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Theatre or Consultation?

When the World Bank began its Extractive Industry Review, some observers felt that the World Bank had finally come to realise that its projects do cause social and environmental problems. Others were more sceptical and expected the Review to be merely show, that the Bank really had no desire to change its investment pattern. In June, the Review held a regional consultation in Budapest, and East Europeans had the chance to judge for themselves whether the EIR would be true a consultation or, as its critics claimed, just theatre.

Since 1990, the World Bank Group has spent more than \$7 billion sup-

porting oil, gas, and mining projects throughout Eastern Europe and Central Asia. These extractive industries have been critiqued for the environmental, social, and developmental destruction they bring to communities and the environment around the world.

At the consultation, NGOs as well as local communities and trade unions confronted World Bank staff with stories from the situation on the ground. From the presentations, testimonies, photographs and publications it was clear that many World Bank projects

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Romania's Resource Rebels

by Stephanie Roth

In Rosia Montana, Romania, the IFC and EBRD are currently considering financing Europe's largest open-cast mine with open cyanide processing. The project will endanger human health and the environment. Local villagers and Romanian NGOs have started campaigning against the Canadian company Gabriel Resources, which is planning to resettle more than 3000 people. Besides the environmental and social impacts of gold mining, the main concern is that Gabriel Resources, as a junior mining company, has insufficient credentials and experience to carry out such a project.

"As a part of the process of obtaining additional money from commercial banks to finance the Rosia Montana Gold Project, IFC and other institutions, the Rosia Montana Gold Corporation (the Mining Company) is required to take

its existing resettlement, relocation and environmental plans and incorporate these documents into a format

the Rosia Montana Gold Corporation introduced these new rules of the game in the latest issue of its newsletter.



New beginning, good news? Well, how does it look on the ground?

Although neither an Environmental Impact Assessment nor public consultations had been conducted, the Company early this year launched its resettlement program. Mere procedures? At the time, neither the Romanian government nor anybody else seemed to care. Meanwhile, the corporation began to purchase the houses of those willing to take the cash and run.

But people started to talk. Everybody knows everybody in Rosia Montana. At the village's main square the topic for the past months has been a daily update of the houses seemingly overnight had undergone an important transformation. Mircea's house for example - what had been Mircea's house for God knows how long now carries, in the first rays of

that meets loan requirements." (Rosia Montana Gazette, August 29, 2002). After extensive negotiations with the IFC,

sunlight flooding the narrow streets, a sign saying it was now a property of the Mining Company. Hours later Mircea is the hot topic. After all he is a member of the community. Groups of men stand together on the market square, talk and weigh their heads from one side to the other. Eugen scratches his head and tells a story or two of how he and Mircea used to sit in apple trees ... how Mircea this and that. The men ask around for Mircea's whereabouts. Nobody seems to know.

Eugen makes his way back to his cows; up the hill and past three more houses bearing the Mining Company property signs. He won't sell his house, he says, he won't sell his land, but still he wonders whether his voice alone can make a difference amidst the frenzy for gold and money.

In late August, the corporation temporarily suspends the purchase of new houses. At the time of writing the effects of the temporary hold have still not trickled down. After numerous feasibility studies, whose common feature is the word 'mitigation', the company now feels that it is *"in a position where it can better explain to the people how it will operate, and how regional development will commence which will help ensure that long-term benefits reach affected communities..."* (Gazette, August 29, 2002). To this end, the company has introduced various 'socio-economic' studies and in late September plans to launch a programme to further explain the benefits of the mining

project to the people. A public consultation and EIA are likely to be its highlights.

Eugen is sceptic about yet another new programme. In his view, the Mining Company has again and again proven how ruthless it is about realising the mining project. He feels that the resettlement program and the consequent purchase of houses has already caused irreparable damage to the village's social fabric. The very intention of the current 'time-out' - to prove the project's benefits - pre-empt any stopping the project. The reality remains that current plans foresee the resettlement of 740 subsistence farmers in order to employ 550 people; that the fertile land will be turned into open cast mines and waste dumps; that the cyanide leaching method employed will turn neighbouring Corna into a vast tailings pond. All this for an average life-span of a mine of just 15 years.

Eugen looks over his grazing cows and says: "I thought that there were laws that apply. We have told them that we are the proprietors of our lands that this is what we need to live and that we don't want to move. We have told them about us and our children. Don't our voices count? What's more, we have told them about the cyanide, we have told them about the historic houses, we have told them about the churches, we have told them about the archaeological importance of the region, we have told them about the findings, we have told them

about the nature of the company. How many more times do we need to tell them until it really gets into their heads?"

"Look," he continues "Lucretia went the other day to attend one of those 'socio-economic' meetings. There were roughly twenty elderly people there, all saying that the project will be a disaster to their lives, that they cannot cope with the pressure any more. Many simply don't want to move. But what does this mean when the very people conducting the meetings are the people employed by the Mining Company to carry out the resettlement program?"

An hour later Eugen and various members of the *Alburnus Maior* civic organisation accompany me to the bus to start my journey that will eventually take me to the World Bank annual meeting. My rucksack is filled with paintings from local children, a letter and a banner signed by over 300 local people and over 30 Romanian NGOs. All of this is for President Wolfensohn. The messages have been prepared with great care and compassion. As I step into the bus, Eugen shouts: "Stephanie, tell them, tell them that if the project is sound, healthy, sustainable and will not destroy our churches, houses and monuments and will not pollute our land and water; tell them that then they are welcome to move here and live it out with us."

A quick wink and the journey starts.

CAS: Real Consultations Are Needed

Country Assistance Strategy, the World Bank's guideline for the investments, has significant impacts on the economy, social welfare, environment and even cultural development. Thus, the strategy has become one of the major causes of the "hidden" governance of the countries.

In response, NGOs, trade unions and local civic groups involved in environmental protection, sustain-

able development, health, education, science, labour, art, culture, etc. have become more and more active in attempting to open up the Bank's process of preparing and adopting a CAS. These civic groups are actively asking

for the right to debate both government and the Bank on their countries' short- and medium-term future.

Past...

When the Bank first began working the region, the CAS process was not at all transparent. At the time, the Bank worked only with governments and some selected "think tanks". Until 1998, when



"Country Assistance Strategy: World Bank to the Rescue."

the Polish Country Assistance Strategy became the first in the region to be made publicly available, the CAS was a non-public document. Since then, some positive changes have taken place in the Bank's approach. For instance, interested stakeholders now have a number of opportunities for participation, including meetings with the Bank missions and web pages for collecting public opinion.

A comparison of consultations from different countries shows that most changes occur thanks to the early involvement of NGOs and other citizens' organisations. Sometimes the consultations were initiated by NGOs which came up with many very good and reasonable proposals that could not be ignored. Another factor contributing to improved public participation is the positive attitude of local or regional Bank offices.

Present...

Nevertheless, many civic groups (mainly grassroots organisations and groups from rural areas) still face a number of problems preventing them from participating in the consultation process. Some of these problems are related to the state of technology in the given country, such as a lack of good internet access that limits many groups' (especially rural ones') possibilities for participation.

Other problems, however, are the result of the working style of World Bank staff. For example, meetings with Bank representatives are often "one-sided discussions" - a presentation of figures and slogans that merely overwhelms the participants. There is either very limited access to

preliminary information or no access to it at all. The "do-it-fast" approach does not leave sufficient time for the different stakeholders to prepare in-depth comments and proposals. In addition, the documents are often in English, with only a few translated into the local language.

No discussions are held in which all the stakeholders could meet and debate the problems. Usually the meetings are between Bank and NGOs, Bank and trade unions, Bank and governmental officials. The selection of participants is also a problematic issue, since this is very often done using "hidden" criteria.

Main Problems Remain...

Some progress was made during the last rounds of CAS preparations (after 2000) towards improving the above-mentioned problems. In some cases - Bulgaria, for instance - the draft CAS was made available in the local language. In countries such as Poland, Ukraine and Bulgaria, the local Bank offices held meetings with representatives of local municipalities, business groups and NGOs in locations outside the capital city. This provides an extensive opportunity - if NGOs and other groups are well-prepared beforehand - for real debate of specific problems and of the Bank's proposals. In other cases - not surprisingly in countries such as Slovakia, Belarus and Macedonia where the Bank has no experience with CAS preparation - the process of consultations was unstructured and unsatisfying, or it even failed completely.

Although many changes have occurred in the consultation process and there are more possibilities for

better participation, the main conclusions and recommendations from CEE Bankwatch's "Heavy Footprint" (2000) are still valid. "Recent experience involving Country Assistance Strategies (CAS) ... shows that the World Bank needs to develop better guidelines for consultation, preparation and implementation. Without a better procedure, the CAS is doomed to be mainly a public relations exercise. World Bank Country Assistance Strategies should be discussed at an earlier stage, with broader public participation, in order to fulfil the goal of the CAS process."

A main weakness remains: the CAS consultation process is controlled by the local or regional World Bank office and the respective government. Sometimes this works out well, but often it does not. To avoid such inconsistencies, the Bank should develop stricter rules for itself for ensuring that interested parties have sufficient information and time for comment and for debating various alternative proposals on the political as well as technical level. Based on actual positive experiences from the consultation process in different countries, the World Bank should propose and adopt consultation procedures that allow for the easy participation of every interested group, organisation or institution. The Bank should also discuss these proposals with different stakeholders in advance, in order to be able to incorporate into its procedures as many reasonable proposals as possible from civil society.

... continued from page 1

failed not only to achieve their main mission - to eradicate poverty - but that they often made the existing social situation even worse. For example, local communities from Georgia explained how they lost their land because of the construction of an oil terminal and compensation was paid only to a small fraction of affected people.

Interestingly, both industry and governments were much more open to discuss hard issues (such as "no-go zones") than World Bank staff. Rashad



Kaldamy, director of Oil, Gas and Chemicals Department, saw red at the mere mention of no-go zones, which refers to a strict ban on financing for any new extractive industry project in areas of high conservation value, territories belonging indigenous people and nations, areas with local opposition to a project, and areas where investments may exacerbate armed conflict.

The lack of willingness to discuss some of these ideas was not the only problem. During the Review, the World Bank refused to impose a moratorium on projects that may be affected by the results of the review. In Budapest we heard not only about

cyanide accidents at the IFC-funded Kumtor mine in Kyrgyzstan, but we also learned about the Rosia Montana gold mining project in Romania. In Rosia Montana the IFC is negotiating with a mining company owned by a convicted drug dealer, and is fully aware of the need for the involuntary resettlement of thousands of people and the risks of a large accident similar to the one which affected Romania and Hungary two years ago.

In Azerbaijan, Georgia and Turkey the World Bank is working on the preparation of a \$3 billion oil pipeline project, the Baku-Tbilisi-Ceyhan pipeline. A previous, similar project

in Azerbaijan and Georgia was a failure from the development perspective. The affected communities were left with damaged roads and infrastructure after the completion of the construction, but received minimal employment opportunities and oil revenues ended in the non-transparent State Oil Fund. The president of Azerbaijan, instead of using the fund for social infrastructure such as schools or hospitals, plans to spend it to further subsidise the oil industry. And the same scenario is being repeated with World Bank assistance. World Bank staff claims that they have learned from past mistakes, but ironically their showroom example -

the Chad-Cameroon Pipeline - was recently heavily criticised by the Bank's own Inspection Panel.

It seems that the sceptics - who predicted the Bank would not only manipulate the consultation, but wasn't interested in making even minimal changes in its lending pattern - may have been right. Unless consultations in other regions are different, and unless the World Bank shows a willingness towards changing its actions, then maybe it is all theatre after all and some of the actors should leave the stage and start to heckle and throw tomatoes instead.

Oil Funds "Should" Fund Oil Companies???

The constructors of the Baku-Tbilisi-Ceyhan (Baku-Ceyhan) pipeline and the Azeri government are exploring new possibilities for using oil funds. These funds are usually set up by governments whose economies depend on natural resources in order to invest profits from non-renewable resources for future generations or to stabilise their economies from fluctuations in commodity prices. Countries as diverse as Norway, the United States, Chile and Venezuela have some kind of oil fund. Norway's fund is a budgetary fund, while Alaska's one disburses dividends to all Alaska residents. The primary goal of the Azeri fund was to use revenues from new oil projects to spur development in non-oil sectors of the economy. It was to be used for social purposes or for infrastructure, but not for commercial projects, even if they are of strategic importance. Now, however, there are plans to use the fund to fund more oil exploration.

In mid-August the State Oil Fund of the Azerbaijani Republic (SOFAR) officially announced that it would fund 25% of the Azerbaijani State Oil Company's share of Baku-Ceyhan construction. The project is currently estimated at \$2.94 billion, meaning that SOFAR would allocate about \$220 million for investment in the project. The decision, made by



"Previous oil projects in the Region."

President Geidar Aliev, was a logical extension of previous practices in managing the fund over the past two years, and clearly highlights the existing problems in attracting funding for implementing this "project of the century".

While 70% of Baku-Ceyhan project costs are already secured through funding committed by International Financial Institutions and Export Credit Agencies, Azerbaijan has failed to obtain credits, either independently or through guarantors such as BP, to cover its share of this supposedly "commercially viable" project. So far, Wall Street is not buzzing with talk of "Invest in BP, it stands to make a lot of money with Baku-

Ceyhan". Conditions for allocating credits to Azerbaijan have become more complicated than for previous participants in the project because simple guarantees by Azerbaijan - although it has stable oil production, including profitable production from the Azeri-Chirag-Guneshli oil field - are not enough for obtaining a credit.

In response, the Azeri government has chosen the easy way out: use money from the Oil Fund to cover the remaining costs. It took several years of lobbying by the IMF and World Bank to push government to create the State Oil Fund in the first place. The original idea was that the fund would ensure the transparent management of oil revenues and decrease

Azerbaijan's dependence on oil. Both goals, however, remain unrealised: the State Oil Fund is accountable and responsible only to the President Aliiev and the political elite, and money from the fund will now go back to the oil companies.

In July there were some attempts by IMF to prevent such a scenario. According to the IMF, "Baku-Ceyhan is a commercial project and the use of SOFAR resources for its implementation contradicts the Fund's statute and could set a dangerous precedent". It is no surprise, however, that the Azeri government seems unperturbed by such accusations. While the IMF is delighted that the macroeconomic situation in Azerbaijan has improved, the

only sector that has not faced a massive decline over the long term is oil .

The "dangerous precedent" has already been set. Moreover, in his decree, President Aliiev also announced that SOFAR would receive funds from the hard currency reserves of the National Bank of Azerbaijan for funding Baku-Ceyhan. The National Bank of Azerbaijan is now set to transfer \$118 million to SOFAR. These funds include foreign companies' bonuses for Azerbaijan, which were granted before SOFAR was set up. It is not clear why these bonuses were "forgotten" when SOFAR was established. SOFAR will allocate the rest of the money - about \$102 million - from its own resources.

Baku-Ceyhan Pipeline - Confusion, Uncertainty and Unrealistic Expectations

by Anders Lustgarten, *Kurdish Human Rights Project*

In Turkey, the Baku-Ceyhan pipeline will run through some of the country's most politically volatile regions, including its Kurdish southwest. Here, the government has been engaged in a decades-long war with Kurdish rebels, and has been accused of many human rights violations. Because the pipeline corridor would effectively lie outside of the national government's jurisdiction, construction raises questions of accountability not only for violations of environmental law, but for social issues and human rights as well.

Legal Framework

The Host Government Agreement signed between Turkey and the consortium of companies, led by BP, which is building the pipeline is bound by international and domestic law. It is an extraordinary document.

Among other things, it exempts the consortium from any obligations under Turkish law, aside from the general framework of the Constitution. The Turkish government thus effectively abrogates its executive and legislative powers to protect Turkish citizens from the environmental and social damage that pipelines usually wreak.

The exemption lasts for the lifetime of the project, at least 40 years, and prevents either future Turkish governments or international agencies such as the World Bank from introducing legislation to regulate the effects of the project. It also denies Turkish citizens any obvious form of redress. In the event that new taxation

or other legislation affects the project's "economic equilibrium", Turkey would have to pay compensation to the consortium. The Turkish government can intervene in project affairs only in the case of an "imminent" and "material" threat to the public, the environment or national security. What these threats may be and who defines what constitutes a threat is unknown.

Compensation and Resettlement

A fact-finding mission to the region found the project in violation of the World Bank standards on Involuntary Resettlement and Indigenous Peoples. BOTAS, the Turkish compa-



"These ruins were 'consulted'"

ny in charge of construction, has repeatedly told villagers along the route that it will only compensate formally registered landowners. The lack of up-to-date land surveys means that only a tiny fraction of those now using the land will be adequately compensated.

Although many of the registered landowners are now long dead, BOTAS is insisting on paying only those whose names appear on the land registry. Payments are to be made into a bank account in the deceased landowner's name, which their descendants can only access through long and impossibly costly court action.

High inflation and low assessment figures mean that people will only receive a fraction of the land's monetary value, notwithstanding its cultural importance.

Consultation

The fact-finding mission also found the project in violation of four of the World Bank's Operational Policies. For example, the consultation questionnaires were skewed and incomplete, did not encourage people to express their concerns about the project and failed to take into account the limitations which Turkey's political practices put on freedom of expression.

Only half of the rural settlements the fact-finding mission visited, lying in the path of the pipeline and listed by the Company as having been consulted, had had any contact with BOTAS or consortium. One village, Haçibeyram, listed as consulted by telephone, had been abandoned for several years. Even in those villages which had been visited, confusion,

uncertainty and unrealistic expectations abounded.

Ethnic and Political Context

The establishment of the modern Turkish state by Mustafa Kemal Atatürk in 1923 was predicated, with an unusual degree of ideological fer-



"Baku oil wells"

vous, on unitary secular nationalism. Atatürk's iconic status is enshrined in Turkish law, and the reforms Atatürk instituted are treated with similar reverence. In particular, the principle of the "indivisible integrity" of the state, territorially and politically, is absolutely fundamental to the ideology and self-perception of the Turkish polics. Article 3 of the constitution puts it bluntly: "The Turkish State, with its territory and nation, is an indivisible entity. Its

language is Turkish."

The war between the Turkish state and the Kurdistan Workers' Party, whose goal has been the suppression of autonomous Kurdish expressions of identity and the assimilation of the Kurds into mainstream Turkish society, has killed more than 37,000 people. Leaving aside recent reforms, the fact remains that broadcasting and teaching in the Kurdish language is hazardous and often results in prosecution (for instance, nearly 1500 students were arrested for signing petitions requesting instruction in Kurdish), and expressions of Kurdish culture are frequently repressed.

Turkey's long-standing ideological commitment to this "indivisible integrity" and its oppression of the Kurds bear heavily on the project. The project plans do not take into account the presence of minority groups in the region, and no negotiations have been held with ethnic minorities, as required by World Bank safeguard policies.

Villagers are aware of the repercussions of both self-identification as a minority group and of dissent against state-backed projects. With the project land technically standing outside Turkish law, the corridor may potentially be used to house paramilitary groups or serve as a springboard for incursions into the surrounding Kurdish regions. These issues remain unresolved.

(Editor's note: The CEE Bankwatch Network has extensively covered the Baku-Tbilisi-Ceyhan pipeline project in Georgia and Azerbaijan. Anders Lustgarten of the Kurdish Human Rights Project here describes the project's impacts in Turkey.)

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