

**U.S. Position on IFC's Investment in Georgia's Paravani Hydropower Project
June 16, 2011**

The United States recognizes that this cross-border project with Turkey has the potential to support Georgia's economic growth, long-term stability, and energy needs by decreasing Georgia's vulnerability to energy shocks, while increasing its renewable energy capacity. Georgia has great untapped potential for hydropower, and if projects are carefully assessed for their cumulative environmental impact, this could be an important strategic and economic resource. The United States also hopes that this project will result in additional progress in sector reforms, which have at times been difficult.

The United States notes with concern, however, that the project document distributed to Executive Directors failed even to mention the participation of Lahmeyer International (an engineering and supervision subcontractor working on the Paravani project through its Turkish subsidiary Hidro Dizayn), which has been debarred at the World Bank since 2006. This raises serious issues about the application of 2006 Sanctions Reforms to IFC investments that, at a minimum, need to be disclosed and discussed to ensure that rules meant to fight Bank corruption are closely observed and implemented.

Although the United States is supportive of several elements of the project, it wishes to be recorded as abstaining due to the lack of disclosure of Lahmeyer's participation and for legislatively-mandated reasons.