



December 2, 2002

Mr. Nicholas Hildyard
The Corner House
Station Road
Sturminster Newton
Dorset DT10 1YJ
UNITED KINGDOM

Dear Mr. Hildyard and signatories:

RE: NGO "Fact Finding Mission" - Turkey -Baku-Tbilisi-Ceyhan Oil Pipeline Project

Thank you for your letter of October 21, 2002 addressed to Peter Woicke regarding recent findings of an NGO "Fact Finding Mission" to Turkey for the BTC project. Mr. Woicke has asked me to respond on his behalf.

First, thank you for your offer for further input on the BTC project. IFC is pleased that the NGO community would like to engage in constructive dialogue regarding the impacts and benefits this project could bring to Turkey, and also of course to Azerbaijan and Georgia. As you are well aware, BTC involves a complex array of challenges and opportunities: economic, environmental, social, technological, and institutional, among others. IFC is currently in an ongoing process of appraising the project and our team of specialists has been working with the sponsors to look at areas of concern that you mention in your letter. Please find below the four areas of concern that your *Fact Finding Mission* identified and our responses to these concerns.

A) The Host Government Agreements (HGAs)

The Intergovernmental Agreement (IGA), signed on 18 November 1999 by the Presidents of the Azerbaijan Republic, Georgia and the Republic of Turkey and witnessed by US President Clinton, records each country's support for the development, construction and operation of the BTC Pipeline across their territories together with the transit of petroleum liquids through the BTC Pipeline. The mutual obligations of the respective States under the IGA form the basis of the undertakings contained in the agreements they subsequently have entered into with BTC Co (including the three Host Government Agreements and, with respect to the Republic of Turkey, the Lump Sum Turnkey Agreement (LSTK) and the Turkish Government Guarantee (Government Guarantee)).

The HGAs follow a recognized approach that has been used for large-scale natural resources projects in developing economies and economies in transition around the world. Project participants benefit from greater certainty to support their investment, and the host countries benefit by receiving investments that may not otherwise be made; revenues that would not otherwise be generated; and undertakings from the

project participants (which, in the absence of the HGAs, would not otherwise exist under national legislation).

The HGAs set out a process for land acquisition and compensation to economically displaced users of land that is tied to the legal requirements of the respective host countries. The project participants are committed to ensuring that land acquisition and compensation is based on an open and fair process in conjunction with consultation with affected communities. The project participants and BTC Co. therefore will follow land acquisition and compensation standards as set out in the HGAs and LSTK Agreement, and will also adhere to World Bank and IFC requirements as defined under World Bank's policy OD 4.30, *Involuntary Resettlement*. In this instance, IFC has required that BTC Co. prepare a Resettlement Action Plan (RAP) that outlines compensation and consultation measures related to land acquisition and compensation in each country. The RAP together with the Environmental and Social Impact Assessment (ESIA) documents will be disclosed to the public. Overall, the HGA requirements, together with requirements in OD 4.30, ensure a high degree of transparency and due process in acquiring the rights to land needed for the BTC Project (please see below for further clarification) that would not otherwise be available to land owners and land users under the domestic legislation.

The HGAs set out the terms of the direct financial compensation for each of the host countries. Over the life of the BTC Project, these revenues are expected to be quite substantial for the Republic of Turkey through profit taxes and operating fees. In addition, BTC pipeline will allow the state oil companies of Turkey to earn significant revenues through transportation and sale in international markets of crude oil produced from those facilities.

Finally, we would like to point out that IFC has taken concrete steps to uphold its policy of public disclosure by proactively encouraging the sponsors to release the IGA, HGAs and LSTK together with the Production Sharing Agreement (PSA). This has now been done and are available on the Project's website at www/caspiandevlopmentandexport.com. Public access to these documents will advance transparency and public participation on the project.

B) Consultation

Over the past two years, IFC has worked closely with BP to ensure that public consultation and disclosure activities are designed and implemented in order to fully meet IFC's standards in this regard. BP has used and referenced IFC's Good Practice Manual on Public Consultation in designing the ESIA consultation and disclosure process. It is also heartening to note that the BTC Co. like IFC, views consultation as an ongoing process throughout the construction and operational phases and not just as a one-off activity. IFC specialists, in line with our appraisal and due diligence procedures, have also participated in various field missions to validate BTC's consultation efforts and will continue to do so and provide advice in order to refine and improve the ongoing consultation process. IFC has met with a number of local and international NGOs to discuss key issues of concern and will continue to engage with interested and affected parties. In addition to the above, IFC plans on holding in-country multi-stakeholder forum to enable various parties to voice and discuss issues of concern. IFC believes that the promotion of a robust consultation process is a prerequisite to ensuring that key issues are dealt with adequately and satisfactorily and that the benefits of the project are maximized for affected communities. We hope your organizations would be willing to participate in these forums and we will be in touch early in the New Year to discuss this as we move forward.

C) Land Expropriation and Compensation

Firstly, we would also like to reiterate that no-one is being asked to relocate their home to make way for the pipeline project and that it is our firm commitment that no-one should suffer economic disadvantage from construction or operation of the pipeline. Senior environment and social specialists from IFC have worked diligently in the field together with BP and BTC Co. to refine the route in order to avoid and minimize physical displacement.

As mentioned above, as part of the suite of ESIA documentation to be released to the World Bank InfoShop, the RAP will be disclosed both locally and internationally to meet standards required by World Bank policy OD 4.30, *Involuntary Resettlement*. We realize that in the absence of this document, some questions remain outstanding. However, we hope your concerns and questions related to the land acquisition and compensation process will be answered in the detailed RAP, which is forthcoming.

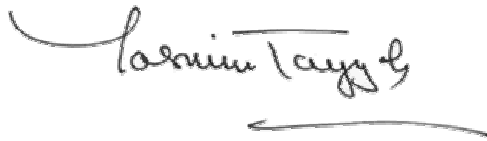
In addition to the significant public consultation and disclosure that has occurred along the route during the ESIA disclosure “road show” undertaken by IFC staff earlier this summer (which included substantial questions and answers related to the land acquisition process), detailed information in the RAP will be complemented by a simplified, 20-page *Guide to Land Acquisition and Compensation* which will be sent to all potentially affected land owners along the route before any land acquisition takes place, describing the process by which BTC Co. will acquire temporary and permanent rights and addressing issues such as land valuation, compensation for loss of crops, complaints procedures and so on. This Guide is based on principles outlined in OD 4.30 and is an innovative way to provide meaningful information and answers to potentially affected landowners on land acquisition and compensation measures.

D) Ethnic Minorities

Please see attached IFC position paper regarding Vulnerable Groups and the ACG Phase 1 and BTC Projects, which include a discussion of ethnic minorities as but one potentially vulnerable group.

Thank you again for your letter. As noted above, we look forward to a constructive dialogue on this project. Please feel free to contact IFC again if you have further questions or comments.

Sincerely,



Yasmin Tayyab
Civil Society Coordinator

Cc: Kerim Yildiz, Kurdish Human Rights Project
Greg Muttitt, Platform
Antonio Ttricarico, Campaign to Reform the World Bank

Miriam Carrion, Bar Human Rights Committee
Kate Hampton, Friends of the Earth International
Peter Woicke, International Finance Corporation