

June 20, 2003

Mr. Petr Hlobil
CEE Bankwatch Network
100 00 Praha 10
CZECH REPUBLIC

Dear Mr. Hlobil:

Moratorium on Baku-Tbilisi-Ceyhan Pipeline Project

Thank you for your letter dated May 5, 2003 addressed to Mr. Wolfensohn regarding the Fact Finding Mission (FFM) report about the Turkish section of the Baku- Tbilisi-Ceyhan Pipeline.

We are concerned that the conclusions that you draw from your short visits to the region do not conform to the findings our staff has reached over an extended period. IFC has been involved in detailed project appraisal for the past two years and has undertaken a number of field visits, meeting with a wide cross-section of affected households and communities along the pipeline route.

The BTC route has been selected with many factors in mind, including most importantly the avoidance of any physical resettlement of households and the need to avoid areas where there has been recent conflict and areas where the presence of the pipeline could be considered provocative. This is why, for example, the route avoids areas in eastern Anatolia that were under a state of emergency in recent years and the Akhalkalaki District of Georgia which contains a large Russian Federation military base.

Under the terms of the HGAs, BTC Co. is responsible for the physical integrity of the pipeline and the state is responsible, as in any other country, for the protection of civilians and strategic industrial assets. BTC Co. will patrol the line using locally hired, unarmed horseback patrols to detect any activities, which could cause damage to the pipeline.

BOTAS, who will build and operate the pipeline for BTC Co., is responsible as direct liaison with the security forces and is clearly informed of BP's and our expectations regarding maintenance of amicable relations with local communities and respect for human rights at all times. We are aware of the international opinions expressed about the past performance of the Jandarma and BP will make representations to the Turkish Government if it becomes clear that problems are arising in this area. This will be monitored as part of independent monitoring of the resettlement process and the project.

We would point out that BP is a founding signatory to the Voluntary Principles on Security and Human Rights drawn up by the US and UK Governments and companies in the extractive industries.

Far from violating World Bank operational policies, BTC is stringently following the guidance and instructions from our staff. The extent and thoroughness of consultation with communities potentially affected by the project is unprecedented in scope, and our staff has validated BTC Co.'s consultation numerous times over the past two years. BTC Co. does not claim that there have been no difficulties or to have consulted every individual in the vicinity of the route – approximately three quarters of a million people spread out in mostly rural communities along the 1760 kilometre corridor – but have spent almost two years gathering information and opinions for the Environmental and Social Impact Assessments and Action Plans which were released on 11 June 2003.

These studies document numerous consultation meetings with regional and local authorities, academics, village leaders, NGOs and the media during which the project was explained and questions answered. Special attention was given to gathering the views of vulnerable groups, particularly women, and the ethnic minorities. Over 40,000 copies of the Guide to Land Acquisition and Compensation were distributed to affected households and communities. In addition, the land acquisition process has enabled detailed interaction with directly affected land users all along the route. IFC staff has visited vulnerable communities along the pipeline route, and has discussed with them various issues concerning the impact of BTC on their lives in a secure and confidential environment. In light of these interviews, we feel confident that the affected groups have adequate opportunity to express their views honestly and openly and that their concerns are being addressed.

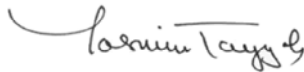
The following are some comments on your specific questions:

- Indigenous Peoples Policy. We have had numerous peer reviews internally with our colleagues at the World Bank and have concluded that this policy does not apply to BTC and a statement outlining the reasons for this has been released.
- The BOTAS Designated State Authority (DSA) does cover all court costs. In addition provision has been made to cover incidental costs associated with the legal process (e.g. transportation, document copies, etc.)
- Details of application of the RAP Fund for land users not covered by Turkish legislation have been further developed as the land acquisition teams located and contacted such land users. The sections on the RAP Funds that were included in the original RAPs released in-country in December 2002 have been expanded and have been disclosed with all other environmental and social documentation released internationally and locally on 11 June 2003. Application of the RAP Fund is an on-going process and has been designed to close any gaps in entitlements under local legislation to ensure compliance with OD 4.30.
- Land valuation has been undertaken with the input of relevant government departments, agro-economists, land valuation experts, and the input of a local NGO, RUDEF. Rates established are higher than local market rates. In some instances rates are substantially higher (to the extent that some landowners have

specifically requested re-routing of the pipeline to pass through their land). It should be noted that the value of land along the route varies considerable (from high value irrigated arable land near Ceyhan to low value grazing land on shallow soils in the more arid interior). Thus comparison with the overall average compensation rate needs to be undertaken with caution. A system is in place for affected households to challenge valuation rates.

Once again thank you very much for sharing your concerns.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Yasmin Tayyab', written in black ink.

Yasmin Tayyab
Civil Society Coordinator

c.c.: Mr. James D. Wolfensohn, President, The World Bank Group
Mr. Peter Woicke, Executive Vice President, International Finance Corporation