



*Open letter to private financiers*

**Your reference:**

**Our reference:**

*070523 Ilisu General*

**Re: Financing of Ilisu Dam, Turkey**

**24 May 2007**

Dear Financial Community

We write to you out of concern regarding the Ilisu Hydro-electric Project in South-East Turkey and potential involvement of the wider financial community in loans to the consortium, headed by VA Tech (now owned by Andritz), seeking to build the dam.

As you will be aware, considerable international controversy surrounds the project:

1. Despite being planned for over 50 years, the project still lacks an Environmental Impact Assessment (EIA) that meets international standards, despite the likelihood of severe upstream and downstream impacts.
2. The dam will affect up to 78,000 people, mainly Kurds, and to date no final Resettlement Action Plan has been agreed upon and current proposals fall far short of minimum international standards.
3. The dam will destroy the ancient city of Hasankeyf, a site of major international archaeological significance whose Assyrian, Christian, Abassidian-Islamic and Osmanian heritage will be lost forever to the dam's reservoir.
4. In conjunction with a planned downstream dam at Cizre, Ilisu will severely reduce the downstream flow of the Tigris to Iraq and Syria, threatening future conflicts with Turkey over water. Despite being required under international law to "notify, consult and negotiate" with its downstream neighbours, Turkey has failed fully to do so.

The dam is widely opposed within the region by a broad coalition representing all the regions' mayors and major civil society organisations representing those affected by the project. Just this past weekend, approximately 2,000 affected villagers and others joined a demonstration against the project in Turkey.

The project is already subject to litigation, both within Turkey and at the European Court of Human Rights (EctHR). It is highly likely that further cases will be taken to the EctHR over human rights abuses that stem from the lack of a resettlement plan which meets international standards. In addition, we have been advised that by agreeing to finance Ilisu in the absence of negotiations and consultations between Turkey, Iraq and Syria, the participating

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Export Credit Agencies (ECAs) could be held to have facilitated a violation of international law.

Although the ECAs of Switzerland, Austria and Germany have attached some 150 conditions to their agreed funding for the project, the conditions fail to bring the project up to international standards. As you will also be aware, Turkey has refused to make conditions proposed by ECAs legally binding under their contracts for export credit support. Thus a failure of the export credit guarantees is highly likely.

We believe that any involvement in the project would carry a high reputational risk, which management may find difficult to justify to your shareholders, with whom, should you become involved, we will be raising this concern. Nor is it likely for risks to fall away with the construction of the project since the damage incurred will be long-term. If your bank is looking at becoming involved in the Ilisu project, we strongly urge you to reconsider.

Further information is available at BankTrack's Ilisu 'Dodgy Deal' online at <http://www.banktrack.org/index.php?show=dodgy&id=99> which we urge you to study. Should you wish clarification on the issues raised, we are willing to engage directly with you.

Yours sincerely,



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