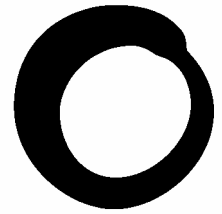


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**Friends of
the Earth**

Briefing

Barclays and the financing of the Narmada Dams

In 2004 Barclays bank helped 'advise' on the project finance for the Omkareshwar dam project on the Narmada River in Central India. The Narmada Dam project is one of the most controversial dam projects in the world which involves the building of over 30 major dams. In December 2003 Barclays also gave money to the Indian company building the dam the National Hydropower Power Corporation (NHPC). This project is in breach of the bank's 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

Narmada Dams

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.

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.'

Omkareshwar Dam

The Omkareshwar Dam will flood over 5800 hectares of pristine forest and is expected to displace up to 50,000 people, many of whom are small farmers. 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.

Indira Sagar Dam

The Indira Sagar Dam will affect more land than any other dam in India. It will flood over 90,000 hectares of which more than 40,000 hectares is indigenous forest. It will also fully submerge 69 villages and partly submerge another 180 displacing more than 175,000 people.

There have been major problems with the Indira Sagar in particular around resettlement and compensation with many people either not been given land on which to resettle or not given adequate compensation to buy land. People are also being forcibly resettled in areas where there is inadequate clean drinking water, health care, electricity or sewage which are an infringement of the basic rights of the local people.

National Hydro Power Corporation

The National Hydro Power Corporation (NHPC) is an Indian Government enterprise founded in 1975. The NHPC along with the Indian state of Madhya Pradesh in 2001 formed a private company the Narmada Hydroelectric Development Corporation (NHDC) to build the Indira Sagar Dam and the Omkareshwar Dam.

Financing the Narmada Dams

Barclays have already acted in an 'advisory' role in terms of arranging project finance for the Omkareshwar Dam. Although Barclays are yet to contribute any money to the Omkareshwar project they are already involved through their role as an advisor. This is an important point as even undertaking an 'advisory' role in project finance still requires banks to consider their obligations under the Equator Principles.

As well the Indian company arranging finance for the Dam, NHPC, have been happy to let people know of Barclays involvement because having a major international bank involved will help attract potential investors. Indeed it appears that NHPC may have misled investors as they originally claimed in July 2004 that Barclays had actually arranged a loan for the Dam when in fact they were only involved in acting in an initial advisory role.

The other issue of concern is although Barclays claim they are no longer involved in financing Omkareshwar Dam they are financing the Indian company who is building it. In December 2003 Barclays along with Standard Charter arranged a £28 million corporate loan for NHPC who are building the Omkareshwar Dam. Although the loan is not specifically for the Omkareshwar Dam as this is one NHPC major projects it seems reasonable to assume that that it will cover some of the expenses of building the Dam. As well NHPC are also involved in building the controversial Indira Sugar Dam.

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*'.

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.

Violating the Equator Principles

Indigenous Peoples: 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. 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: 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. The temple town of 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. In the case of Omkareshwar, no such surveys have taken place and no resettlement plan exists.

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. 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 no longer finance the National Hydro Power Corporation
- Demand that Barclays no longer advise, arrange or finance Omkareshwar Dam or any other Dam associated with the Narmada Dam project
- Demand that Barclays publically report on how they implement the Equator Principles and what action they have taken to address breaches of these principles

Contact Details

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