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German, Swiss and Austrian governments withdraw financial support for Turkey's Ilisu dam project where human rights violations were a risk.

Amnesty International welcomes the decision of the German, Swiss and Austrian governments to withdraw funding, provided through their respective Export Credit Agencies (ECAs), to the Ilisu dam project in Turkey. The three governments have taken the decision following independent expert assessments that concluded that the dam project was not meeting agreed standards, including in relation to the social and environmental impacts of the project.

The 1,200 Megawatt dam – to be constructed on the river Tigris in southeast Turkey – is Turkey's largest dam project. The construction of the dam is expected to involve the displacement of at least 55,000 people. According to civil society reports, there has not been any adequate consultation with affected communities and the resettlement policy is not in line with international human rights standards. Nor has there been an adequate assessment of the environmental and social impacts of the project.

In March 2007 the German, Swiss and Austrian governments agreed to support companies from those countries to supply equipment and engineering services for the construction of the Ilisu dam. This support was provided through ECAs, which are public or semi-public institutions that grant government-backed loans, guarantees and insurance to domestic companies that seek to do business overseas. Germany's Euler Hermes Kreditversicherungs-AG, Austria's Oesterreichische Kontrollbank Aktiengesellschaft (OEKB) and Switzerland's Swiss Export Risk Insurance (SERV) agreed to disburse a total of 450 million Euros in export risk guarantees.¹

When the three ECAs granted their support, a committee of independent experts was set up to evaluate and monitor the implementation of an agreement between the governments of Switzerland, Germany and Austria and the Turkish government on the impacts of the dam, including the social and environmental impacts. The agreement required the Turkish government to put in place mitigating measures, adequate compensation and a comprehensive scheme for the resettlement of affected communities. Following repeated breaches of this agreement, the governments of Germany, Switzerland and Austria put the contracts of national companies on hold for 180 days at the end of 2008. On 7 July 2009, when the Turkish government had not met the agreed standards, they decided to withdraw their support to companies involved in the project.

¹ The national companies supported by the three ECAs were Austrian VA Tech Hydro, German Zueblin AG, and Swiss engineering companies Alstom, Colenco, Maggia and Stucky

Had the ECA support not been withdrawn, Germany, Austria and Switzerland, as well as the companies receiving export credit guarantees, would be at risk of complicity in human rights violations and/or profiting from a project involving serious human rights violations.

The decision demonstrates that human rights due diligence – including setting and monitoring standards in relation to the social and human right impacts of projects – is both workable, and essential to ensure that ECAs do not contribute to or benefit from human rights violations abroad - either directly or through funding of companies.

As such Amnesty International welcomes the decision taken by the German, Swiss and Austrian governments and believes they have set a precedent that is important – and must be further developed to ensure that the human rights impacts of projects are fully assessed. Adequate social and human rights due diligence, including effective independent monitoring, should be mandatory for all ECA support and a precondition for support being provided in the first place. Amnesty International looks now to Germany, Switzerland and Austria to build on the leadership they have shown in this case.

Background

Export Credit Agencies (ECAs) are public bodies through which governments provide direct support to national companies operating or investing abroad - usually in developing countries and emerging markets. ECAs often support business sectors which are particularly at risk of human rights abuses – such as the extractives industry and large infrastructure projects – and provide backing to projects in geographically risky areas, including areas affected by conflict. ECAs effectively use taxpayers' money to make it cheaper and less risky for private businesses to invest and operate abroad.

The absence of any effective human rights due diligence framework for ECAs has meant that they have often supported projects and companies implicated in serious human rights violations. Amnesty International believes that it is a government's responsibility to regulate ECA operations to ensure it does not support projects that are likely to be involved in human rights abuses.

Amnesty International is calling on governments to ensure their ECA has strong human rights safeguards, established by law. This must include adequate human rights due diligence processes. All projects and companies applying for ECA support should be screened against human rights standards, with a clear threshold for rejecting applications. A monitoring process should also be put in place by the ECA to monitor its clients' compliance with the ECAs human rights policies.