

**International Fact Finding Mission  
Preliminary Report**

**Azerbaijan, Georgia, Turkey  
Pipelines project**

**Georgian Section**

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<b>Contents</b>	<b>Page</b>
<b>Executive Summary</b>	<b>4</b>
<b>1. Introduction</b>	<b>6</b>
<b>2. General Concerns</b>	<b>8</b>
<b>2.1 The institutional framework for the AGT project</b>	<b>8</b>
<b>2.2 Ethnic minorities living in the country and affected by the project</b>	<b>10</b>
<b>3. Region Already Affected By The Baku-Supsa Oil Pipeline Project ("Eastern Georgia")</b>	<b>12</b>
<b>3.1 Information received about the project by project-affected communities</b>	<b>13</b>
<b>3.2 Socio-economic survey</b>	<b>14</b>
<b>3.3 Social development issues</b>	<b>15</b>
<b>3.4 Local employment</b>	<b>15</b>
<b>3.5 Compensation</b>	<b>16</b>
<b>3.6 Safety concerns</b>	<b>16</b>
<b>4. Project-affected Area West Of T'bilisi As Far As The Turkish Border ("Central and Western Georgia")</b>	<b>17</b>
<b>4.1 Information received about the project by project-affected communities</b>	<b>18</b>
<b>4.2 Availability of official documents</b>	<b>20</b>
<b>4.3 Socio-economic survey</b>	<b>23</b>
<b>4.4 Social development issues</b>	<b>24</b>
<b>4.5 Local employment issues</b>	<b>25</b>
<b>4.6 Compensation</b>	<b>27</b>
<b>4.7 Safety concerns</b>	<b>29</b>
<b>4.8 Environmental impacts on the Borjomi-Kharagauli Natural Park and the Borjomi mineral water springs</b>	<b>29</b>
<b>5 Conclusions</b>	<b>32</b>

## Executive Summary

An international and independent Fact-Finding Mission (FFM) consisting of 7 people representing 6 national and international non-governmental organizations (NGOs) visited Georgia from June 10-13, 2002. The purpose of the mission was to survey villages that will be affected by the **Azerbaijan-Georgia-Turkey (AGT)** pipelines project which consists of two pipelines laid into the same 44-meter-wide corridor: the **Baku-T'bilisi-Ceyhan oil pipeline (BTC)** and the **South Caucasus gas Pipeline (SCP)** from an expanded terminal at Sangachal on the Caspian Sea in Azerbaijan, through Georgia to the Georgian-Turkish border.

According to BP and other project sponsors, the two projects are different and separate Environmental and Social Impact Assessment (ESIA) studies exist for the two of them. The Fact-Finding Mission considers the two pipelines in Georgia as one single project named AGT. The Mission carried out its survey in the context of information and data contained in the ESIA studies produced by project sponsors for the AGT project and aimed to assess the direct and indirect social and environmental impacts of the project in Georgia.

The mission detected problems with the project at a general institutional level, as well as specific local impact concerns. Local attitudes toward the project differed significantly between the eastern section of the pipelines route, where communities have been recently impacted by the Baku-Supsa oil pipelines (built 1997 to 1999), and central and western section of the route, where communities have not yet experienced an international oil project.

In general, the institutional framework of the project, agreed between the central government and project sponsors, is unclear for district and local administrations. Crucial documents such as the Host Government Agreements have not in practice been made publicly accessible. This confused situation is generating conflicts between and within jurisdictions, and is weakening project-affected communities' already low level of trust in the central government's project management. At the local level, the lack of capacity and power of local administrations to act within the project framework is reducing local communities' trust of these officials and undermining these officials' authority. The short time frame allocated for public consultation has been further compromised by its timing during local elections, and by clear failures to provide necessary documentation on the project to affected communities.

In the Baku-Supsa region, project-affected communities clearly communicated negative experience with the Baku-Supsa oil pipeline project. Local communities complained about roads that were damaged and left in disrepair, and a cavalier attitude by the companies to other damage such as broken water pipes. Promised jobs did not materialize, and communities saw no benefit from community investment programs. Communities also have no change in their energy situation, with most villages lacking any gas supply. Villages in this region expressed a clear scepticism toward the new AGT project.

Based on these outstanding concerns and the disappointing socio-economic situation, the FFM concludes that the baseline survey and ESIA are missing important and widespread negative attitudes. Outstanding community concerns should be satisfactorily addressed before further pursuing pipeline construction.

In the central and western section of the proposed route, the FFM discovered that project-affected people have received little detailed information from the government and project sponsors, and generally lack enough information to make a considered opinion about the project. Many affected people are not even sure of the exact pipelines route, nor have landowners and users been provided with clear information about compensation. Figures on expected employment opportunities are vague, feeding rumours and false expectations.

The FFM also concluded that the companies' baseline survey of the Borjomi district is wholly inadequate and must be conducted fully before the project proceeds further. Project sponsors seem to have dismissed impacts of an oil pipeline operation to the tourist potential of the Borjomi natural areas and to the spring water industry, posing serious threats to one of the few areas of medium-term economic potential for the country. It is clear that the baseline for a "no net loss" judgement does not exist at present.

The AGT project is clearly extremely sensitive regionally, nationally, and internationally. Failure to adequately survey local sentiments and address concerns could create a situation of further instability in a country that has already suffered political, social, and economic upheaval. It is therefore imperative that the project be accompanied by a more thorough, systematic, and detailed survey and ESIA than is currently available.

## 1. Introduction

An international and independent Fact-Finding Mission (FFM) consisting of 7 people representing 6 national and international non-governmental organizations (NGOs) visited Georgia from June 10-13, 2002. The purpose of the mission was to survey villages that will be affected by the Azerbaijan-Georgia-Turkey (AGT) pipelines project according to the definition<sup>1</sup> given by project sponsors<sup>2</sup>. The **Azerbaijan-Georgia-Turkey (AGT)** pipelines project consists of two pipelines laid into the same 44-meter-wide corridor: the **Baku-T'bilisi-Ceyhan oil pipeline (BTC)** and the **South Caucasus gas Pipeline (SCP)** from an expanded terminal at Sangachal on the Caspian Sea in Azerbaijan, through Georgia to the Georgian-Turkish border.

The Mission aimed to assess the direct and indirect social and environmental impacts of the project in Georgia and carried out its survey in the context of information and data, such as pipeline routing, and impacted communities, contained in the ESIA studies produced by project sponsors for the AGT project. .

The pipelines route follows the corridor of the Western Route Export Pipeline, better known as the Baku-Supsa oil pipeline<sup>3</sup>, for about 20 km in the part of Georgia southeast of T'bilisi. The FFM has registered a significantly different attitude towards the AGT project between people who live in this region and other AGT project-affected communities living in the rest of the country. In particular, people who experienced the construction and operation of the Baku-Supsa project have clearly expressed their scepticism about the possibility of receiving benefits from the new AGT project. This is because their expectations and the government's and companies' promises about the Baku-Supsa related socio-economic development for local affected communities have not been met.

- **The experience of Baku-Supsa has generally been defined as negative by those interviewed by the FFM, and project-affected people in this region are**

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<sup>1</sup> "Pipeline affected communities are defined as those that are locate within (or partly encroach into) a 2km corridor either side of the route, or are within 5km of a potential worker camp or pipe yard. These communities are likely to experience and be affected by the activities of construction, operation and decommissioning of the pipeline." Executive Summary, BTC project ESIA, Georgia, Draft for Disclosure, page 35.

<sup>2</sup> The BTC Owners are led by BP, which will be also the operator of the project. They will form the BTC Pipeline Company in the next weeks. Other BTC Owners are the State Oil Company of the Azerbaijan Republic (SOCAR), Unocal, Statoil, TPAO, Itochu, Ramco, Delta Hess, ENI and TotalElfina. The SCP Owners include BP, which is leading the project design phase, Statoil, TPAO, Luk-Agip NV, TotalElfina, OIEC and SOCAR. The operator of the gas pipeline still has to be selected.

<sup>3</sup> The Baku-Supsa oil pipeline has been built from 1997 to 1999 and inaugurated on 17th April 1999. It connects the Caspian Sea and the Black Sea and transport crude oil from Azeri offshore fields to tankers which will ship it through the Bosphorous Straits to the Mediterranean Sea and western markets. It was built by the Azerbaijan International Operating Company (a consortium consisting of BP, Unocal, SOCAR, Lukoil, Statoil, ExxonMobil, TPAO, Pennzoil, Itochu and Delta Hess – these members being very similar to those of the consortium building the BTC pipeline), in co-operation with the Georgian International Operating Company.

**suspicious about the benefits that the new AGT project is claimed to bring to local communities.**

This report will highlight the FFM's findings in the area along the existing Baku-Supsa oil pipeline separately from the rest of the AGT project-affected area.

### **The Georgian administrative system**

Georgia consists of 7 regions, each of which has a representative directly appointed by the President of the Republic.

Each region includes several districts. These have a District (sometimes called a "Regional") Administration that consists of a District Executive Office headed by a representative of the President (District Chief in this report) and the District Council, which is elected. Council members elect the Chairman of the Council.

Each district includes several local municipalities (villages or towns), which have at the local level the same structure of the district- a Local Executive Office headed by a representative of the President of the Republic (Mayor in this report), and a Local Council which is elected and has its own Chairman.

The latest administrative election in June 2002 was extended for the first time to the Executive Office at the district and local levels. The appointment of the elected District Chief and Mayors must still be approved by the President of the Republic.

Two regions (Kvemo Kartli and Samtskhe-Javakheti) and seven districts (Rustavi, Tetri Tskaro, Tsalka, Borjomi, Akhaltsikhe, and Adigeni) are impacted by the AGT project. The FFM visited all the project-affected districts, except for the Adigeni district (which is impacted a shorter distance than other districts).

## **2. General Concerns**

### **2.1 The institutional framework for the AGT project**

The FFM visited several district and local administrations in order to understand the institutional framework for project implementation and monitoring in Georgia.

As reported to the FFM by district administrations, under the Host Government Agreements (HGAs),<sup>4</sup> the State holds all responsibility for social protection and development. Normally, regional development plans are prepared by district administrations each year and approved by the central government. It is still unclear whether AGT project-related issues will be included in this year's annual regional development plans or whether an additional separate plan will have to be prepared.

The district administration has the role of supporting the development of the AGT project as planned and must provide the necessary coordination services for construction works. Specific construction and auxiliary services will be paid directly by the companies to the contractors. In addition, the economic department of the district administration is in charge of assessing the overall impact of the AGT project on infrastructure within the district territory. This assessment will be sent by each district administration to the economic ministry. Although the district is tasked with these duties, it will not receive any extra-budgetary supplement. Since the project is deemed a national priority, budget supplements can only be provided at the national level, not locally. As a result, its capacity is likely to be limited.

For the purpose of coordination and providing information about the project, a Regional Commission has also been set up in the eastern region of the two affected regions. The Commission is chaired by the first deputy head of the region and includes the chiefs of those districts that are affected by the AGT project.

An agreement still has to be signed between the State and project sponsors regarding companies' financial commitment to the regional development plans, including reparation procedures in cases of damage to private and state properties during construction and operation works. It is still unclear which level of the administration will be in charge of negotiating directly with companies on this issue. District administrations would like to have this power, but they fear that ultimately this power will belong to the central government, as with tax collection and other economic issues.

The regional development plan will include no budget for land compensation. Under the HGA, State authorities will settle with, or pay compensation to, users of state land, while companies are responsible for compensating all landowners and users of private land. For both state and private land, state authorities are responsible and liable for identifying

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<sup>4</sup> Host Government Agreements are contracts signed between the companies and the government of Georgia which define the legal framework of each of the two projects and the obligations of both parties. The BTC HGA was ratified by the Georgian Parliament on May 31, 2000



landowners and land-users.<sup>5</sup> Once landowners are identified by the government, foreign companies are dealing directly with individual landowners thus reducing any possibility for local administrations to play a mediation role in disputes that arise. Apparently, only the District Chief is in charge of mediating between companies and local communities on disputes regarding land acquisition and compensation. Finally, project-affected communities do not know whether companies will pay compensation directly to affected landowners or if they will first transfer the money to district or local administrations who will then compensate affected people. Local populations fear that officials will keep part of the payments through bribes, which is not uncommon in Georgia.

Based on the project's institutional framework agreed between the central government and companies, at this point, the companies have mainly informed only *district* administrations and the central government. In some cases, district administrations have passed some information to *local* administrations and local elected councils. This raises a strong concern among local elected officials, who feel completely excluded by the decision making process. Only in the town of Vale did project sponsors seem to cooperate directly and actively with the local administration.

Local mayors interviewed by the FFM expressed their preference for local development plans to be defined mainly at the local level and implemented by local administrations. For example, as regards road rehabilitation, which has been promised by companies to local communities in some cases, local administrations would prefer to directly receive financing from companies and implement the work without interference from upper administrations. They expressed the need to have *local* contractors involved in project operations during the project's entire lifetime.

The FFM got a clear impression that local administrations have little trust in the management of district and central administration, since most of their officials are not democratically elected, but rather are appointed by the President of the Republic, and therefore are fully loyal to central government positions and decisions.

Because of the dearth of detailed project information provided to local administrations to date, the FFM was well received by local elected councils and mayors and was asked for detailed information regarding project construction and operation. In many cases, local mayors reported to the FFM that they feel powerless and unable to help when local communities request information about land compensations and detailed project information from them, because they have never received this information. Some even feel undermined, as local landowners accused the mayors of deceiving them by claiming not to know about the project.

Because different tiers of government have responsibility for different aspects of the project implementation, communities are unclear about whom to deal with.

- **The institutional framework of the project, agreed between the central government and project sponsors, remains unclear for district and local**

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<sup>5</sup> In the case of the BTC HGA, Articles 4.1 and 7.2.vii

**administrations. This is because the HGAs, which define this framework, and ensuing government decisions have, in practice, not been made public at all administrative levels. This confused situation is generating conflicts between and within jurisdictions, and is weakening project-affected communities' already low level of trust in the central government's project management. At the local level, the lack of information, capacity, and power of local administrations to act within the project framework is reducing local communities' trust of these officials.**

On March 28<sup>th</sup> 2002, the decision was made to set the country's local elections for June 2<sup>nd</sup>, well in advance of the publication of the ESIA's by BP in Georgia. Therefore BP should have been aware of the election process and of how this could affect the project consultation process scheduled for June in a politically unstable country like Georgia. Local officials explained that it usually takes a few weeks before those elected can effectively assume their position and renew administrative functions. In many villages visited by the FFM, local government officials were waiting for election results before informing citizens about project issues, since their future role was unclear and their authority was not yet re-established.

- **The FFM noted that the election process has dramatically reduced the time and capacity of local administrations to play an active and effective role in distributing project documentation to local communities in advance of the consultation process, which would have helped people adequately prepare for the local consultations that began in mid June. Some of the two-month consultation period was lost due to the local administrations being out of action, a critical problem given the tight deadlines for the consultation.**

## **2.2 Ethnic minorities living in the country and affected by the project**

The FFM visited several project-affected villages and towns where different ethnic groups live (eg. Azeris, Russians, Greeks, Armenians, Ukrainians, Ossetians). These groups constitute the majority of the population in some of the villages located in project-affected areas.

The FFM noted that some of these ethnic minorities do not consider themselves Georgian even though they have been living in the country for long periods of time. This is the case with some of the Greek minorities who recently decided to migrate back to Greece because of the economic crises in Georgia. Some of these minorities cannot speak Georgian, the national language, and cannot speak Russian very well, as was the case with several Armenian and Azeri villages visited by the FFM. In addition to language differences there are also religious divisions. Armenians for example are Catholic, not Orthodox Christian (Gregorians) as is much of Georgia, and they still maintain their strong Catholic identity. Tensions existing between the Turks and the Armenians in the proximity of the Georgia-Turkey border – which are confirmed in the project ESIA

documents<sup>6</sup> - confirm the strong ethnic character of the Armenian communities living in the AGT project-affected areas.

These minorities have relocated to this part of Georgia for several reasons (migrations, internal conflicts, conflicts in neighbouring countries). In this regard, it should be noted that in two project-affected districts, the FFM encountered a high presence of internally displaced people (IDPs) uprooted by existing conflicts within the country or ecological disasters that have occurred in Georgia. For example, the Tsalka district hosts IDPs from Svaneti, Adjara and Mestia in the northeast of Georgia; the Borjomi district hosts IDPs from Abkhazia.

It should be noted that until now the presence of IDPs or migrated people has not produced any specific internal conflicts in Georgia. However, the FFM noted that competition between different groups for the limited benefits expected from the project could deteriorate their peaceful relations and lead to internal conflicts in the future. For instance, in some cases local elected councils represent only one ethnic minority and there are fears that they could allocate the limited benefits available from the project (eg. jobs) to citizens only or mainly of their same ethnicity.

- **The FFM contends that several ethnic groups living in the AGT project-affected area might be regarded as ethnic minorities according to the definition of the World Bank guidelines.<sup>7</sup>**

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<sup>6</sup> “*In the proximity of the Turkish border, and particularly within Armenian communities, there is also anecdotal evidence that tensions exist between the Turks and the Armenians, probably for historical reasons*”, Socio-Economic Baseline, Chapter 9, ESIA, BTC Project, p. 11

<sup>7</sup> According to World Bank Operational Directive 4.20 on Indigenous Peoples, Indigenous peoples can be identified in particular geographical areas by the presence in varying degrees of the following characteristics: (a) a close attachment to ancestral territories and to the natural resources in these areas; (b) self-identification and identification by others as members of a distinct cultural group; (c) an indigenous language, often different from the national language; (d) presence of customary social and political institutions; and (e) primarily subsistence-oriented production.

### **3. Region Already Affected By The Baku-Supsa Oil Pipeline Project (“Eastern Georgia”)**

*“Everywhere we work our business must enable economic advantage and the improvement of living conditions of all people on whom our business has an effect”* – from BP corporate policy (quote opening the supplement “Energy Corridor” to the newspaper "Mitsis Mesakutre", May 2002, produced and distributed by BP to local affected communities in Georgia).

The FFM surveyed four project-affected villages (Kesalo, Nazarlo, Akhali Samgori, Agtagla) located east of T’bilisi that have been already impacted by the construction and operation of the Baku-Supsa oil pipeline, opened just three years ago.

These villages had heard that social funds had been established for the Baku-Supsa project, but they did not receive any benefit from them. In particular, despite communities being very energy poor, and consistently saying they wanted gas connections, they received no energy supplies from the Baku-Supsa oil pipeline or the other gas pipelines passing through.

In three of the four villages, local roads were badly damaged by trucks carrying equipment and materials for Baku-Supsa construction works, but in none of these was the damage repaired. In one case, BP promised to rehabilitate the road, but never kept its promise. The FFM witnessed roads that were rife with deep potholes and large crevasses that bisected the roads.

In another case, BP also damaged a drinking water pipe in the village, but the local community had to repair it on its own without any compensation from the company. Furthermore, when an irrigation pipe close to the pumping station (which is located in close proximity to the village) broke and flooded the whole area, BP engineers refused to help villagers fix the pipe. On this second occasion, the breakage was not BP’s fault, but impacted the pumping station and BP could easily have fixed it with equipment it had on site. The villagers felt it was unreasonable of BP to refuse to do so.

Communities living close to a pumping station also complained about not receiving any compensation from the government, such as subsidies for electricity and water supplies, for the permanent impact of noise coming from the pump engines, which is particularly problematic at night.

Foreign companies employed few locals for the construction of the Baku-Supsa pipeline (generally two or three per village). During one interview, villagers reported that local people were employed without any contract and received very low salaries. Local workers were so displeased with the attitude of foreign companies towards them that they said they would not like to live that experience again.

As regards land compensation, affected people were consulted and received some “land for land” compensation from the State. But in many cases the land they received was less

fertile than the land they were previously farming. In some cases people are still waiting for compensation and have sued to get the land. In 1996, land reform in Georgia privatised part of the land. Most project-affected people owned their land and therefore they expected to negotiate the price of the land directly with the State and/or the companies. As reported to the FFM, differing prices were paid for harvest compensation, thus creating conflicts within local communities.

- **Project-affected communities told the FFM that they have not benefited from the Baku-Supsa oil pipeline project – a view that was drastically understated in the socio-economic survey commissioned by project sponsors for the ESIA<sup>8</sup>. The FFM realized that the Baku-Supsa oil pipeline has not brought economic advantage and improved living conditions to local communities, contrary to the stated policy of BP and other project sponsors. Therefore, local communities to be affected again by the AGT project wonder why this time they should believe the government's and companies' promises.**

### **3.1 Information received about the project by project-affected communities**

Project-affected people are not aware of the start date of AGT project construction works. Even those who signed up for possible construction work have not been told when that work might begin. They have only a rough idea about the AGT corridor route, even though they assume that it will be laid close to the corridor of the existing Baku-Supsa oil pipeline.

It appeared that two of the four villages surveyed by the FFM had not received any consultation, nor any information about the project. The villagers only knew about the project what they had heard from television, newspapers or radio. At least one of the villages had also not been consulted for the Baku-Supsa project. In at least one village, even landowners whose land the pipelines would cross had not yet been informed (or approached at all) by the companies.

In only one of the four project-affected villages surveyed by the FFM had the non-technical executive summary of the ESIA<sup>9</sup> been distributed to local population through the local elected administration. In this case, the documents were handed out together with a feedback form for comments from individuals, which could be filled in and posted in a collecting box in the administration office.

Again, only in one village did project-affected communities seemed to have been informed about the project consultation meetings organised by project sponsors in June. Even in this case, no specific information about the organisation of such meetings had been provided.

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<sup>8</sup> “The concern in Gardabani... reflected general anxiety following poor experience during the WREP project”. Executive Summary ESIA for the BTC project, page 37.

<sup>9</sup> The ESIA summary is a 28 page document with some basic factual information, but lacking an objective, candid discussion of risks and trade-offs.

- **It appears there has been little attention paid to informing the communities which have already been affected by the Baku-Supsa oil pipeline. In many cases these communities have strong resentment against project companies and the government since their promises to the local population were not met during the implementation of the Baku-Supsa project.**

### **3.2 Socio-economic survey**

Project sponsors surveyed only two of the four villages prior to project implementation to record socio-economic conditions of local communities, and to hear communities' opinions and expectations about the AGT project.

In those two villages, interviewers asked project-affected people several questions included in a questionnaire. In one village (inhabited by ethnic Azeris), questionnaires were available only in Russian – although some of those surveyed did not speak Russian.<sup>10</sup> The FFM has been told that only few questions in the questionnaire dealt with development and job expectations of local communities. People were mainly only asked about their opinion on the project.

Interviewers did not introduce themselves, and villagers generally did not know whom they represented, other than that they were involved in the pipelines. When they spoke to the FFM, villagers referred to them simply as from “a company”. In most of the cases, interviewers filled in the questionnaires on their own while asking questions. Companies gave no notice to villagers about their visit so that in many cases interviewers either went door-to-door around the village to look for people to interview, or interviewed people in the street. The FFM was told that in one village the questionnaires were filled in with a pencil by the interviewer, who erased and changed things after she had written them. Interviewees were not given the opportunity to check that their responses had been recorded correctly. At the end of the interview no copy of the filled-in questionnaire was left with people interviewed. Nor was a blank copy of the questionnaire filed with the local administration office.

People living in the area complained to the FFM about very high unemployment and low incomes. Average salaries and pensions are still very low in Georgia. In one village, the elected mayor complained that the average monthly salary figure of 113\$/month provided in the ESIA executive summary is too high.

- **The survey of socio-economic conditions of people already affected by a pipeline project which was carried out by the project sponsor seems to be only a partial and inadequate survey and done in an ad-hoc way.**

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<sup>10</sup> The main language spoken in Georgia is Georgian, which uses a different alphabet from Cyrillic.

### 3.3 Social development issues

Project-affected people believe that they will not benefit at a local level from transit fees that the Georgian government will receive from project sponsors. They fear that since the management of social programmes will be centralised at a national level, programme expenditures will not be decided and implemented by each community at a local level.

What project-affected people, in general, most want from the AGT project is gas supply, although expectations of actually receiving energy are low. Today villages in this region receive little electricity and no gas supply at all, even though in several cases they have local distribution networks in place. The lack of gas supply forces local people to buy expensive liquid gas. Villagers believe that it should be a priority of the State to supply project-affected villages with some of the gas that will flow through the South Caucasus gas pipeline.

Other requests by affected communities include new medical clinics and the renovation of roads that were damaged during the construction works of Baku-Supsa and never repaired by companies. In one case villagers made clear to the FFM that if companies do not proceed soon with road renovation, they will organise protests with the aim of blocking trucks involved in the AGT project construction works.

- **In some cases the FFM registered a strong resentment against companies and the government concerning expectations of gas supply and repair of roads damaged during Baku-Supsa construction works. There is a serious risk that local communities could take action against the companies during AGT project implementation if they do not get proof of a commitment on these two issues before the construction work begins.**

### 3.4 Local employment

Most of the interviewees think that companies will bring many of their own workers – especially skilled ones - to build the AGT project, and will not hire local workers, even temporarily. Their attitude is based on the negative experience of the construction of Baku-Supsa, when apparently few local workers were employed by foreign companies.

Only in one of the villages surveyed by the FFM did villagers report that company recruiters had registered local people. They reported paying one lari to access this service<sup>11</sup>, even though no clear information has been given to them about the recruitment process and its timing.

- **The poor experience of Baku-Supsa has created a wide disillusionment about the benefits that local communities will get from the AGT project, in particular as concerns employment opportunities. In none of the four villages**

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<sup>11</sup> The average pension in Georgia is about 14 lari a month

**surveyed by the FFM did anyone interviewed believe there had been *any* local benefit from Baku-Supsa.**

### **3.5 Compensation**

People whose land will be impacted by the project expect compensation, yet they have received very little information about the compensation process to date. They have been told by companies that they will be able to use their land after construction works are over. They will just be precluded from some activities, such as cultivating deep-rooted crops, in the corridor area. However, project-affected people have not yet been formally contacted by companies to negotiate land acquisition or compensation.

In 1996, land reform in Georgia privatised part of the land. Many project-affected people own their land and therefore they expect to negotiate the price of the land directly with the State and/or the companies. However, based on their past experience, local people do not expect to be in a *negotiating* position, and instead expect to have to accept whatever terms are offered them.

While *district* administration is in contact with project sponsors, companies have directly approached individual landowners without informing *local* administrations. In cases where they have spoken to local administrations, it has been only to ask the identity of landowners. An elected mayor complained to the FFM about this process since it decreases the potential capacity of the local administration to negotiate<sup>12</sup> with companies in case of disputes over land compensation between landowners and companies, and also creates tension between the local administration and local landowners, who expect the administration to know what is going on.

- **Regarding land acquisition and compensation issues, the Fact-Finding Mission noticed that local affected communities, having learned from the poor experience of Baku-Supsa, hope to receive fair compensation for any of their land that is taken for the AGT project.**

### **3.6 Safety concerns**

Two pipelines already cross this region, including the Turkmenistan-Armenia gas pipeline, which is badly maintained according to local people. People informed the FFM that an accidental explosion already occurred on this pipeline, and villagers expressed their concern about the safety of the AGT project. They are particularly concerned about the potential cumulative impacts of an accident if gas and oil pipelines lay in the same corridor.

- **The experience of Baku Supsa made local population more aware about the impacts and safety risks related to a pipelines project; they seem quite**

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<sup>12</sup> It should be noted however that the Host Government Agreement for BTC lacks any reference to dispute mechanisms on land and compensation issues.



**knowledgeable about general implications of the project.**

#### **4. Project-affected Area West Of T'bilisi As Far As The Turkish Border (“Central and Western Georgia”)**

*“[The project aims for] The restoration or improvement of the living conditions, means of income and productivity of the people affected by the project to at least the current level”* from the supplement “Energy Corridor” to the newspaper "Mitsis Mesakutre", May 2002, produced and distributed by BP to local affected communities in Georgia.

The FFM surveyed project-affected people from 16 villages and towns (Kumisi, Ivanovka, Tetrtskaro town, Golgeti, Tsalka town, Imera, Beshtasheni, Borjomi town, Bakuriani, Tsikhisjvari, Tabastkuli, Vale town, Naokhrebi, Akhaltsikhe town, Tsnisi, Sakuneti). The FFM decided to interview local communities from these villages since they will be significantly impacted by project construction and operation works due to their proximity to the pipelines themselves or to infrastructure such as worker camps. Project sponsors also consider many of these affected villages important in terms of project impacts. In fact, BP decided to hold local consultation meetings in many of them in June.

The FFM also visited several district and local administrations, the area of the Borjomi-Kharagauli Natural Park, which is quite well-known at the national and international level, and the Borjomi mineral water bottling factory, one of the biggest employers in the region, all of which will be directly and indirectly impacted by the AGT project.

In contradiction to what is stated in the ESIA documents<sup>13</sup>, local affected populations told the FFM of different opinions about the project. Some believe that it will not benefit them while others support the government view that the project will increase Georgia's international stature and relevance and make it more independent from Russia, thus making Russia more supportive of peace in the region. Yet at the same time they have expressed serious doubts that the project will benefit local populations, apart from the few elites close to the central government. Other affected people have a positive attitude towards the project, expecting new job opportunities for local people and looking forward to knowing more.

Many people expressed a strong mistrust in the capacity of the central administration to manage such a project and in several cases they also criticised local administrations. However, in the cases when they asked advice or more information from local offices, they discovered that local officials had not been briefed by companies. Most local people seemed to prefer a direct negotiation process with companies in order to avoid potential

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<sup>13</sup> “Consultation revealed that the overall attitude of the interviewees in pipeline-affected communities is positive towards the project, as their perception is that any disruption will be temporary and offset by potential economic benefits both to their community and to Georgia.”, Executive Summary ESIA, BTC Project, pp.35-36

corrupted practices at the (national) government level, but fear that they will not be given this opportunity. They also realise that they would face difficulties in negotiating with companies because of their lack of detailed information about the project.

#### **4.1 Information received about the project by project-affected communities**

To date, project-affected people report having received only partial and general information about the project from companies. Of 16 villages visited by the FFM, only four appeared to have been properly consulted, and two partially or inadequately consulted. One village just had leaflets delivered by an unknown third party. Four villages reported that they were not visited by the company at all at any point, two reported visits from the companies only to recruit construction staff, and three had visits only to survey land. In several cases companies' representatives did not explicitly introduce themselves to local communities or acted only through Georgian intermediaries.

Since most of the villages surveyed (nine out of 16) apparently had not received any information from the companies, the main source of information about the project for local population remains television and a few national newspapers that usually report only the government's point of view and some general information about the AGT project. Therefore, the main questions from local, affected communities about the project and its benefits for them still remain without clear answers from project proponents.

Even where consultation did occur, it was generally not arranged in advance, and often was just with people in the street, rather than going door-to-door. This practice may have skewed the consultation towards male respondents (who tended to be the ones passing time in the street).

The FFM was surprised at the very strong interest of local affected population in the FFM's presence. In particular, local people repeatedly asked the FFM for detailed information about the exact location of the corridor route, the timing of project construction works, the experience of pipeline construction in other cases and countries, and exact information and figures about job opportunities for local populations within the project framework.

In many cases, people are very ill-informed about what the project will involve, and what the risks and impacts might be. Many did not know whether the pipelines would be above or below ground.

- **The FFM noted that project-affected people are eager to know more and complained about the lack of information received to date from the government and foreign companies. Only a minority of the villages surveyed by the FFM had received any information about the project from the companies.**

Even though several meetings between project sponsors and local, affected population took place, only in a few cases did company representatives explain in detail where the pipelines corridor will pass. The FFM found that companies have physically marked the corridor route only in a few areas. The area of Vale seemed to be the only place where landowners were shown project maps by the companies. This lack of basic information is generating a lot of confusion and concerns at the community level, in particular regarding impacts on landowners in the project-affected area.

The case of the Beshtasheni village gives a clear example of the situation in project-affected areas. Local villagers believed that the pipelines corridor would pass 5 km away from their village, since this route would be a cheaper option for the companies because of the geography of the territory. Recently a few people in the village were approached by an unidentified man and told in an informal manner that the route has been changed, and now passes very close to their village. The FFM's own maps confirm this closer proximity to the village. Today, much of the population seems to be unaware about the change of route.

Companies have not adequately informed local population about the location of worker camps. In particular, both in Vale and Tetrtskaro areas, local people are not aware of company plans to build worker camps. The FFM detected that project-affected people do not fully understand the potential social impacts associated with the presence of a worker camp close to their villages or towns. Furthermore, local people believe or hope that most of the project workforce will be recruited from local communities so that worker camps will not be needed or will be relatively small.

- **The FFM surveys showed that only in a few cases had local affected communities been informed about the exact route of the pipelines corridor and the location of project-related facilities.**

Because companies are individually approaching landowners whose land will be impacted by the project, local communities have no clear understanding of the compensation policy followed by the companies and consequently at the community level, rumours and confusion reign. There is a general expectation that these and other outstanding issues will be clarified during the June 2002 local consultation meetings.

- **The FFM noted that in general project-affected communities have not been informed explicitly by companies about the benefits to be expected from the AGT project, nor about the land compensation policy that project sponsors intend to implement.**

Local people do not understand where responsibilities fall for specific actions within the project (land compensation, gas supplies, job recruitment), but there is a widespread attitude that the central government holds more of these responsibilities than the foreign companies.

- **Regarding many specific project mitigation actions the FFM noted significant confusion among local people about the allocation of responsibilities between government institutions and the companies. This confusion has allowed what are probably artificially high expectations, in particular regarding job opportunities.**

#### 4.2 Availability of official documents

At the beginning of June, BP started distributing the non-technical Executive Summary of the two Environmental and Social Impact Assessment (ESIA) studies regarding the oil and gas pipelines. Copies of the documents have been given to some affected communities and to some local governments with the hope that they will distribute the documents to villagers. This distribution work to be carried out by local administration was delayed in some cases because of the elections in early June.

Furthermore, contrary to project sponsors' commitments included in the project ESIA documents<sup>14</sup>, copies of the Community Information Pamphlet about the project have been distributed only to a few project-affected communities.

- **The FFM noticed that only a small portion of project-affected communities has received copies of the ESIA executive summaries. In some cases the documents given to local administration have not yet reached project-affected people because of delays due to the election process.**

Some people who received the ESIA documents with an attached feedback form for comments told the FFM that they did not understand the procedure to comment on the ESIA. It should be noted that in the feedback form, affected individuals are requested to leave their personal data, which could make them hesitant to freely express their comments about the ESIA and their general opinion about the AGT project.

- **The FFM realized that local affected people are unclear as to how to contribute, or could be afraid to contribute, to the review of the ESIA documents, even in cases in which they received the feedback form.**

Furthermore, in May 2002, BP issued a four-page supplement in Russian to the newspaper "Mitsis Mesakutre" (Of the Landowners) about the project and its impacts, in cooperation with the Association for the Protection of the Rights of Landowners, and widely distributed it to local population. Apparently a Georgian version of the paper has also been distributed in some cases.

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<sup>14</sup> *“Pamphlets describing the impacts and associated mitigation measures of the project on pipeline-affected communities, specifically dealing with their concerns and interests, will be available in Georgian, Russian and English. These community pamphlets will be distributed to all communities within 2km of the route and within 5km of a worker camp or major AGI, during late May and June. Pamphlets will also be available at all locations where the full ESIA is made available.”*, Consultation, Chapter 16, ESIA, BTC Project, p. 8

- **The FFM was surprised to realize that BP mainly informed local affected people not by systematically distributing copies of the ESIA documents but through a supplement to a newspaper, which reports a biased position in favour of the project with no proof of the project's benefits.**

Contrary to what is stated in the project ESIA documents<sup>15</sup>, several key local scientists, experts and other interested stakeholders have not been involved in the project impact assessment process.

For example, the Borjomi mineral water company – one of the biggest employers in the region - reported that they have never been approached by project companies, even though the company has a vital interest in project environmental impacts on the quality of mineral springs in the Borjomi district. In particular, project sponsors have never contacted the geologists of the mineral water company to provide them with specific technical information and are not planning a consultation on the project with the company management.

Company management received a copy of the non-technical Executive Summary of the ESIA's from the local administration and faced difficulties in getting a full copy of the documents from the same administration. In particular, the company complained about not being given detailed maps of the final corridor route and not being informed about project dispute mechanisms in case of an accident that could severely damage the mineral water springs. When the FFM showed a factory manager maps of the route, he very keenly copied them.

In the case of the Borjomi-Kharagauli Natural Park, BP has not contacted the natural park administration, nor consulted with the environmental experts of the park administration during the drafting of the ESIA's. BP had just sent a copy of the non-technical Executive Summary of the project ESIA's to the park administration at the beginning of June 2002. The government then took the initiative to invite BP to a technical presentation about the ESIA's and project impacts on the park during a June meeting of the Natural Park Coordination Council.

- **The FFM found that local administration and private companies affected by the project have not received any substantive information about the project, such as detailed maps of the corridor route, other than the non-Technical Executive Summary of the ESIA's. Furthermore, the FFM has been surprised by the lack of involvement of the environmental experts of the Borjomi-Kharagauli Natural Park, or of the geologists of the Borjomi mineral water company, in the ESIA drafting process.**

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<sup>15</sup> “Consultation with potentially impacted communities, NGOs, scientists and other interested stakeholders has been key to the impact assessment process and development of avoidance, minimization, and mitigation and compensation measures”, Executive Summary ESIA, BTC Project, p. 32

The Host Government Agreements regarding the two oil and gas pipelines contain several provisions about the framework for the implementation of project mitigation actions, land compensation policy, additional energy supply deriving from the AGT project and employment of local workforce during project construction and operation.

The management of the Borjomi Bottle Mineral Water Company and Georgian NGOs reported to the FFM that the Host Government Agreements remain documents hardly accessible to the general public.

- **The Fact-Finding Mission discovered that project-affected people are not informed about the existence of the HGAs and their provisions concerning the employment policy, the land compensation policy and project mitigation actions. The few who know about their existence believe that the documents are not accessible to the public.**

About half of the villages surveyed by the FFM have been informed about local consultation meetings to be held in June through a written announcement posted in main public places in villages or towns. Ten local consultation meetings were to be held by the end of June, plus three meetings scheduled at the national level at the beginning of July.

According to the feedback form distributed by BP together with the executive summaries of the ESIA documents, hard copies of the full draft of project ESIA, the non-technical Executive Summary of ESIA and Community Information Pamphlet should be available for public consultation at the Regional Administrative Centre in Borjomi and several other towns in the 7 districts affected by the project in Georgia.

On June 13<sup>th</sup> at about 4:00pm the FFM visited the Regional Administrative Centre in Borjomi and asked to see the full ESIA documents. Nobody at the building reception was aware of the public availability of these documents. Officers at the entrance suggested going to the District Council Office on the 5<sup>th</sup> floor, but every room was found locked. Then they suggested going to the District Executive Office, but on doing so the FFM had the same experience.

A Georgian member of the FFM then tried to call the public disclosure phone line (899 96 34 17), which is reported in the feedback form produced by BP, in case clarifications about the ESIA documents are needed. The person who answered first asked suspiciously about the identity of the caller and then committed to phone back in a few minutes in with the information requested about the availability of the documents at Borjomi district administration. The FFM was not called back. After fifteen minutes the FFM phoned again and the same person simply confirmed that the documents should be available in the office of the Deputy District Chief in charge of the issue in Borjomi.

The FFM mission had clear evidence that the public disclosure phone line is not a toll-free number, contrary to usual practices. The code 899 is for mobile numbers. A one-minute call to the public disclosure phone line costs 0.6 lari from a mobile phone and even more from a landline number.

- **Contrary to what is stated in the feedback form distributed by companies to some local affected communities, the FFM got direct evidence that full ESIA documents are not always available in public places in the project area. Furthermore, the public disclosure phone line is a payment service that local affected people can hardly afford to use.**

### 4.3 Socio-economic survey

Contrary to what is stated by project sponsors in the ESIA documents<sup>16</sup>, it appears that a very limited socio-economic survey has been carried out in Georgia. Only a limited number of project-affected communities have been surveyed through detailed interviews, based on questionnaires in Russian or Georgian, in order to collect local communities' opinion about the project, and their expectations about social development benefits within the project framework. At the end of the interview no copy of the filled in questionnaires has been left to people interviewed, nor has a blank copy of the questionnaire been filed in the local administration office.

The FFM understood that in the few cases where companies have surveyed socio-economic living conditions of project-affected people, the number of questions asked to each individual has differed from one case to another, in particular regarding the expectations for local social development. In several cases, project-affected people have simply been asked about their opinion on the project. Companies' representatives have interviewed mainly villagers in the streets and sometimes have visited families door-to-door. The company representatives usually filled in questionnaires while asking questions to the interviewees.

In the case of Vale town, companies have carried out extensive interviews within the population. Here local people reported to the FFM the bad experience related to the opening of a new custom station at the border with Turkey on the main road that passes through the town. As confirmed by the Akhaltsikhe district administration, the government did not implement the plan to build a bypass road soon after the opening of the custom station because of budget constraints, and buildings along the road have been severely damaged by vibrations caused by trucks travelling the road to and from Turkey. Affected people have been compensated for the damages to their houses in only a few cases. The local population fears that AGT project construction work could increase the traffic of trucks along the same road, further damaging their buildings.

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<sup>16</sup> “Data on existing social and economic conditions, and attitudes to the project, were gathered through interviews and consultation in every community within a 2km either side of the centre of the pipeline corridor, 5kms of major AGIs and worker camps, and 2kms of potential pipe yards. Approximately 700 quantitative and 350 qualitative interviews were conducted in 72 communities.”, Executive Summary, ESIA, BTC project, page 12

- **The FFM found evidence that the socio-economic baseline commissioned by BP for the ESIA is based on a limited number of data and interviews, and therefore is incomplete and partial. In particular, figures about salaries and earnings from farming activities should be reviewed in depth in order to allow a fair compensation process for local communities. Therefore, additional surveys should be carried out with the aim to produce a reliable socio-economic baseline for the project.**

#### 4.4 Social development issues

What communities would most like from the project are job opportunities, road improvements and gas supply.

Energy supply in project-affected areas is a big problem. Electricity shortages are very frequent all over the country, even in the main cities and towns. Electricity is quite important to power water pumps in many areas, so that the lack of electricity and the high cost of it also negatively impact the supply of water. Such is the case in Vale town.

Gas supply has been extremely limited during the 1990s. Nearly all the project-affected villages that have been surveyed by the FFM have not been supplied with gas for many years. People mainly use liquid gas or wood as fuel. Timber harvesting for energy purposes is causing severe erosion, one of the main ecological problems in Georgia and a threat to farming activities.

Only Tetrtskaro town has recently received some gas supply, imported from Russia and very expensive. Reportedly, the government told local affected people that the AGT project will bring cheaper gas supplies in Georgia.

Only some of the affected villages have local gas distribution networks in place. In these villages local communities are very eager to receive some gas supply from the project, even though they are generally aware that it will not be possible to tap into the main gas pipeline. In one village that lacks a gas distribution network, villagers told the FFM that they would even build the local network themselves if they were allowed to tap into the main line.

In one village, project companies reportedly told the local elected council that theoretically it is possible to provide the village with gas supply from the main gas pipeline, thus contradicting what is stated in the ESIA documents<sup>17</sup>. In another village,

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<sup>17</sup> *“During preliminary consultation, many communities with poor energy supply clearly associated the construction of pipelines with potential provision of energy to their houses, primarily during pipeline operation. While the project will not draw energy from community sources either during construction or operation, nor will it provide them with any additional power. Improving community access to energy is the responsibility of the Georgian Government, however BP is working with the relevant government departments to address these issues outside of the BTC project.”*, Executive Summary ESIA, BTC Project, page 37.



the local population is still requesting a decompression station in order to get some direct gas supply for the village from the planned SCP gas pipeline.

- **Vague statements by project companies risk elevating expectations about gas supply for local communities which cannot be met. Contrary to what is stated in ESIA documents<sup>18</sup>, companies have not managed local communities' expectations on key issues through the provision of comprehensive, clear information to villagers. Therefore, contrary to the intentions set out in the ESIA documents,<sup>19</sup> potential disappointment could spread within affected communities when they realise that the AGT project will not bring any gas supply to them.**

The condition of roads in Georgia is very bad. Local communities and administrations see the project as an opportunity to improve roads in project areas. In some cases companies have committed to local affected communities to do so during construction works.

There is a general opinion that companies should contribute to local social development by helping local communities to fix some concrete problems they have (water supply shortages, etc.). For example, in Vale town people have already asked BP to help them with a local project that should help increase water supplies. People consider this help owed to them since they will experience some negative impacts during AGT project construction work.

In one village, the FFM was told that the pipelines corridor will cross a water pipe supplying the village. The local population requested that BP begin construction work only after removing the water pipe and rebuilding it in a new location.

- **Project-affected communities expressed to the FFM precise local needs from the project concerning their local social development. To date, commitments by companies have been very vague and local communities have not been informed about the intention of companies to finance community investment programmes<sup>20</sup>.**

#### 4.5 Local employment issues

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<sup>18</sup> “Issues raised over which there are unrealistic expectations, have been addressed through provision of information to villagers to manage expectations and, where possible and appropriate, other community investment activities”, Consultation, Chapter 9, ESIA, BTC Project, p.8

<sup>19</sup> “It is important that the BTC project provides accurate information on energy during the construction and operation phases (both energy usage and initiatives in partnership with the Georgian government) in order to avoid potential disappointment. After a year of regular consultation within communities energy expectations have been reduced to a certain extent, but will still require careful management in the future.”, Executive Summary ESIA, BTC Project, page 37

<sup>20</sup> “A Community Investment Programme, developed and implemented in communities adjacent to the pipeline corridor and associated facilities. This is intended to deliver benefits to those communities directly impacted by the project.”, Executive Summary ESIA, BTC Project, p.36

Local affected communities believe that job opportunities are the most direct benefit they can get from the AGT project. Project-affected communities have very high expectations which will not be met realistically, as admitted also in the ESIA documents<sup>21</sup>.

Furthermore, local people have not received any clear figures about jobs available for local communities within the project, even though recruitment offices have already started the registration process in the main towns close to the pipelines corridor (Tetrtskaro, Borjomi, Vale and Akhaltsihke).

In the case of Vale, conflicts between the Georgian government and foreign companies around job opportunities for local population have come to light. As reported by local people, the GIOC President recently visited Vale and said that 1,500 local people will be employed in the project. Soon afterwards, a foreign representative of BP came to town and made it clear that the figure of 1,500 local employees depends on the government and not on the companies, therefore BP cannot promise anything about employment of local workforce.

People willing to register at job recruitment offices have to fill in a questionnaire with their personal data and their qualifications based on skills and past working experiences. Many interviewees confirmed that they have been registered as “unqualified” due to their low knowledge and experience in the pipeline construction field. Only men are allowed to register, in some cases without any age limitation. Apparently companies have asked about the number of young people living in some villages.

In a few cases, the FFM has been told that people had to pay half or one lari to access the registration service. Those registered have received no information about salaries for each category of job and received no receipt for their registration.

In Tetrtskaro about 2,000 people have been registered. In Borjomi, there are rumours about 1,500 job opportunities for local population and already 5,000 people have been registered. In Vale 2,000 people have registered; at the same time the FFM heard of rumours in town that some people will have to pay to get a job.

Communities’ high and unrealistic expectations of employment opportunities have been exacerbated considerably by BP’s practice of registering everyone interested in a job in the key recruitment centres.

- **The lack of any clear figures about employment opportunities for local affected population is creating ever higher expectations about employment within local communities and could potentially create a strong disillusionment and resentment against the project. Some interviewees**

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<sup>21</sup> “There was clear evidence that communities have the expectation that the number of jobs that will be created and the duration of the employment are larger and longer than they will really be and this has been ranked as a high significance residual impact. It is therefore important to provide accurate information on this topic in order to avoid potential disappointment.”, Executive Summary ESIA, BTC Project, p. 37

**reported deep concern about the possibility of riots breaking out as a result of tensions over job allocation.**

#### **4.6 Compensation**

Land close to villages and towns usually belongs to private landowners, while land far from villages belongs to the State and is rented to the local population for grazing or farming.

Project-affected people have not received any exact information about how the compensation process will work and in some cases they have never been told about compensation. This contradicts the commitment stated by BP in its newspaper distributed to some project-affected communities in Georgia.<sup>22</sup>

Foreign companies contacted several landowners whose land potentially will be directly affected by the project. Others have not been contacted at all and heard about the fact that the pipelines will cross their land from their neighbours. Companies have given no clear notice, so local farmers have already sowed the land. If construction work starts in the next 7-8 months, farmers will lose part of this year's crops and it is important to ensure that they are compensated accordingly.

Companies prefer to keep a direct relationship with landowners; only in a few cases have they contacted local mayors or elected councils to inform them about the on-going negotiations with landowners. This individual approach and the lack of clear information by companies about their compensation policy are generating widespread concerns fuelled by unchecked rumours and speculation, not making the process of negotiation any easier.

As with other aspects of the project planning, there is widespread confusion about the mechanisms for compensation. Many project-affected people believe that it is up to the local administration to define the different categories of land and, on the basis of that, fix the compensation owed to farmers by companies. Furthermore, they would like to receive compensation before construction work start.

In one case local elected council representatives reported that, according to what companies told them, landowners cannot oppose the purchase of their land since companies' authorisation for land acquisition has been included already in the HGAs<sup>23</sup>.

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<sup>22</sup> "The project will undertake the following: ... Full notification of persons and general population about the project, how the acquisition of land will take place, the payment of compensation and also their corresponding rights" - see full text of the supplement "Energy Corridor" to the newspaper "Mitsis Mesakutre", May 2002, in Annex 1.

<sup>23</sup> The State authority grant to each MEP Participants "such status and powers of taking, compulsory acquisition, eminent domain, expropriation, or other delegated powers of the State to enable each of the MEP Participants for the duration of the Project to secure, maintain and pay reasonable compensation to affected Persons for all Rights to Land in respect of the Nonstate Land..." (HGA for BTC project, art. 4.1.iii)

Local elected councils would like to have a role in eventual dispute settlement over land compensation between companies and landowners at the local level, but do not have that authority under the HGAS.

In one village, pipelines will cross land that has already been allocated for village expansion. Villagers wonder about what kind of compensation will be given to landowners in this case.

Some believe that compensation will be only for crops lost during the construction period, with the land then given back to landowners. However, it is unclear whether companies will give compensation only for one year, two years or more. Local communities believe that a one-year long construction operation period will impact farming for more than one year and therefore will negatively affect more than one harvest. Construction of both pipelines will extend the construction period longer than a year as well (construction of the SCP pipeline will only begin after BTC is complete).

There are also additional complicating factors. There could be some provisions under the Georgian law on compensation that could conflict with companies' compensation policy. Land fertility might be irreversibly affected by a lengthy construction period. There is a risk that oil spillages during the 40-year operation phase could negatively impact farming activities, by damaging a wider area than the direct, immediate land-take.

Farmers are also concerned that companies might not recognise the different values of different land uses and crops. For example, fruit tree cultivation requires years of investment before reaping a full fruit harvest. One year's compensation would not adequately compensate farmers for the years of cultivating a mature orchard. People interviewed expressed their concern about the low figures of compensation amounts that they heard in the last weeks, compared to market value. This would contradict what BP has stated in its public newspaper distributed to some project-affected communities in Georgia.<sup>24</sup>

Others interviewed by the FFM heard about the intention of companies to purchase land, or alternatively to rent it for the entire project lifetime of 40 years, or (in the case of the construction corridor) for the construction period. Others expect a land for land compensation, but are afraid that it is hard (or in some cases impossible) to find new fertile land close to their villages. Finally, villagers wonder whether companies are considering compensation for grazing land, or land that currently lies fallow but otherwise is used.

- **Project companies have given no clear information about the compensation mechanism. Such a confusing approach by the companies generates mixed expectations about land acquisition and compensation and potential disillusionment about the AGT project in the future. The lack of a fair**

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<sup>24</sup> "The project will undertake the following:...Compensation in accordance with the full market price, including all expenses arising from the transactions" – see full text of the supplement "Energy Corridor" to the newspaper "Mitsis Mesakutre", May 2002, in Annex 1.

**dispute mechanism and different outcomes of individual negotiations over land risk could create internal conflicts within local communities, and more broadly, resentment against the AGT project and project sponsors in the long term.**

#### **4.7 Safety concerns**

Project-affected people have expressed a feeling of concern about the safety of the pipelines in several cases, in particular about the risk of explosions. There are also concerns that in case of damages due to accidents, it is unclear who has the responsibility for giving reparations to local communities for the damages they could suffer. Local affected people understand that in any case there will always be some risk of accident for the project. *“The pipeline should be built only if safe, but it is not possible to make it safe”*, one villager told the FFM.

Some interviewees expressed their concern about possible terrorist attacks against the pipelines during their lifetime, thus defining a long-term risk that will affect future generations. *“If they attacked the World Trade Centre in New York, then it is easier that they attack the pipelines”*, a villager said.

In Vale town the FFM has been told by local people that both companies and the central government made it explicit that the pipelines corridor will be militarily controlled in order to prevent potential terrorist attacks against it. Local people understand the need of such militarisation of the corridor due to the strategic importance of the project.

- **Some affected people expressed their concern about the safety impacts of the project and the lack of information about reparation procedures in case of accidents. Project-affected people understand that the pipelines corridor might be militarised for security reasons. Companies have not given clear information about militarisation to local communities and have made no assessment in the ESIA documents about potential conflicts that a permanent military presence on the field could create.**

#### **4.8 Environmental impacts on the Borjomi-Kharagauli Natural Park and the Borjomi mineral water springs**

The Borjomi district includes the Borjomi State Nature Reserve, which is the main security zone of the Borjomi-Kharagauli Natural Park, created in 1995 with the support of a € million loan from the public German development agency Kreditanstalt fuer Wiederaufbau (KfW). Furthermore, KfW gave a € million grant to WWF for strengthening the Nature Reserve.

*“Abundant biodiversity”* is present in the whole area, as stated in the project ESIA<sup>25</sup>.

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<sup>25</sup> Executive Summary ESIA, BTC Project, p. 9

The National Park administration is overseen by the Coordination Council of the State National Park, which is under direct control of the President of the Republic, is chaired by the Minister of the Environment and includes several deputy ministers and the representatives of the executive branches of six district councils.

The bottling industry of the Borjomi mineral water is one of the main sources of employment in the region. In a suburb of Borjomi town a mineral water factory was renovated thanks to \$10 million loans both from IFC and EBRD (ING Barings and TBC Banking group were also participated in restoration project). The factory is owned by the Georgian Glass and Mineral Waters Company. The two bottling factories in Borjomi (one of which the FFM visited) and a glass production factory in Khasuri (30 km away from Borjomi), employ 750 people and has an annual turnover of about \$60 million.

Because of the particularly ecologically rich area and the presence of mineral water springs whose therapeutic features are well known nationally and internationally, the Borjomi area is one of Georgia's main tourist resorts. However, because of the economic crises Georgia has faced since the end of the Soviet Union, many spas (“*sanatoriums*”) and resort buildings have been abandoned. Consequently the State decided to relocate many IDPs, mainly from Abkhazia, to Borjomi town during the 1990s. Currently the main industrial sector in the area is the mineral water industry, even though the potential to rehabilitate and further develop tourism is higher since the recent establishment of the Natural Park.

The AGT pipelines will not cross the Natural Park, but will cross the so-called Support Zone of the Park, which is located at its border. In this zone human activities are only allowed if they do not harm the environment. Furthermore, the support zone includes the Ktsia Tabatskuri Managed Reserve, which contains a primary forest area. Article 2 of the 1995 decree establishing the park delineates the Ktsia-Tabatskuri Managed Reserve as IUCN category 4. Since this area has been declared protected, there are sufficient scientific grounds for fearing impacts from the project on it, even though the area directly occupied by the pipelines is limited.

The pipelines will also cross a forestry unit near the Tsikhisjvari area where dense primary forest is located for a strip of about 20 km. This primary forest risks disappearance if project impacts on it are not minimized, possibly by considering a different bypass route. Contrary to what is stated in the project ESIA documents<sup>26</sup>, there are risks connected to the opening of new roads, which could allow uncontrolled access to the area. The natural park administration made it clear to the FFM that it has no resources for implementing independent monitoring on project environmental impacts.

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<sup>26</sup> “It must be noted, however, that, no significant impacts are expected to occur with regard to the forestry practice in Georgia, or to forestry management in general, as the forests affected by the proposed pipeline project are a small fraction of the overall forest heritage of the country”, Executive Summary ESIA, BTC Project, p. 34

Furthermore, the presence of the project in the natural park close to the mineral springs could damage the image of the mineral water industry, which has always been based on the environmental intactness of the area where mineral springs are located. The company management clearly told the FFM that they were hesitant to critique the AGT project because the lease for the watershed area is held by the government and because it will upset local communities who have high job expectations for the AGT project and who feel that the local bottling factory is offering too few jobs to local workers, particularly after privatisation.

- **Because of the potential impacts associated with the project on tourism in the Borjomi-Kharagauli Natural Park and the mineral water industry, the FFM concludes that the whole Borjomi district should be regarded as affected by the project.**

Furthermore, even though a national consultation meeting will be held in Borjomi town in July, project proponents have not surveyed socio-economic conditions of people living in the Borjomi area and their expectations about the project, nor have they informed them in advance about the project, unlike a more thorough process in Vale town.

- **The Fact-Finding Mission believes that, since the AGT project might have a major impact on the entire economy of the Borjomi district, in particular in the area of the Borjomi-Kharagauli Natural Park, project sponsors should clearly define a socio-economic baseline for this district in order to assess whether the “no net loss”<sup>27</sup> principle regarding local population’s living conditions is being respected and applied during project construction and operation.**

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<sup>27</sup> Executive Summary ESIA, BTC Project, p. 32

## 5. Conclusions

The findings of the field visit conducted by this Fact Finding Mission (FFM) lead us to conclude that the right conditions do not currently exist to justify further development of the Azerbaijan-Georgia-Turkey (AGT) project. There are serious problems and unresolved issues in several key areas.

The institutional framework of the project is unclear. Responsibilities are not clearly defined for district and local administrations, trust in government is weak, as is institutional capacity to manage the development process. The complex nature of arrangements for local, district and national government involvement has exacerbated tensions and mistrust, and leaves communities confused as to from whom they should seek social commitments, project monitoring, dispute settlement or possible redress.

The provision of information is inadequate. Crucial documents such as the Host Government Agreements (HGAs) have not, in practice, been made public – or even disclosed to many parts of the government. Many communities have been given no information, or just received a non-objective project assessment from the company. Information that is supposed to be publicly available is not available in practice.

Inadequate and inconsistent information about the project have led to local community expectations that are often unrealistic – especially in the case of the number of local jobs that will be provided.

A clear and transparent framework for land compensation has not been articulated.

Negative outcomes of the Baku-Supsa oil pipeline project remain unaddressed. Roads and other local infrastructure that were damaged are still not repaired. Employment proved disappointing, and expectations and companies' promises for social programs were unmet.

In the central and western section of the proposed route, project-affected people generally lack enough information to make a considered opinion about the project. Many affected people are not even sure of the exact pipelines route, nor have landowners been provided with clear information about compensation. Expected employment figures are vague, feeding rumours and false expectations.

The companies' baseline survey of the Borjomi district is wholly inadequate and must be conducted fully before the project proceeds further. The basis for a "no net loss" judgement on the impact of pipelines operations on both natural areas and the mineral water industry does not exist at present.

The extremely sensitive nature of the AGT project requires as thorough, objective, and detailed survey and assessment as is practically possible. In the judgment of the FFM, this has not occurred, nor have outstanding grievances yet been redressed. Addressing



outstanding concerns and establishing a clear basis and sanction for future action are prerequisites for any further development of this project.