



Press Release

## **Ilisu Project/Turkey: Export credit guarantee to end**

*Hamburg, Vienna and Zurich, 7 July 2009* – **The export credit guarantee provided by Germany, Austria and Switzerland for the Ilisu project is ending. Despite some significant improvements, the requirements tied to this insurance cover in the areas of the environment, cultural heritage and resettlement could not be fulfilled within the contractually stipulated timeframe.**

Today, 7 July 2009, Turkey and the supplier consortium were informed that the suspension on construction contracts in place since December 2008 was unable to be lifted within the specified timeframe. The contractually stipulated requirements in the areas of the environment, cultural heritage and resettlement were not sufficiently fulfilled. As a result, there is no longer a basis for continuing the project with export risk insurance from the three countries, thus ending the export risk insurance cover.

### **Deadline to implement the standards expired on 6 July 2009**

Since the beginning of the process, the export credit agencies placed strict requirements on the acceptance of the export credit guarantee. The principal goals were to minimise the impact of the hydroelectric power plant on people living in the region as well as the environment and cultural heritage, and to fulfil the applicable standards of the World Bank. To give insistency to the matter against the backdrop of repeated delays in implementing the measures, in December of last year the export credit agencies advised the consortia to suspend the construction and supply contracts and initiated the contractually specified final deadline of 180 days to implement these standards. This deadline expired on 6 July 2009.

### **Examination of the requirements by independent experts**

Since export credit guarantee was accepted, independent experts have monitored the implementation of the agreements and supported Turkish builders in the realization of the project. Although some progress was made, several visits to the project region and exchanges with the project

management appointed by the builders invariably revealed deficits in implementing the requirements to be fulfilled during the previous project phases.

### **International standards are a condition for insurance cover**

Compliance with international standards is an essential element for the acceptance of export credit guarantee. They are set down in the OECD's environmental guidelines ("Common Approaches") and were an important condition for the implementation of the project from the very start. That is why before export risk insurance was accepted, extensive agreements were made between the project managers and export credit agencies that vastly improved the original project terms. This was set down in some 150 requirements ("Terms of Reference"), which took into account both the World Bank standards and the recommendations by the World Commission on Dams.

#### **In case of questions:**

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