicke
Executive Vice President
International Finance Corporation
2121 Pennsylvania Avenue, NW
Washington, DC 20433

Dear Mr. Wolfensohn and Mr. Woicke,

This letter is a follow up to our previous letter to Mr. Shahbaz Mavaddat requesting the release of information regarding the Baku-Tbilisi-Ceyhan pipeline project. Specifically, we would like the public release and distribution of IFC's development impact assessment, economic due diligence, and legal due diligence for the project.

Development Impact Assessment

According to the World Bank Group's own internal evaluation, in countries with poor governance, "increased investment in extractive industries is likely to lead to bad development outcomes." The World Bank Group Governance Program ranks governance in the lowest 18th percentile for Azerbaijan and in the lowest 19th percentile for Georgia. In the Review of IFC's Safeguard Policies published by the Compliance Advisor Ombudsman office, "IFC should be clearer at the outset of a project about what specific sustainable development impacts it expects to achieve and then measure itself against those goals and report on it." Given the development challenges this project must overcome, we ask that IFC provide to the public its assessment of the development impact of the BTC project, including clear benchmarks for measuring the outcomes.

In a letter from Yasmin Tayyab dated 13 February 2003, the IFC states that the development impact of the project is discussed in the National and Regional Review produced by BTC Co. However, this review is not an IFC document and does not address how the IFC, as a public institution with a mandate of poverty alleviation, has determined that the project will have a positive impact on poverty. This determination is particularly important in light of the Bank Group's own research and experience which indicate a negative correlation between natural resource dependency and development outcomes, particularly in poor governance situations. The review also does not establish any benchmarks or include indicators for measuring outcomes. In addition to releasing the analysis the IFC used for this project, we also request

that this project be used as a pilot case for the transparent and project-specific application of the IFC's Sustainability Initiative.

Economic Due Diligence

One key aspect of assessing the development impact of the project is the economic analysis. The Summary of Economic Due Diligence was made public for the Bujagali Dam Project and we see no reason why this information cannot be released for the BTC project. Particularly in light of controversies raised about the financial viability of the project, we expect IFC, as a publicly-financed institution, to release this information.

Legal Due Diligence

The Host Government Agreements raise legal issues that are of significant concern to numerous civil society groups and lawyers. Many of these issues and concerns are described in a recent report by Amnesty International and in complaints filed in seven countries with the OECD. The IFC has stated that it "believe[s] that the IGA-HGA framework...does not restrict the law-making processes." However, we ask that the IFC substantiate its beliefs by releasing a summary of its legal analysis including not only its analysis of whether the project meets all local and international laws, but also its analysis of how each HGA, since becoming law in each country, has and will impact the democratic process, rule of law, and the ability of the citizens and elected bodies to influence future legislation.

The release of the HGAs and other project information for the project was a step forward for transparency. We encourage the IFC to continue this spirit of transparency by releasing this additional information as soon as possible for open discussion prior to the Board approval.

Sincerely,

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Bank Information Center, US

Mayis Gulalaliyev

Caucasus NGO Confederation

Manana Kochladze

Green Alternative, Georgia

Carol Welch

Friends of the Earth US

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Arzu Abdullaeva

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Gavin Murray, Director of Environment and Social Development Department, IFC
Meg Taylor, Compliance Advisor/Ombudsman