Turkey: The Ilisu Dam and export credit agencies

Over the past 30 years, activists have fought a long battle for institutions such as the World Bank to adopt social and environmental policies. However, these institutions are no longer the main source of public finance for ‘development’ projects in the South. Export Credit Agencies (ECAs) are now the largest public funders of large-scale infrastructure projects in southern countries, exceeding by far the infrastructure investments of multilateral development banks and bilateral aid agencies. Yet the majority of ECAs --with rare exceptions such as the US Export-Import Bank and the US Overseas Private Investment Corporation-- have no human rights, environmental and development standards. This allows them to support the type of projects that even multilateral developments banks find problematic, including logging, mining, nuclear plants and oil drilling, as well as dams.

The controversial Ilisu dam project, currently planned for the Tigris River in the Kurdish region of Turkey, is a case in point. The ECAs of nine countries are considering support for this dam which would enable their corporations to do business with a torturing state. The dam’s construction consortium is seeking export credits and investment insurance guarantees from the ECAs of Austria, Germany, Italy, Japan, Portugal, Sweden, Switzerland, the UK and the US.

Since 1984, an armed conflict between the Kurdistan Workers Party (PKK) and the Turkish State has devastated the region where the Ilisu dam is to be built. Around three million people have been displaced, 3,000 villages partially or totally destroyed, and over 30,000 people killed. Despite 1999’s PKK decision to pursue a peaceful political solution to the as yet unresolved Kurdish question, many parts of the region remain a war zone to this day. Human rights abuses ranging from extra-judicial killings to torture, rape and disappearances are still common.

According to the latest estimates, the dam will affect up to 78,000 people, the majority of them Kurdish. Many local people see the project as part of a wider strategy of ethnically cleansing the area of Kurds. The resettlement plan and environmental impact assessment for the dam have yet to be published and there has been minimal consultation with those who will be moved. Conditions in the region make it extremely unlikely that resettlement could be carried out according to international standards. “We don’t want this dam … This is where I belong,” one of the Kurdish people to be affected by the dam told a human rights delegation which visited the Ilisu area.

The dam will also inundate the 10,000-year-old town of Hasankeyf, home to historical treasures including cave churches, ornate mosques and Islamic tombs. Over the course of millennia, layers of civilisation have been interwoven over each other in the valley bed and surrounding caves. Destroying the Kurdish people’s most important cultural sites, such as Hasankeyf, is seen by local people as a yet another tactic to deny the Kurds their ethnic identity.

Apart from the dam’s devastating local impacts --on the environment, the people and their culture-- another ugly consequence rears its head: water wars. The Ilisu dam is to straddle the Tigris River 65 kilometres upstream of the border with Iraq and Syria and threatens to disrupt much-needed water supplies to those countries.

Plans to build the Ilisu Dam were first mooted in 1954. Although pre-feasibility studies were completed in 1971 and the final design for the dam was approved in 1982, the project remained on the drawing board until the late 1990s. One reason for the delay lay in a lack of finance. The armed conflict left the Turkish government unable to fund the project alone and led to the World Bank signalling that it would be unwilling to finance infrastructure in the region.

In 1996, the Turkish government offered Ilisu to the private sector as a Build-Operate-Transfer project, but no bidder could be found. A year later, Turkey's State Hydraulic Works (DSI) selected Swiss company Sulzer Hydro as the main contractor for the project, which retained responsibility for the electromechanical works, with ABB of Switzerland. Civil engineering works were subcontracted to a consortium led by UK construction company Balfour Beatty. Other companies in the consortium included Impregilo of Italy, Skanska of Sweden and three Turkish construction companies, Nurol, Kiska and Tekfen. The engineering consultants to the project are Binnie and Partners (now Binnie, Black and Veatch). As yet, no contracts have been signed between the DSI and any of the companies in the consortium. ABB's involvement in the dam ceased in March 2000, when it sold out its hydropower business to Alstom of France. In September 2000, the Ilisu consortium lost another of its original members, when Skanska announced its withdrawal from the project.

The financial package for Ilisu will be arranged by the Union Bank of Switzerland (UBS). With approximately half of the construction costs being made up of imports from Western Europe and the USA, the companies in the consortium sought export credit guarantees to back their contracts.

In November 1998, the Swiss export credit agency, Exportrisikogarantie (ERG), approved provisional export credit support of 470 million Swiss francs for the Ilisu contracts of Sulzer Hydro and ABB. Conditional approval has also been granted by the UK's Export Credit Guarantee Department (ECGD) for a $200 million credit for Balfour Beatty, whose US subsidiary has also obtained provisional consent to a further credit from the US Exim Bank. Italy's export credit agency SACE has similarly given approval for a $152 million guarantee to Impregilo, although this has still to be confirmed by the Interministerial Committee on Economic Planning.

While Ilisu is an important issue on many grounds in its own right, it is also a rallying point for international campaigners, who see Ilisu as a test case for ECA reform. This is a critical year for the Ilisu dam project. The ECAs' decision is expected within the next few months. Without export credit support, it is unlikely that the dam could be built.

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