

**Third Fact Finding Mission**  
**Azerbaijan- Georgia -Turkey Pipeline Project**

**Azerbaijan Section**



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## **Executive Summary**

This report constitutes the findings of the third international fact-finding mission (FFM) to Azerbaijan on October 14-19<sup>th</sup> 2004, by five national and international non-governmental organisations (NGOs). The purpose of the mission was to investigate areas of environmental and social concern in relation to the Azerbaijan-Georgia-Turkey (AGT) pipeline project already identified by Centre for Civic Initiatives (Azerbaijan) and previous FFMs.

The FFM investigated several communities affected by the Azerbaijan-Georgia-Turkey (AGT) pipeline project, which consists of two pipelines laid into the same 58-meter corridor. The Baku-Tbilisi-Ceyhan (BTC) oil pipeline and the South Caucasus gas pipeline (SCP) run from an expanded terminal at Sangachal on the Caspian Sea in Azerbaijan, through Georgia to the Turkish port city of Ceyhan. The pipelines, owned by BP and other companies<sup>1</sup>, will bring oil from the Caspian Sea oilfields to Western markets. Construction of the pipeline project commenced in 2002 and is due to be completed by 2005.

The Mission visited one village near Baku (Umid village) and met with two villages in the Ucar district (Qarabork and Qaradagli village). The Mission also met with members of Zayam Village in Shemkir district, and Qirli village in Agstafa district. In addition, the Mission met a representative of the executive power (Local Government representative) of the Qaradagli village in Ucar district, and also met with the Chairman of the municipality at Zayam Village of Shemkir District. In Baku, the Mission met with BP representatives<sup>2</sup>, NGO representatives and members of the Monitoring Group for BTC at OSI, with Mr. Avaz Hasanov, Director of Society for Humanitarian Research, and editor-in-chief of the magazine “Human Rights in Azerbaijan”, and also met with the newspaper team “New Times”.

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<sup>1</sup> The BTC Company is led by BP, which, with a 34.76 per cent share, is also the operator of the project as a whole. Other shareholders in the BTC Company are the State Oil Company of the Azerbaijan Republic (SOCAR), Unocal, Statoil, Turkish Petroleum (TPAO), ENI, TotalFinaElf, Itochu and Delta Hess.

<sup>2</sup> 18th Oct 2004 Day 5, Baku Meeting with BP: Michael Hoffmann, RDI Manager, Khatira Iskender, Govt and Community Relations Manager, Oliver Broad, Risk Analyst

A more detailed report of current concerns regarding the pipeline project in Azerbaijan is available from DIUC (Demokratik İslahatlar Ugrunda Cemiyet/ Society for Democratic Reforms)<sup>3</sup>. The Mission investigated serious concerns that had been raised by affected peoples, experts and workers who have been employed on the pipeline, NGOs and the project's own monitoring reports regarding the project, particularly relating to land compensation and corruption. The Mission's remit was to investigate these concerns.

Unlike previous FFM trips to the region, the FFM was not subject to any known police surveillance, government intervention or intimidation. However, freedom of speech regarding the project was not widespread and many reports made to the FFM remained anonymous and, in some cases, confidential.

The FFM is concerned at the extent to which the project is being implemented in breach of agreed standards, particularly those relating to land acquisition. The Mission also heard a number of allegations of bribes being paid in order to receive land compensation for the AGT project. **The FFM recommends that an urgent independent investigation is made of all land expropriation by BTC.**

The Mission heard numerous cases of failure to compensate for ancillary damages caused by the project – such as damage to roads. **The Mission recommends that an independent survey of ancillary damages be carried out in all affected villages along the pipeline route and that damages be assessed and compensated.**

The Mission heard of a number of allegations of bribes being paid in order to obtain employment for the AGT project. **It recommends a full investigation is carried out into these cases and that BTC make public the figures on the number of affected villagers who are or have been employed on the pipeline and the districts from which they come.**

The Mission was informed that many AGT project employees, who work guarding the pipeline, work over 15 hours a day, 7 days a week (without any holidays). **This is contrary to Azerbaijan's Laws and the national Labour Code. The mission recommends the practice should be the subject of an immediate enquiry.**

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<sup>3</sup> Report entitled *Project on Monitoring Socio-Economic Impacts of BTC in Azerbaijan*, 1<sup>st</sup> August - October 2004.

The Mission is concerned about the ability of the press and affected communities to criticise the project. **The Mission recommends extreme caution in taking official positions relating to the project at face value.**

Concerns were raised with the Mission regarding corruption in the local and national courts and the ability of trials carried out to be independent. **The FFM believes that trials must meet the international fair trial standards.**

The Mission notes that the failures it has identified were, for the most part, predicted by previous Fact Finding Missions. It concludes that, in many cases, these failures could have been better mitigated had the project lenders been inclined to exercise a more critical view of the project. In particular, the Mission views the reluctance of the project lenders to consider the wider human rights and political context in which the project is being implemented as a major cause of its continuing failure to meet international best practice.

**The Mission recommends that, in future, the International Finance Corporation, the European Bank for Reconstruction and Development and the Export Credit Agencies screen projects for their human rights impacts, taking full account of the context in which projects will be implemented.**

**The Mission recommends that the project lenders take immediate steps to address the failures identified and urges the project developers to comply with the agreed, legally-binding project standards.**

## **The Fact Finding Mission and its Remit**

The Mission consisted of representatives from Centre for Civic Initiatives (Azerbaijan), CEE Bankwatch Network (Poland), Green Alternative (Georgia), Friends of the Earth (England, Wales & N. Ireland), Les Amis de la Terre (France). The Mission was the third undertaken in Azerbaijan by international non-governmental organisations since 2002.<sup>4</sup>

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<sup>4</sup> See, for example, [www.baku.org.uk](http://www.baku.org.uk)

The Mission's remit was to:

- Investigate complaints that compensation had been inadequate and that the promised benefits for affected communities have not been forthcoming;
- Investigate allegations of losses sustained because of construction for which no compensation has been paid;
- Investigate allegations of corruption in the employment of local workers on the pipeline;
- Investigate allegations of corruption in the application of community development schemes associated with the project;
- Investigate information about BTC and social investments and the environmental investments programs

Specific problems that were documented by the Fact-Finding Mission included:

- Access to Electricity

At virtually every village visited by the Mission, communities had very little access to electricity and no access to gas. As BTC's own 'independent' monitoring body (CDAP) notes, the dichotomy is neither healthy nor sustainable

- Centralized Control of the Project

Power is concentrated in the Presidents' office, and critical voices are marginalized.

- Government Influence over Freedom of Expression

There is continuous pressure exerted on people who have expressed views that are not in line with the official position of the government or the State Oil Company.

- Public Consultation

The majority of the villages visited by the mission claimed to have received no consultation and extremely limited access to documents.

- Human Rights

Azerbaijan's poor human rights record and the treatment of people protesting about their poor social conditions inhibit the ability of project affected people and others to voice concerns.

- Corruption in relation to Land Compensation and Employment.

The Mission met with several villagers who claimed that land compensation and jobs had only been given to people with a family connection in local authorities. The FFM met with approximately fifteen landowners who believe their documents have been falsified.

- Quality of Construction

Significant concerns regarding the safety of the pipeline have been raised by consultants and a British investigative journalist.

- Ancillary Damage

Ancillary damage includes damage to roads, noise and light pollution.

- Labour Rights

Azeri labour codes appear to have been breached in relation to working hours and conditions

- Community Investment Programmes

Many of the villages visited by the mission complained that they had seen no evidence of the Community Investment Programmes

- Regional Development Programme

The Mission is concerned with the appropriateness and level of expertise of BP in running such a programme.

The Mission visited one village near the Baku (Umid village) region and met with two villages in the Ucar district (Qarabork and Qaradagli village). The Mission also met with members of the Zayam Village in Shemkir district, and the Qirli village in Agstafa district. In addition, the Mission met a representative of executive power at Qarabork village of Ucar district and met with the Chairman of the municipality at Zayam Village of Shemkir District. In Baku, the Mission met with BP representatives<sup>5</sup>, NGO representatives and members of Monitoring Group for BTC at OSI, with Mr. Avaz Hasanov, Director of Society for Humanitarian Research, and editor-in-chief of the magazine “Human Rights in Azerbaijan”, and met also with the newspaper team “New Times”.

## **Background to the Project**

Construction on BP’s controversial Baku-Tbilisi-Ceyhan (BTC) oil pipeline is now well underway. The pipeline, which is being buried along its entire route, save surface facilities, will transfer up to 50 million

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<sup>5</sup> 18th Oct 2004 Day 5, Baku Meeting with BP: Michael Hoffmann, RDI Manager, Khatira Iskender, Govt and Community Relations Manager, Oliver Broad, Risk Analyst



tonnes of crude oil per annum (or one million barrels per day) from Sangachal on the Caspian Sea coast, via Azerbaijan, Georgia and Turkey, to the Mediterranean. All the oil transported through the pipeline will be exported to Western markets, despite major energy shortages for poorer people in the transit countries. The route chosen is more expensive than many other possible options for Caspian oil exports, and, like the project itself, is generally acknowledged to have been driven by political considerations, notably the desire by the USA and Europe to secure a non-Arabian source of oil.<sup>6</sup>

BP is the lead company in the BTC Consortium (BTC Co)<sup>7</sup> which will own and operate the pipeline. In Azerbaijan, the pipeline will stretch 442 kilometres, running from the Sangachal Terminal near to Baku on the coast of the Caspian Sea to the north west of the country, below Jandara Lake. An existing oil terminal at Yumurtalik is also being expanded in order to accommodate the tankers that will transport the crude oil for refining and sale in western markets.

Seventy per cent of the project's costs have been raised through debt financing, through both private banks and public development banks. In November 2003, financial support for the project was approved by the World Bank Group's International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD).<sup>8</sup> Export credit and insurance guarantees have also been approved by a number of Export Credit Agencies, including Britain's Export Credits Guarantee Department (ECGD), Germany's Hermes, Italy's Sace, France's Coface and the USA's Ex-Im Bank. Support has also come from 15 private banks, including ABN Amro, the Royal Bank of Scotland, Banca Intesa, Mizuho, Societe Generale and Citigroup.

Concern over the project's direct social, environmental and human rights impacts, in addition to its wider ramifications for poverty, regional economic development and democracy, has led to criticism from a range of non-governmental organisations, including Amnesty International and the World Wildlife Fund. In 2002,

<sup>6</sup> Export Guarantees Advisory Council (EGAC), 2004, 2nd Meeting, Minutes of Meeting held on 17 March 2004, [www.ecgd.gov.uk](http://www.ecgd.gov.uk): "Politics had dictated the route – the aim was to get the oil from the Caspian to the Mediterranean without going through the Black Sea, Iran, Armenia and certain areas of Georgia". For a discussion of the geopolitics behind the project, see: Platform et al., *Some Common Concerns*, [www.baku.org](http://www.baku.org).

<sup>7</sup> The BTC Company is led by BP, which, with a 30.1 per cent share, would be also the operator of the project as a whole. Other shareholders in the BTC Company are the State Oil Company of the Azerbaijan Republic (SOCAR), Unocal, Statoil, Turkish Petroleum (TPAO), ENI, TotalFinaElf, Itochu, Inpex, ConocoPhillips and Delta Hess.

<sup>8</sup> BP's chief executive, Lord Browne, stated in 1998 that the project would only be possible if the company, one of the most profitable in the world, was able to obtain "free public money" through the major international development banks. See: Corzine, R., "Wisdom of Baku pipeline queried", *Financial Times*, 4 November 1998, p.4.

an analysis of the Environmental and Social Impact Assessment (ESIA) for the Azerbaijan section of the pipeline by CEE Bankwatch Network concluded that the ESIA report “suffers from numerous conceptual and methodological inadequacies”<sup>9</sup>. The report found that the socio-economic benefits of the project had not been substantiated and that the Environmental Impact Assessment lacked additional mitigation measures for risky and sensitive locations. In sum: “ These findings show that the consultation and public participation process did not respect the provisions of the World Bank Group’s Environmental Assessment Policy, EBRD Public Information Policy, EBRD Environment Policy and Environmental Procedures, European Union Directive on Environmental Assessment, Aarhus Convention and the Espoo Convention, with which the ESIA claims to be in compliance.”

Post agreement of the loans from the international financial institutions, evidence of safeguard failure has emerged in relation to land acquisition, compensation, human rights and construction.

## **General Concerns**

### ***Centralized Control of the Project***

The AGT pipelines project, and oil development in general, is of key importance to the government of Azerbaijan. Power is concentrated in the Presidents’ office, and any critical voices (whether opposition parties, NGOs or journalists) are marginalized. Mayis Gulaliyev from Centre for Civic Initiatives (CCI), one of the few critical voices of the pipeline, said:

*“To be near Mayis is very dangerous. It is very difficult but I am not afraid. I am a philosopher fighting for truth and justice and this gives meaning to my life.”*

The AGT project appears to be under the centralized control of the national government, reinforced through regionally appointed officials. For example, during trips to Qaradagli and Zayam Villages, government officials reinforced the government’s position, dismissing the concerns of villagers

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<sup>9</sup> CEE Bankwatch Network, Dec 2002, *Quality Analysis of the ESIA Draft Report for the Baku-Tbilisi-Ceyhan Oil Pipeline: Azerbaijan Part* available at [www.bankwatch.org](http://www.bankwatch.org)

Due to the project's apparent centralised control, and of political power in general, serious debate about and scrutiny of oil developments is extremely difficult, as CEE Bankwatch's latest report on the consultations concludes<sup>10</sup>. **This leads the Mission to question how genuine and effective BP feels its consultation processes have been.**

The mission met with representatives of the NGOs conducting the monitoring process on the BTC pipeline, which was instigated through and coordinated by the Open Society Institute (OSI)/Azerbaijan according to a memorandum with BP. A representative of the monitoring group described various obstacles to conducting proper monitoring of the project:

- Important documentation is only available in English (only executive summaries are translated). A representative of the monitoring group said that groups have requested this information to be translated several times, but "*nothing has happened*".
- A representative of the monitoring group stated that BP's environmental and social commitments had been subcontracted through a chain of agreements with various subcontractors. This has inevitably led to a significant lowering of standards and responsibilities on ground level.
- The representative of the monitoring group for archaeological impacts of BTC expressed concerns that their research will be significantly hindered as they are not permitted access to investigate archaeological sites along the pipeline route.

### ***Government Influence over the Freedom of Expression***

On February 24, 2003 Ilham Aliyev and Heydar Aliyev<sup>11</sup> made a statement on national TV threatening opponents of the project. This statement was not an isolated one. There is continuous pressure on people who have expressed views that are not in line with the official position of the government or the State Oil Company. The Mission received information about NGOs that are being monitored by the Ministry of Internal Affairs in relation to statements they have made about the Baku-Tbilisi-Ceyhan oil pipeline. Mayis Gulaliyev from CCI said:

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<sup>10</sup> See Azerbaijan-Georgia-Turkey Pipeline Systems. An evaluation of the public disclosure and consultation process in Azerbaijan - [http://www.bankwatch.org/issues/oilclima/baku-ceyhan/downloads/agt\\_pipeline\\_systems\\_10-03.pdf](http://www.bankwatch.org/issues/oilclima/baku-ceyhan/downloads/agt_pipeline_systems_10-03.pdf)

<sup>11</sup> Ilham Aliyev was the First Vice-President of the State Oil Company of the Azerbaijan Republic, and son of the president of the Republic of Azerbaijan is Heydar Aliyev

*“From August of 2003 right up to the present time, the Ministry of Justice of Azerbaijan is shaking our organisation. They will try and close our organisation through the local courts, claiming we have activity with Armenian Organisations.”*

The Mission is concerned regarding the ability for independence of the 27 NGOs who have received grants from OSI according to a memorandum between OSI and BP and are working under pressure from BP to conduct a variety of monitoring on BTC pipeline. The FFM was unable to ascertain the findings or views of these groups due to a confidentiality agreement the coalition has signed with BP<sup>12</sup>. A report of the project is intended to be completed and made public in January 2005 after the discussion of these reports with BP officials.

The national mass media are subject to much government control and generally the media have not publicised any critical material regarding the pipeline. One national newspaper, ‘New Times’, claims that there is the threat of legal action for anyone willing to publish material criticising the BTC Project . The Editor in chief of the New Times, Shakir Gabiloglu, told the mission;

*“Last year our newspaper was taken to court and fined \$40,000 for several articles about villagers of Nardaran demonstrating against the government... It is very difficult for independent media to exist in Azerbaijan. An essential requirement for all newspapers is advertising – but the government does not allow us to do this (so papers are dependent on government funds). Independent media exists in Azerbaijan but for such mass media to exist financially we need financial support. Pro-government “self censorship” is being implemented to secure Government financing for media. In Azerbaijan the mass media is under pressure – this is connected to the local courts. The government can seek address of any critical material in local courts. The local courts will support the government because we don’t have any independent courts.”*

The Mission heard allegations from sources which chose to remain anonymous that the Space and ANS TV Stations, some newspapers, including Echo, Zercalo, Yeni Musavat, Azadliq, have received bribes from BP as an advertisement service. In these newspapers these services are very much more expensive for BP and

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<sup>12</sup> Memorandum of Understanding on NGO monitoring of the BTC pipeline in Azerbaijan available at <http://www.caspiandevlopmentandexport.com>

BTC than customary costs for such advertisements. These newspapers of course have not and do not publish any critical articles about BTC and BP.

The mission met with many affected villagers who had significant concerns regarding the project but who chose to remain anonymous due to concerns relating to potential intimidation by the authorities. The mission noted that the local communities that were visited exhibited distrust of the government and may be hesitant to openly express opinions contrary to or questioning the government. Against this background, it is difficult to see how BP can have carried out a full and open consultation process on the pipeline projects, where the state has publicised widely much of its support for oil developments, and where people are generally afraid to say anything which is counter to the position of the state in front of the authorities.

### ***Public Consultation***

In 2002, CEE Bankwatch Network's analysis of the Environmental and Social Impact Assessment for the Azerbaijan section of the pipeline concluded:

*"...from the ESIA document, from Chapters 7,9, 11, and the Public Consultation and Disclosure Plan (PCDP), it is obvious that the local population was provided with insufficient, imprecise and incorrect information about the project. The methodology and timing of the consultation process described in the PCDP and the length of attached questionnaires reveal that it was not possible to carry out the claimed number of interviews. In addition, the International Fact Finding Mission (IFFM 2002) received information from some of the affected communities which reveals diametrically opposite attitudes to those described in the ESIA document. At other locations, the IFFM found that NGOs and the project-affected populations were not informed about the ESIA and the consultation process."*

The majority of the villages the mission visited claimed not to have received any consultation and extremely limited access to documents. This issue has been raised by previous FFMs<sup>13</sup> and calls into question the legitimacy of BTC's consultations.

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<sup>13</sup> See [www.baku.org.uk](http://www.baku.org.uk)

## ***Human Rights***

Azerbaijan has been criticised by human rights organizations for its poor human rights record in areas such as employing arbitrary arrest and detention, especially of critics of the government, and for using torture and physical abuse against detainees. A previous FFM reported<sup>14</sup> how Ms Mirvari Gahramanli, co-chair and cofounder of the COIWRP independent oil workers' union, had told the FFM how she has been subject to repeated intimidation, and been arrested three times.

The European Union Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy<sup>15</sup> has voiced concerns to the Azeri authorities about the human rights situation and media freedom in the country. These have been echoed by BTC's own monitoring body, the Caspian Development Advisory Panel, (CDAP), who reported in December 2003<sup>16</sup>:

*“ the poor human right records of the host governments' security and military forces create a significant reputational risk for BP and BTC, in the event that the governments are unwilling or unable to operationalize the robust human rights protections that have been established in the Projects' legal framework.... In addition, the Panel recommends that BP and its Partners (i) create an independent ombudsman's office in each country for the Projects, which would be responsible, subject to local law, for hearing and investigating complaints about alleged human right violations related to the Projects, and (ii) establish a human rights coordinator or similar office that would serve as the Projects' liaison with all interested parties and report periodically on the results of the Projects' monitoring efforts”.*

At the time of writing, these recommendations have still not been implemented in Azerbaijan.

The poor human rights record of Azerbaijan and the treatment of people protesting about their poor social conditions inhibit the ability of project affected people and others to voice concerns. **The Mission recommends that an Independent Ombudsman's office and Human Rights Office is created in Azerbaijan.**

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<sup>14</sup> Azerbaijan FFM Report 2002, available at [www.baku.org](http://www.baku.org)

<sup>15</sup> Final A5-0052/2004 2 February 2004- 11-08 Report with a proposal for a European Parliament recommendation to the Council on EU policy towards the South Caucasus 2003/2225(INI))

<sup>16</sup> Caspian Development Advisory Panel Report, December 2003, p.40, [www.caspiandevelopmentandexport.com](http://www.caspiandevelopmentandexport.com)

### ***The Resource ‘Curse’***

CDAP reported in December 2003<sup>17</sup>, “...oil and gas wealth can be a development ‘curse’ if revenues are coupled with (i) weak or underdeveloped governance structures, (ii) a lack of transparency in government functions, (iii) underdeveloped civil societies, and (iv) broad economic needs. For such countries, energy wealth has the potential to inhibit rather than increase growth and development. Azerbaijan displays a number of the conditions that frequently are associated with the oil and gas ‘curse’, and Georgia faces similar risks. Indeed, in making the transition to market economies both countries share certain broader, related challenges in attaining the potential economic benefits from the BP-led Caspian Projects.”

Musa Agayev, founder of the newspaper New Times, said:

*“The income from the revenues don’t go to the nation, they just go to a small group of bastards who are the ‘political elite’, like to the minister of customs and the minister of transport. Their property is worth billions.”*

Mayis Gulaliyev from CCI said, *“When I ask many politicians and NGOs who support BTC how will BTC benefit the people of Azerbaijan, what are the figures, they can’t answer, as they don’t have the figures. When I ask them what will be the political benefits they don’t understand what this is. It is true that BP has influence on the political process not only in Azerbaijan but in the Caucasus generally. So many political parties in Azerbaijan, not just the government, want financial support from BP.”*

The political dimensions of the project and potential consequences are immense. Musa Agayev claims:

*“Exactly one year ago in the presidential election we lost trust in the west and their so called, democratic principles. This was because the west helped Ilham Aliyev to come to power with falsification of the votes. Unlike Georgia, where Europe is helping to build democracy, the west only looks to Azerbaijan as a source of oil. The west is missing the point – if they don’t take care to build democracy in Azerbaijan then they will have to face a radical form of Islam in Azerbaijan. It seems that BTC have got what they wanted to get here. If land compensation and employment issues are not carried out well by BTC Co, it doesn’t matter as there is no one in the media to report this. BP is threatening us with court cases and the local courts are all corrupt so*

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17 Caspian Development Advisory Panel Report, December 2003, p.40, [www.caspiandevlopmentandexport.com](http://www.caspiandevlopmentandexport.com)

*we cannot report. BP is behaving as if they are the rulers of the country and more powerful than the government or the people. BP is the face of the UK and represents the UK here. BP is influencing the political situation in Azerbaijan. This is the reason why the people are indifferent to the pipeline. When they signed the pipeline agreement ‘contract of Century’ of \$5 billion as a bonus, the BTC consortium said they would give the Azerbaijan Government money to build a hospital. Where is the hospital? There is no hospital.”*

### ***Land Compensation***

According to the project’s RAP (Resettlement Action Plan), compensation is paid for land-use during 2003-2005 on the 44 metre Construction Corridor and for restrictions in the 58 metre pipeline protection zone during operation. This compensation should cover:

- Seasonal crop damage for three growing seasons
- Trees and bushes/perennials damage (including consideration for time taken for new trees and bushes to reach maturity)
- Compensation for loss of use of pasture during the three growing seasons
- Forest area clearing
- Installations that are removed (e.g. irrigation systems, fencing, buildings etc)
- Any resettlement required
- Potential reductions to crop yields
- Compensation for access to the corridor over land and compensation for access and restrictions on use during operation to private landowners only.

The Mission observed that in the districts visited, villagers were unable due to pipeline construction to use lands within the 44 meter construction corridor; however compensation was not always received.

The Mission met with several villagers who claimed that land compensation had only been given to people with a family connection in the local authorities. Villagers informed the Mission that land maps had been falsified by the local authorities in order for officials to give land compensation to their relatives (see section below – Land Map Falsification).



Mayis Gulaliyev from CCI said, *“The compensation process was managed by executive powers and representatives of the government in the villages according to the RAP. In all such groups there are many people who had very good contact with BP officials who had responsibility for land compensation.”*

### ***Land Map Falsification***

In Zayam Village, Shamkir province villagers have accused the authorities of falsifying documents. The FFM met with approximately fifteen landowners who believe their documents have been falsified. Villagers claim that in 2002 the local authority demanded villagers hand in their land title documents to the authorities to be translated from Cyrillic to the Latin alphabet. When villagers had their documents returned, they found that their land title had been changed and was no longer on the pipeline (see appendix 1) An initial list of villagers who BP claim owned land that would be effected, and who in fact were not compensated finally, was obtained by the mission. The FFM met with the chairman of the Zayam Village municipality who confirmed that land ownership in the area had been altered. He claimed that this was due to an agreement made between the Councils of Zayam and Sabirkent municipalities in Shamkir district in remapping of the authority lands. However the chairman of the Zayam municipality claims that all landowners whose land would have been affected by the pipeline remained the same. However, the parcel certification scheme<sup>18</sup> confirms that landowners affected by the pipeline have been changed illegally.

**The Mission understands legal action is currently being pursued in relation to this case. These cases are currently under investigation by CCI and talks are being held with the relevant authorities.**

### ***Contracts Signed but No Compensation Paid***

The FFM met with one woman- landowner from Zayam Village who signed a memorandum with BTC for land expropriation, but has not received any compensation. They have not received any information as to why this is and are unaware of what action to now take. The CCI is currently investigating legal action around this case. CCI has collected more information on the landowners of Zayam village, including the

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<sup>18</sup> All landowners in Azerbaijan are registered with the national land certification scheme that maps ownership and size of land. In several district, certifications were collected by local authorities after the Memorandum for Understanding between landowners, BTC and local authorities was signed. It was after this collection that land ownership was changed, resulting in many people who signed the Memorandum not in fact receiving compensation for their land, and officially owning less land. They do not know where their land is now the maps have been changed.

maps before the signing of the Memorandum for Understanding and the map before the compensation process. On behalf of these landowners; CCI held several meetings with the chairman of Zayam municipality, the chairman of the Land Department of Shamkir district, the Head of Executive Power of Shamkir District and representatives from RAP. In these meetings, 41 cases were investigated. These landowners also raised their concerns with the Project Financiers, including the EBRD, the World Bank, and a range of governmental bodies in Azerbaijan<sup>19</sup>. Unfortunately, the landowners' grievances remain unaddressed.

### ***Municipality Land Compensation***

In all districts crossed by the pipeline, a lot of municipality land is occupied. Many of the municipalities however claim that compensation has not been paid. For example, Zayam municipality of Shamkir District, Girli municipality of Agstafa district. Mr. Niyaz Aslanov, on behalf of Girli municipality in the Agstafa district, registered a complaint against CCIC (a constructor of BTC pipeline). The municipality claims to have received \$1000 for 20 ha of land. According to the chairman of the municipality, this is inadequate. Furthermore, Aslanov claims that CCIC lorries are using municipality land for transportation without a municipality permit or compensation. Aslanov has also raised concerns that no information was distributed in the village about the pipeline, the land compensation process or the social investment program. In Shamkir District, the Chairman of the municipality of Zayam claims that the municipality received only \$281 for more than 7 ha of municipality land. The average compensation the Mission estimate to be \$15,000 per ha.

**The mission recommends that BTC issue details of all compensation paid to municipalities and for what land. This data should also clearly indicate who received the funds on behalf of the municipality, when it should be distributed, and by who. An independent audit should be carried out to cross reference these payments with claimed receipts by municipalities as well as an investigation into any associated corruption allegations.**

### ***Access to Electricity and gas***

At virtually every village the Mission visited, communities had very little access to electricity and no access to gas. As BTC's own 'independent' monitoring body, the Caspian Development Advisory Panel, (CDAP), noted in December 2004:

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<sup>19</sup> Including the former President and current President, the Ministry Internal Affairs, the Ombudsman, the Prosecute General, and Local Courts.

“...the potential incongruity of more than one million barrels of oil and an equally significant amount of natural gas passing every day through or near villages and towns along the pipeline corridor where some houses have no heat or electricity...such a dichotomy would be neither healthy nor sustainable over the long term.”<sup>20</sup>

The European Union Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy<sup>20</sup> has also noted: “Additional attention should be paid to ensure the possibility for the local population to benefit from the gains of implemented projects.” The mission met with an anonymous villager who said:

*“Across our village is a big gas pipeline but unfortunately we have no gas. We will only receive big damage. The pipeline goes across the village – it is 500 metres from the village. How can we live in this village if we don’t have gas and other energy.*

### **Employment & Labour Rights**

In Qirli village in Agstafa district the mission was informed that nobody from the village got a job on the pipeline – several persons applied but did not receive any response from BTC. Many claim bribes of a hundred dollars were paid to secure jobs. Qaradaqli village of Ujar and Zayam village of Shamkir also claimed that people were refused jobs due to bribes not being paid.

The FFM met with a worker outside Qarabork village who claimed to be working 15 hours a day, seven days a week. According to Azeri Labour codes, a normal working day should not exceed 8 hours (state code 89), and a normal working week no more than 40 hours (state code 89). According to the Code, it is illegal to demand employees to work longer hours than the stated code. State Code 9 stipulates maximum overtime of four hours per day and no more than 2 days per month (state code 100). In Umid village (near to Sangachal Terminal) community representatives said only a few people were employed on the pipeline. The mission also met with a BTC worker called Ramiz from just outside the village of Qarabork. The worker claimed he works from 5p.m – 7a.m every day without any holiday (30 days per month) earning \$100/ month. Workers

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are unable to demand additional salary for this work, but only for working hours defined under the Azerbaijan Labour Code (state 9).

The Mission spoke to two BTC pipeline security guards who all worked at least 15 hours a day, seven days a week without holidays. Not only does this breach Azerbaijan labour law as well as international labour rights, but it also places significant risk on the security of the projects.

**The mission recommend that an independent enquiry is carried out to investigate recruitment and associated concerns in Azerbaijan raised by the Oil Workers' Rights Protection Committee<sup>21</sup> regarding inconsistency of pay, lack of insurance, lack of trade unions, lack of health and safety and the exploitation of workers.**

### ***Concern Over Quality of Construction***

In December 2003, a month after the World Bank and the European Bank for Reconstruction and Development approved their financial support of the project (with the granting of \$250 million loans respectively), a report by the project funders' own consultants, Mott McDonald,<sup>22</sup> noted a range of failures in construction, including:

- Inadequacy in contractor staff numbers and training, particularly in environmental and social matters;
- Failure in auditing and self-auditing from both BTC Co. and its contractors;
- Insufficient resources on the part of contractors to complete environmental and social work;
- Inadequate treatment of waste water and discharges of effluent into irrigation and drinking water;
- Failure to undertake the requisite surveys and getting the necessary permits before starting work;
- Failures to meet or even report on Key Performance Indicators and non-implementation of policies, particularly on noise and other pollution.

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<sup>21</sup> See for example, Press Release: Oil Workers' Rights Protection Committee December 20, 2004, Baku city

<sup>22</sup> Mott MacDonald, BTC Project Lender Group, *BTC Pipeline Project: Pre-financial Close Environmental and Social Construction Monitoring, September-October 2003*, 17 December 2003, [www.caspiandevelopmentandexport.com](http://www.caspiandevelopmentandexport.com)

Significant concerns regarding the safety of the Pipeline through Azerbaijan and Georgia have also been raised in the British press<sup>23</sup>. The Sunday Times, and subsequently information presented to the UK's Trade & Industry Select Committee, noted that BP was aware of extensive cracking problems (of the pipeline coating) in Azerbaijan and Georgia in November 2003, though it failed to inform the project financiers as well as the Azerbaijan and Georgian authorities.

At Qarabork Village in Ucar district, the FFM met with a woman (who wished to remain anonymous) claiming the pipeline was buried too close to her house (at a distance of 20-21 metres). A worker for the pipeline (security guard), expressed his concern that for the security of the pipeline it should be clearly identified where the pipeline was buried. The FFM estimated the gas pipeline was 14-15 metres from her house. Her yard lies in the pipeline corridor (ie, the 58 metre zone). A guard working along the pipeline also estimated this distance. He said a wall should be built around the pipeline for security.

**The Mission recommends that this woman receives fair compensation for resettlement.**

### ***Ancillary Damage***

In many villages, CCIC lorries pass through village roads. Essential roads have been severely damaged due to this traffic. In some villages, heavy traffic has resulted in damage to property such as cracked walls. Girag Kesemen of Agstafa district sent complaints to BTC Co and CCIC regarding ancillary damages but has not yet received any response.

Nazir Ibrahimov, also from Agstafa, said:

*“Since the beginning of the construction the pipes have been carried by very heavy lorries across this village. The route through the village is narrow and lorries go close to our homes. In many cases lorries travel 1-5 metres from our buildings. Some of these lorries are very heavy, more than 60-70 tons! This traffic has seriously damaged our homes and our buildings. Many walls have been cracked. At the moment our buildings are in a dangerous situation! They could be destroyed at any time! We've raised our concerns with BP and CCIC several times. Last month, two representatives from CCIC came to the village to see the*

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<sup>23</sup> Sunday Times, 15<sup>th</sup> February 2004. An extended article by the Sunday Times Journalist Michael Gillard on his findings is available on the Baku-Ceyhan Campaign's website at [www.baku.org.uk](http://www.baku.org.uk)

*damage. After our complaints they gave seven people (out of the twenty one complainants) less than \$900 for the damage. We sent a complaint to the General Prosecution of Azerbaijan, for the fourteen people who didn't receive compensation, when he was in our village. The General Prosecution promised us he would resolve this problem. Unfortunately, after he left, we didn't hear from him again..*

These complainants have unsuccessfully applied to BP on ten occasions and to CCIC on 24 occasions.

Isayev Alikram, a member of the community council of Qaradachl village of Ujar district, said:

*“They worked in BTC across the village and destroyed our roads and promised to repair our roads. They haven't done anything. We don't know with whom they have agreed this before this construction but after changing of the representative of executive power in this village he demands from BTC officials to spend money to repair road. Every day including today he talked about this problem. Even we sent official letters on behalf of the community to BTC. But they still haven't answered us. They haven't replied officially.*

One of the local residents of Qaradagli village said, *“Twenty to thirty BTC lorries a day come through the village. In this village many people are without job. Nobody has a job except the teachers, everybody is without work. Many people applied for jobs with BTC as lorry drivers, etc.”*

**The mission recommends a thorough investigation into all roads used by the pipeline, the damage this has caused and appropriate rehabilitation measures.**

### ***Community Investment Programmes (CIP)***

BP has agreed to the following obligations as part of its CIP:

- To develop social and business opportunities in the territories where BTC and SCGP pipelines are passing;
- To support the availability of social infrastructure for communities;
- To support the dissemination of information about health and sanitary issues in districts;
- To support the development of rural culture in the districts

Many of the villages the mission visited complained that they had seen no evidence of the Community Investment Programmes (CIP). The FFM met with approximately twenty residents of the Umid village, near Sangachal, who all claim they have received no benefit from the pipeline and nothing has changed in terms of improving conditions for poorer villagers.

Yet Umid village has been held up as an example of the success of the CDP by BP and the Azerbaijan government. Agasi Babayev, an inhabitant of Umid village, said they have no school in the village. Quliyeva Sudaba from the same village said:

*“We don’t have a good road. We don’t have proper drainage. Everybody who lives here is like this. The pipeline has led to no improvements. These are old buildings from the Soviet era. Nobody cares about us – nobody comes here. Next to Sangachal Terminal a special place was built for celebration. We don’t want a restaurant in the village – we want important things like a road. They said for this village the company gave money but we didn’t see this investment. Nobody from the government or the companies have been here. We don’t know how to continue our life without help from the government. BP promised to build a new school and they didn’t. The school is one kilometre from here.”*

Other villagers commented: *“This village is near the sea and there is a problem of rising underground water. There is no drainage system. We have been living here about 9 years and the houses are getting wet.”*

The FFM met with the villagers of Zayam who were unaware of any CDP. The mayor of this village claims the municipality has not received any money for the CDP. At a meeting in Qaradagli village, in Uchar district, the representative of executive power in this village, Musa Hajayev, said, *“In our village two projects have already been carried out.. The first project is for a sewage pipe, the second is for repairing the hospital. The third is for the village road. 20 million mantas (about \$4,000) have been spent on that sewage system and 15 million mantas (about \$3,000) on the public hospital. Our community spent 25% of the total costs for these projects. They are going to prepare electricity for the kindergarten. We think this project will continue for 3-4 months (by International Rescue Committee). They are carrying out several meetings for capacity building especially in agriculture and medicine.”*

However, when the FFM asked if anyone from the village had been employed by the schemes, Musa Hajayev said, *“No, nobody. They have a council for decision on subcontracts. In the council are nine people. All members of the council are from this village. Representatives of the municipality and council have not been selected. This was not a democratic process.”*

But Imanov Eldar, a former representative of executive power of Ujar district in Qaradagli village, said this was incorrect. Repairs to the hospital were carried out by another organisation, and were not part of the CDP. Local people have no information about this organisation. According to confirmation from Mr. Imanov, a former member of the community council in the village, the council identified essential problems for the CDP to address: *“We were interested who prepared this hospital. CDP said it is our work – they didn’t tell us about this project. At the moment we have complained about their activity as we have council where we demand they have agreement with us when a project is carried out in this village. International Rescue Committee has responsibility for the implementation of CDP and have the right to evaluate these projects in our village.”*

## **Glossary**

AGT	Azerbaijan-Georgia-Turkey Pipeline
BTC	Baku-Tblisi-Ceyhan Oil Pipeline
CCI	The Centre for Civic Initiatives
CCIC	Consolidated Contractors International Company
FFM	Fact Finding Mission
NGO	Non Governmental Organisation
OSI	Open Society Institute
RAP	Resettlement Action Plan
SCP	South Caucasus Gas Pipeline

## **Appendix 1: Falsified Documents**