
Skanska pulls out of dam-building . . . or does it?

The environment department at Skanska, one of the world's largest construction firms, has announced that it is to pull out of dam-building. On 4 February 2003, Skanska's vice President Sustainability, Axel Wenblad revealed that after a strategic review at the company, "We will not be involved in new hydropower projects in the future."

Wenblad said that the review was carried out at the request of the company's new CEO, Stuart Graham. In January, a Skanska press release stated that during 2003 to 2004 Skanska would, "Exit Business Unit Skanska International Projects, a project export business . . . The nine on-going projects will be completed - but no new business will be entered."

However, Skanska's Press Officer Peter Gimbe denied that this means Skanska will pull out of dam-building. "No, that isn't true," he said. "The decision is really that we will only work from home markets, we will only work with projects in markets where we have a local presence. For example, in South America we have a local presence in several countries. Of course we can take part in building hydropower plants if there is any project coming up in the countries we are working in. No decision has been made to exit the hydropower market."

On 3 February 2003, the day before Wenblad made his statement, Business News Americas reported that Skanska is in negotiations over the price and terms of an engineering, procurement and construction contract for the 270 MW La Higuera dam in Chile. Skanska's international projects manager Lars-Erik Alm said, "This is a good project because it's a run-of-the-river project with minimum environmental impact, and those are the kind of plants we prefer to pursue."

Although Skanska may prefer to pursue projects with "minimal environmental impact", the company has also been involved in several highly controversial dam projects. For example, in 1993, Skanska started construction of the Urra 1 dam in Colombia. Skanska's share of the project was 80 per cent and Skanska's contract was worth US\$320 million. More than 7,000 hectares of old-growth forest was flooded and 12,000 people, including members of the Embera Katio indigenous group, were evicted to make way for the dam's reservoir.

In 1996, the Embera Katio launched a resistance campaign against the dam, occupying the Swedish embassy in Bogota. Since then, at least four Embera-Katio have been killed for leading opposition to the dam. In June 2001, Kimy Pernia Domico was forced at gunpoint onto a motorcycle outside his people's headquarters. He is still missing.

In Malaysia, Skanska was a specialist contractor on the 600 MW Pergau dam which was built with £234 million of British overseas aid. Documentary evidence subsequently revealed that the aid package was linked in writing to a reciprocal arms deal whereby the Malaysian government agreed to buy over £1,000 million worth of British military equipment in return for the UK funding Pergau. A judicial review brought by a British NGO, the World Development Movement, against the Foreign Office led to a High Court ruling that aid for Pergau was in violation of the 1966 Overseas Aid Act, which forbids British aid money being used for the purchase of arms.

According to project officials, the Pergau dam can only be used at peak energy hours because the volume of water allows the dam to operate for only a few hours. Even the World Bank criticised the project, arguing that it would be more cost effective to build gas fired power stations.

In Sri Lanka, Skanska built the 204 MW Kotmale dam, part of the massive Mahaweli Project. Sweden's aid agency, SIDA, handed out grants totalling SEK1.5 billion for Kotmale. The contract was awarded without any competitive bidding and construction began in 1979. However, after limestone caverns were discovered beneath the dam, the entire project had to be moved 200 metres downstream. Construction engineers admitted that geological surveys had revealed the original site to be flawed but that "no-one had co-ordinated the results or drawn the appropriate conclusions". After the dam was commissioned, it was shut-down for 18 months because of a leak in the high-pressure shaft and its associated tunnel. Skanska won another contract to repair the leak. Even after this repair, only one of the three turbines installed in the power house could be used as the reservoir did not hold as much water as had been predicted.

The dam required the relocation of 15,000 people and flooded 1,410 acres of paddy fields. A further 905 families were affected by landslides which were a result of the project.

In May 1997, the Sweden's Sida awarded a US\$3.2 million contract to Skanska to provide training in tunnel-building for hydropower projects in Vietnam. The contract included on-the-job training at the 720 MW Yali dam construction site. The Yali dam resulted in serious problems for people evicted to make way for the reservoir and for communities living downstream of the dam in both Vietnam and Cambodia. Tens of thousands of villagers living downstream of Yali have been affected by the changes in water flow and the poor water quality in the river since the dam has been built.

One of Skanska International's "ongoing projects" is the Bujagali dam in Uganda. In November 2000, Anders Bergfors told Swedish newspaper Svenska Dagblat that Skanska's role in the construction of the dam will be "traditional dam construction work".

Until August 2002, Skanska International and Veidekke (Norway) were part of the Bujagali consortium hoping to build the 200 MW Bujagali dam in Uganda. Veidekke withdrew following allegations that Veidekke's UK-based subsidiary, Norcil, had bribed Richard Kaijuka, Uganda's then Executive Director at the World Bank.

The Bujagali dam would submerge highly productive agricultural land; destroy the Bujagali Falls; possibly lead to the extinction of rare fish in the Nile; cause thousand of people to lose their land and access to river resources; and lead to significant increases in Ugandans' electricity bills, 95% of whom are in any case not connected to the national grid.

In July 2001, Ugandan citizens and NGOs filed a complaint with the World Bank's Inspection Panel about the project. The Inspection Panel's report found the environmental studies on the project to be insufficient or lacking, the resettlement action plan to be incomplete and the community development action plan to be inadequate. The report found the economic and financial analysis of the project to be seriously deficient and that the project was in breach of several of the World Bank's Operational Policies.

Despite the corruption allegations, deficient financial analysis and insufficient environmental studies, Skanska remains involved in the Bujagali project. Skanska should do what Wenblad says it already has done: pull out of dam-building, now.

