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Mr. James Wolfensohn, President, The World Bank Group, USA

Mr. Philippe Maystadt, President, European Investment Bank, Luxemburg

Mr. Jean Lemierre, President, European Bank for Reconstruction and Development, United Kingdom

Mr. Philip Merrill, President, Export-Import Bank of the U.S., USA

Peter S. Watson, President and Chief Executive Officer, Overseas Private Investment Corporation, USA

Mr Hidehiro Konno, Chairman and CEO, Nippon Export and Investment Insurance (NEXI), Japan

Baroness Amos, Secretary of State for International Development, Department for International Development, United Kingdom

Baroness Symons, Minister for Trade, United Kingdom

Vivian Brown, Chief Executive, Export Credits Guarantee Department, United Kingdom

Herrn Wolfgang Clement, An den Bundesminister für Wirtschaft und Arbeit, Germany

Herrn Joseph Fischer, An den Minister des Auswaertigen, Germany

Herrn Hans Eichel, An den Bundesminister der Finanzen, Germany

Frau Heidemarie Wieczorek-Zeul, An die Bundesministerin für wirtschaftliche Zusammenarbeit und Entwicklung, Germany

Herrn Dr. Janus, Hermes-KreditversicherungsAG, Germany

Hon. Adolfo Urso, Deputy Minister, Foreign Trade Department, Italy

Dr. Lorenzo Bini Smaghi, President, SACE, Italy

Cc:

Mr. Peter Woicke, IFC, International Finance Corporation, USA

Mr. Motomichi Ikawa, MIGA, USA

Boards of Directors of all institutions

Moratorium on Baku-Tbilisi-Ceyhan (BTC) Pipeline Project

Dear Sir/Madam,

We write to draw your attention to the attached *Report of the Second International Environmental and Human Rights Fact Finding Mission to the Turkish Section of the BTC Project*. In the light of its findings, we request your urgent intervention in the form of an immediate Moratorium on the pipeline project.

The Fact Finding Mission (FFM) travelled the length of the Turkish section of the proposed pipeline from Sivas to the Georgian border. Whilst it found that the

project developers – the BTC Consortium or BTC Co. – have taken steps which partially remedy a number of concerns previously raised by Non-Governmental Organisations, it nonetheless reports that the project continues to be characterised by violations of international standards on consultation, compensation and resettlement. It also found systemic flaws, arising from the political context in which the pipeline has been planned and would operate, that cannot be addressed by piecemeal policy changes.

Systemically, the FFM found:

1. A pattern of human rights abuses in regions through which the pipeline passes, notably in the north-east, where there has been a marked recent rise of detentions, arbitrary arrests, surveillance and harassment by state and military officials;
2. A pervasive atmosphere of repression and lack of freedom of speech in the region which precludes dissent about the BTC project;
3. The strong likelihood that the human rights situation in the region would be worsened by the introduction of the pipeline, particularly due to militarisation via the use of the Gendarmerie (Turkey's military police) as the main security force.
4. The problems are particularly evident in the north-eastern section of the proposed pipeline route, in Kars and Ardahan provinces, a region whose population is approximately 40% Kurdish. Here the Mission found clear-cut evidence of political repression so systemic as to invalidate the consultation exercises that the project developers have undertaken. Indeed, the FFM was itself detained by the Gendarmerie on two occasions and, due to police harassment and intimidation, was forced to abandon a number of planned visits to villages affected by the pipeline for fear of exposing local villagers to potential human rights abuses by the state security agencies.
5. The absence of a culture of free expression in the region renders impossible, among others, credible consultation with project-affected people, free and open compensation negotiations and independent monitoring of the project. Moreover, these problems of social context were compounded by an array of specific deficiencies in the BTC project, including:
6. Fundamental flaws in both the design and the implementation of crucial project documents like the Environmental Impact Assessment (EIA) and the Resettlement Action Plan (RAP), including widespread inadequacies in consultation of affected people, appropriate NGOs and social groups;
7. Repeated suggestions that BTC Co. is not carrying out the process of compensation in the manner claimed. These included allegations of systematically paying well below market rates for land; imposing rather than negotiating prices; failing to compensate certain groups of landowners and users; not providing affected people with proper information about their rights; and failing to inform them of the many potential negative impacts of the project.

8. The failure of the project to take sufficient account of the differential impacts of the pipeline on vulnerable groups, including ethnic minorities, women and the poor, or to mitigate those problems appropriately.
9. Apparent conflicts between the provisions of the Resettlement Action Plan and the Turkish Expropriation Law.

The FFM notes that this catalogue of deficiencies puts the BTC project in potential conflict with the Turkish Expropriation Law, and hence also with the Host Government Agreement reached between BTC Co. and the Turkish Government. It also places the project in violation of a number of the World Bank Group's mandatory standards, including OD 4.30 (Involuntary Resettlement), and guidelines, including the *IFC Good Practice Manual on Consultation and Disclosure* and *IFC Handbook on Preparing a Resettlement Action Plan*.

The problems reported are of particular concern because BTC Co. has recently written to the Government of Turkey insisting that BOTAS, the state-owned company that is responsible for constructing the pipeline in Turkey, complete the land acquisition process as soon as possible - or risk losing the contract. This pressure forms part of what we see as a wider pattern of BTC Co.'s flouting on multiple counts of the Organisation for Economic Co-operation and Development's (OECD) "Guidelines for Multi-National Enterprises" during the BTC project.

The FFM is also gravely concerned by the human rights implications of the arrangements for policing the pipeline, should it be built. Under the legal agreements reached between the Republic of Turkey and the project developers, the security of the pipeline, which is the sole responsibility of the Turkish state, has been designated to the Gendarmerie, whose record on human rights has been repeatedly criticised by the Council of Europe. In the FFM's view, the prominent role of the Gendarmerie carries a high risk of precipitating human rights abuses, particularly in the north-eastern section of the pipeline route. Whilst many of the deficiencies identified by the FFM (for example, with regard to levels of compensation) may be remedied by making more funds available and by taking more time to resolve the outstanding violations of international standards and potential conflicts with domestic law, the systemic problems

arising from repression and the absence of free expression in the region are not amenable to remedial action by either the project developer or the international financial institutions from which funding for the project is being sought.

In such circumstances, the FFM believes that the adoption of a Moratorium on appraising, financing and building the BTC project constitutes the only legitimate means available to the International Financial Institutions and the project developers for ensuring that human rights violations do not flow from the project and that the project is fully compliant with international standards. The Moratorium should remain in place until there is independent confirmation that concerned parties, in particular those directly affected by the pipeline, are genuinely in a position to express their views on the project without fear of reprisal or intimidation and to negotiate freely over compensation for loss of land and other damages. The FFM also deems it essential that security concerns arising from the poor human rights record of Turkey's security forces be addressed prior to work commencing on the project.

We know that these are issues in which you have a strong interest and that you and your department are committed to ensuring that human rights and other abuses do not flow from this difficult and controversial project and that it conforms to international standards. We would therefore urge you to take immediate action to institute a Moratorium as proposed by the FFM.

Yours faithfully,

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