

Second¹ International Fact-Finding Mission to Baku-Tbilisi-Ceyhan Pipeline Azerbaijan Section

Initial Summary Report 4 June 2003

Bank Information Center
Friends of the Earth US
Friends of the Earth Netherlands
CEE Bankwatch Network
Green Alternative
National Ecological Centre of Ukraine
PLATFORM

From May 7 through 11, an international Fact Finding Mission (FFM) comprised of representatives from the seven international NGOs listed above visited Azerbaijan to assess the planning and implementation of the proposed Baku-Tbilisi-Ceyhan (BTC) oil pipeline. The FFM traveled along the pipeline route meeting with landowners, community members and local government.² The FFM also met with NGOs in Baku and Ganja and company representatives at the Sangachal terminal and the workers' camp near Aran.

This report provides a brief overview of the findings. A full report will be issued in the near future with findings and recommendations for BP, the lead operator of the consortium, and for the public and private financial institutions being approached to finance the project. These public institutions include the World Bank Group, the European Bank for Reconstruction and Development (EBRD), and export credit agencies from several countries. This preliminary findings report for Azerbaijan (a parallel report for Georgia is prepared) serves as an initial report for the financial institutions that are being asked imminently to finance the pipeline.

Resettlement and Land Compensation

The FFM noted numerous concerns about the implementation of the land compensation process in Azerbaijan.

- **Land owners were not given the contract in advance.** Approximately one year ago, land owners were required to sign a document stating that they would adhere to the compensation process. This document included information about the general principles for calculating the amount of compensation for different types of land but did not include the final amount offered to each individual. The final

¹ The report "International Fact Finding Mission Preliminary Report, Azerbaijan, Georgia, Turkey Pipelines project -Azerbaijan Section", September 2002 can be found at www.baku.org.uk.

² Settlements visited included villages Poylu, Saloglu, Salahli, Goycaly (Agstafa District), Dasburdaq, Dalilar, Ceyir (Shamkir District), Qadili, Seyidlar (near Ganja), Aran (Yevlakh District), Qarabork, and Chiyini (Uchar District) and the towns of Agstafa and Ganja.

contract that indicated the agreed amount of compensation and gave permission to use the land was not given to land owners prior to the day of signing. People were taken to the village administrator and given the contract to sign. People did not see the contract ahead of time.

- **Many land owners did not understand what they were signing.** Of the land owners the FFM spoke with, some were illiterate. Most of those who are able to read, can only read the Cyrillic alphabet. They were not able to read the contract because it was written in the Latin alphabet which became mandatory for all official purposes in August 2001 in Azerbaijan. Many of the landowners indicated that they had not received any assistance from an independent party in understanding the contract.
- **No negotiation of compensation was allowed.** The State of Azerbaijan predetermined the amount of compensation by valuation tables that were used for the calculation of compensation. Some of the land owners claimed that the neighboring fields were given different values despite the same quality of soil and production use.
- **Compensation is being carried out before information is provided.** The NGO Center of Legal and Economic Education (CLEE) was contracted by BP to provide legal assistance to land owners. The local Ganja office expressed concern with the speed of the compensation process and the capacity of the NGO to provide the depth of assistance it feels is needed by the people (i.e. personal one-on-one consultation). The FFM later learned that the contract for CLEE began on 15 December 2002, which allows them to start work with land owners in January 2003. The FFM was shown individual landowners' contracts dated 23 December 2002, which indicates that the compensation process had already started before the legal advice was available. In addition, CLEE is currently preparing an information booklet about the landowners' rights during the compensation process, but according to the FFM's information, the majority of the contracts are already signed.
- **Municipal lands have not been compensated for.** Press reports indicate that one third of the land along the pipeline route is owned by municipalities. However, only one of the municipalities the FFM spoke with had information about the municipality receiving compensation for the land. Even this one municipality received an extremely low amount of compensation: \$385 for 6.8 hectares of land. Several NGOs noted that although the municipalities technically own the land, they are not receiving any compensation. Some stated that the State-appointed local Executive Committees were receiving the compensation directly.

Human Rights

The human rights situation in Azerbaijan has worsened as a result of the BTC project.

- **Trade union activist harassed.** As a result of her statements on corruption, Mirvarie Gahramanly has suffered severe backlash. She and most of her family

have lost their jobs. She has been physically harassed and beaten.³ As recently as Jan 18, 2003, after a press conference by Ms. Gahramanly, her daughter was beaten.

- **NGO opposed to the pipeline is threatened.** Mr. Mayis Gulaliev of the Caucasus NGO Confederation, who is publicly voicing concerns about the BTC project in general and opposition to the use of state oil funds for the BTC project, has received threats and had his office and staff searched.
- **General intimidation by authorities.** In a speech on Azeri television on February 24, Ilham Aliyev -- Vice-president of the State Oil Company of the Azerbaijan Republic, Member of the Azerbaijan Parliament, Deputy Chairman and Member of the Bureau of Parliament Assembly of Council of Europe and the son of President Hejdar Aliyev -- threatened to punish opponents of the Baku-Tbilisi-Ceyhan project. Since then, individuals who were previously critical of the project now are issuing statements in full support of the project and in opposition to anyone voicing concerns.

Corruption

- **SOCAR, a member of the BTC Consortium, is embroiled in corruption allegations.** The FFM met with Ms. Mirvarie Gahramanly, co-chair and a founder of the Committee of Oil Industry Workers' Rights Protection (COIWRP – an independent trade union), who continues to monitor and raise issues of corruption within SOCAR. She stated that in January 2003 the General Director of a subcontractor of SOCAR was arrested but released and two lower level employees were arrested and are still being held pending investigation. One person has been fired for financial misuse and another has left the country following a press conference. Many of the examples cited involve the set up of intermediary companies that invoice SOCAR for equipment and materials at extremely high prices while the equipment is never delivered, or is unusable or double ordered. These allegations are reportedly under police investigation and have been reported in the local newspapers

COIWRP claims that the amount of money lost to corruption is over \$100 million. They are fighting the use of the State Oil Fund of the Azerbaijan Republic to support BTC because the money needed for BTC is the same amount that is lost to corruption. In COIWRP's view, using oil fund money to support oil development is essentially putting it into the pockets of corrupt oil officials. SOCAR is a member of the BTC Company – the consortium of groups building the BTC pipeline and seeking loans from the public International Financial Institutions.

³ See the report "International Fact Finding Mission Preliminary Report, Azerbaijan, Georgia, Turkey Pipelines project -Azerbaijan Section", September 2002, www.baku.org.uk, for more information.

- **Local level extortion reported.** In Agstafa region, there were reports of local officials requiring some landowners to pay them a portion of the compensation received.

Development Impact

Given the consideration of financial support from public international financial institutions, the question of the development impact of the project is crucial. The FFM saw no evidence that the BTC pipeline will have a positive development impact for the people living along the route, and in many cases saw signs of negative impact.

- **Community Investment Program is unknown outside of the cities.** It is the understanding of the FFM that BP has awarded a contract for implementation of a Community Investment Program in Azerbaijan, however, none of the local government representatives or the villagers that the FFM spoke with were aware of this program or how it would be carried out. Several mayors and individuals spoke about promises made by the company to build a school or repair the water system. They expected that these promises would be fulfilled in the next few months but had no written confirmation or follow-up conversations about how it would happen.
- **The expectation for jobs is still high.** People are, however, starting to realize that jobs will not actually materialize. In several villages people reported that they had applied for a job but been rejected with no explanation. A group of 15 men from the Ganja area responded to a television announcement requesting job applications, but when they went to Ganja they were told not to bother applying because more than 5000 applications had already been received for 15 job openings. After this experience, no one else from the village bothered to apply. An NGO in Ganja reported that on the first day of accepting job applications from the public, the main square was packed with people trying to apply.
- **Indirect employment and small business opportunities are not emerging.** The FFM talked with subcontractors to BTC Co. at the construction site of workers' camps at both the Sangachal terminal and outside the village of Aran where a pumping station will be located. Most of the people currently working on the construction sites are foreigners. The housing that will be used is prefabricated and will be shipped in from Turkey. Catering for all workers is done by a foreign contractor and almost all of the food will be brought in from outside the country. At Sangachal, which currently serves 1800 lunches, only rice and buckwheat are purchased from Azerbaijan and all other food is imported. This indicates that although BTC Co. claims there will be indirect jobs created by the needs of the construction crews, in actuality there will be very few jobs and minimal support of the local economy.

Environment

- **There are unresolved issues remaining around the pipeline construction through Gobustan culture-historical State Preserve.** BP has failed to

adequately respond to the request of Azerbaijan Greens Movement to conduct an assessment of the possible impact of heavy machinery operations on the petroglyphs in Gobustan Preserve.

- **Dumping of drilling waste from oil platforms.** BP claims that drilling waste from ACG field is not discharged in the sea but shipped on shore for disposal. Waste is being brought to a dump field near Sangachal terminal and the village of Bozdag which the FFM visited. The FFM was told that waste products are spread over the field and allowed to dry, then watered again to allow the toxic components to sink into ground. The area is surrounded only by a barbed wire fence allowing dust from the toxic sludge to spread to nearby grazing areas. It is also a question as to how the toxic materials leaching into the soil affect the local environment and water.
- **A National Oil Spill Response Plan for Azerbaijan does not exist.** According to the Caspian Environment Program, each Caspian country has a response plan except Azerbaijan (Iran is currently finalizing its plan). The EBRD has provided funding for the development of a plan but the government continues to delay and cancelled a conference scheduled for April on this topic.
- **The issue of landmines was not addressed in the ESIA.** A landmine field still exists in the village of Saloglu near the border of Azerbaijan and Georgia where the BTC pipeline will run. Since 1992, 25 to 27 people (according to different sources) have died as a result of the landmines. However, the existence of or conditions for removal of landmines was not included in the Environmental and Social Impact Assessment for the project.
- **The quality of the land reinstatement is in question.** The existing Baku-Supsa pipeline was also constructed by BP, the project sponsor for BTC. In many areas the land around the pipeline was poorly reinstated – a mound of earth clearly identifies the pipeline location. This raises concerns about the quality of reinstatement that can be expected after the BTC construction.
- **The possibility of access roads for the pipeline is not taken into account.** In many areas along the Baku-Supsa pipeline, there is an access road that is traveled daily by the pipeline security patrol. The FFM met and talked with one of the security officers outside of Saloglu. If the road will be extended/moved to patrol the BTC pipeline where it is not parallel to Baku-Supsa, the ESIA and Resettlement Action Plan should indicate this construction and assess the environmental and social impacts of a road on neighboring land. Landowners should also be compensated for the permanent loss of land that a road would constitute and potential reduction in crops of nearby lands beyond the 3-year compensation period.

Public Consultation/Participation

- **The only people receiving information are the landowners receiving compensation.** Others only had heard rumors about the project schedule, jobs, etc. No one that the FFM spoke with had participated in a consultation about nor heard any information about the Community Investment Program.
- **No one is aware that they are able to have input to the project.** Past consultations were organized such that people received some information but were not aware that they could also contribute comments. There is no knowledge of future opportunities for public comment during the IFC/EBRD consultation period.