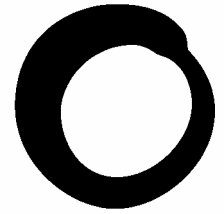


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**Friends of  
the Earth**

# Briefing

## Barclays and the Omkareshwar Dam

Barclays bank are planning to finance a new dam project on the Narmada River in Central India. The site for the 73 meter-high dam, lies about one kilometre upstream of the sacred temple town of Omkareshwar. It will displace over 50,000 small farmers and submerge up to 5,800 hectares of one of Central India's last intact natural forests. This project is in breach of the banks own green project finance principles the Equator Principles, including critically the absence of an independent Environmental Impact Assessment (EIAs) and the violation of Indian federal and state laws.

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## Background

The UK bank, Barclays, is planning to finance a new dam project on the Narmada River in Central India. The Narmada Valley Development Project is one of the world's most controversial dam building schemes. It entails the construction of 30 large dams in India's Narmada valley and would displace over 2 million people. Over the past 15 years, the peoples' movement in the valley and a broad coalition of international NGOs achieved a number of successes, including the termination of World Bank and Japanese ODA support for these projects, so that so far only six dams have been completed.

## Equator Principles

Barclays was one of the first UK banks to sign up to the Equator Principles. The Equator Principles are a set of social and environmental guidelines for private banks involved in project finance which are based on guidelines developed by the World Bank and its private finance arm, the International Finance Corporation (IFC). This project violates at least five areas of the Equator Principles, including critically the absence of an independent Environmental Impact Assessment.

## Financing the Omkareshwar Project

Barclays aims to finance a new dam project on the Narmada, called Omkareshwar. Barclays is acting as an arranger and will try and draw other private banks into the deal. A number of banks have already refused to finance this controversial dam. These include Deutsche Bank, as well as Calyon & ABN AMRO who are both signatories to the Equator Principles. Even the World Bank, whose social and environmental policies the Equator Principles are based on, turned down an application for the project in Spring 2004 because of "*environmental and social concerns*".

In July 2004, the Indian Newspaper Business Line reported that Barclays and the United Trust of India (UTI) are arranging a 183 Mio LB loan for the Omkareshwar Project on the Narmada River. According to Business Line, the 14 year loan was contracted at "*the best rate secured by any such project in India*". In spite of the Omkareshwar Project's grave environmental and social impacts, there is neither a resettlement plan nor an environmental impact assessment.

## Impacts of the Omkareshwar Project

For over two decades, the Narmada valley in Central India has been the site of one of the country's most active civil disobedience movements. Small farmers, tribes and fishermen refused to vacate their land for a series of 30 large dams, which would flood one of India's most productive agricultural regions and lead to the forcible displacement of an estimated 2 million people. After whole villages threatened to drown themselves rather than be evicted, massive international outcry led the World Bank and other international funders to withdraw funding for these projects in 1993.

Not only will this project displace many tribal communities who depend on the forest resources for most of their income, there also has been no resettlement plan and the project authorities have refused to provide any land-based compensation for farmers. The dry deciduous teak forests in the area harbour nilgai, spotted deer, leopards, tigers, sloth, bears, wild boars and many other large mammals as well as around 130 species of birds. According to the Wildlife Institute of India, this is one of the last pristine stretches of riparian forest along the Narmada River. It will also endanger the sacred temple town of

Omkareshwar with its many historic shrines and temples that are very important to hundreds of thousands of pilgrims who travel there every year

Violating the Equator Principles

The Omkareshwar Project violates five of IFC's safeguard policies.

**Indigenous Peoples:** Between 30 – 50% of the population in the submergence area are indigenous ("Adivasi") and belong to the Bhil and Bhilala tribes, who are awarded special protection under the Indian Constitution. IFC's Policy is based on the principle of informed participation and the establishment of an indigenous people's development plan. In the case of Omkareshwar, no such plan has been developed and indigenous people have neither been informed nor consulted.

**Environmental Assessment:** No Environmental Impact Assessment was undertaken for the Omkareshwar Project. This is a clear violation of IFC's policy, under which the preparation of a full EIA is mandatory procedure for large dam projects.

**Natural Habitats:** IFC's policy states that IFC does not support projects that involve the significant conversion of critical natural habitats. The Natural Habitats Policy also includes a consultation requirement, to ensure that local communities' views and rights are taken into account. The dam reservoir will submerge up to 5800 hectares of forest, including parts of the Chandgarh and Nimanpur reserved forests on the North Bank of the Narmada and the reserved and protected forests of Punasa and Gunjari on the South bank. The Wildlife Institute of India has noted that the loss of these forests will intensify pressure on the remaining forest areas and fears that these will be "drastically altered". There have been no public consultations or hearings with local communities, although many of them depend on forest resources for part of their income.

**Cultural Property:** The project area contains many historic shrines and temples. In spite of the provisions in IFC's policy, no consultation or mitigation measures (such as relocations of culturally significant structures) were included in project planning. During the eviction of Panthiaji, a unique 13<sup>th</sup> century temple, which is listed by the Archeological Museum Department of Madhya Pradesh, was simply bulldozed. In addition, the famous temple town of Omkareshwar (which is situated on an island just 1 km down-stream of the dam) will encounter problems, as the expected erosion of the river banks will threaten the long-term stability of temples on the perimeter of the island. No measures have been designated to deal with this problem although Omkareshwar is considered to be the most sacred place in the entire Narmada Valley and attracts hundreds of thousands of pilgrims each year.

**Involuntary Resettlement:** IFC's policy states clearly that cash compensation alone is normally inadequate and that preference should be given to land-based resettlement. It also calls for up-to-date socio-economic surveys of the affected population and requires a detailed resettlement plan, based on extensive consultation. In the case of Omkareshwar, no such surveys have taken place and no resettlement plan exists. While the project authorities claim that only 15,000 people will be affected, the actual number is likely to be over 50,000. Even the most basic information is being withheld from project-affected people and the project authorities have refused to provide any land-based compensation. The experience of Panthiaji (the first village that has been displaced) shows that the project is driving affected communities into destitution rather than restoring their livelihoods.

What are the alternative solutions?

Omkareshwar is planned as a multi purpose project, with both irrigation and a power component. At present Madhya Pradesh has transmission and distribution losses in the electricity sector of 44%. The electricity crisis in Madhya Pradesh is not of insufficient generation but a lack of energy conservation and efficiency. It would seem more logical to improve the running of existing infrastructure, upgrade the transmission and distribution systems and to combat what a former World Bank India Country Director termed the “*widespread theft, graft and corruption*” in the Indian power sector.

While upstream and downstream projects such as Indira Sagar and Sardar-Sarovar, which have been under construction for more than a decade, are not yet finished, it seems bizarre to take up the construction of yet another large dam, instead of addressing the more energy and cost efficient task of lowering transmission and distribution losses. Addressing this problem could generate as much power as half a dozen projects the size of Omkareshwar and would avoid the social and environmental impacts that this development is causing.

What you can do?

Write to Barclays

- Demand that Barclays withdraw from arranging finance for the Dam.
- Demand to know what is Barclays commitment to the Equator Principles when the proposed Omkareshwar Dam clearly breaches these principles.

Contact Details

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More information see [www.banktrack.org](http://www.banktrack.org) or contact Simon McRae at FOE on 020 74901555

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