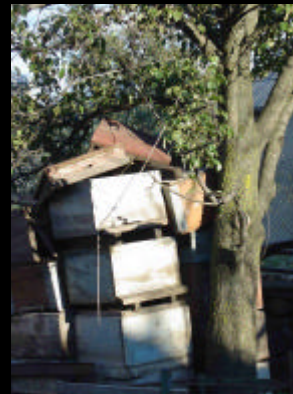


**third fact finding mission:
azerbaijan, georgia, turkey pipeline project
georgian section: october 2004**



CEE Bankwatch Network

Kratka 26
100 00 Praha 10
Czech Republic

Tel: +420 2 74 81 65 71
<http://www.bankwatch.org>

Green Alternative

Chavchavadze 62
Tbilisi 380062
Georgia

Tel: +995 32 22 38 74
<http://www.greenalt.wanex.net>

Friends of the Earth England, Wales & N.Ireland

26-28 Underwood Street
London
N1 7JQ

Tel: +44 207 490 1555
<http://www.foe.co.uk>

Les Amis de la Terre

2 B rue Jules Ferry
93100 Montreuil
France

phone: 33 1 48 51 18 92
<http://www.amidelaterre.org/>

National Ecological Centre of Ukraine

PO Box #89
01025 Kyiv
Ukraine

phone: 380-44-238 62 60
web: www.bankwatch.org

“We have had three meetings with BP Ed Johnson BTC project manager. He admitted there have been lots of problems and promised everything will be okay. But nothing has been done. If nobody takes our problems seriously we will stop construction work or we will damage the construction works. If BP causes problems for us, we will cause problems for them.”

Mission Interview, 9th October 2004
Residents of Rustavi live next to the BTC pipeline,
yet have only one or two hours of electricity per day in winter.

“BTC brought benefits for the government; but local people have nothing! We had such great water here and they brought all these tractors and destroyed it. They have not done anything for us. Their biggest mistake was to cross the Borjomi region! They have destroyed our road, the tourist season has been totally lost, the income source the village had, they destroyed it! The only opportunity we have to earn a living was taken.”

Mission Interview, 11th October 2004
Resident from Tsemi Village, Borjomi.
Borjomi Water is responsible for ten per cent of total Georgian export revenue.

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Executive Summary

The third international Fact-Finding Mission (FFM) was undertaken in Georgia on October 9¹²^h 2004 to investigate concerns raised by local NGOs and affected communities in relation to the Baku-Tbilisi-Ceyhan (BTC) oil pipeline, by five national and international Non-Governmental Organisations (NGOs). The Mission consisted of representatives from Green Alternative (Georgia), CEE Bankwatch Network (Poland), Friends of the Earth (England, Wales & N. Ireland), National Ecological Centre of Ukraine and Les Amis de la Terre (France). The Mission was the third undertaken in Georgia by international NGOs since 2002¹.

This report provides an overview of the mission's findings and makes recommendations to BP, the lead operator of the consortium, and to the public and private financial institutions that have financed the project. The public institutions financing the project are the private lending arm of the World Bank, the International Financial Institution (IFC), the European Bank for Reconstruction and Development (EBRD), US Ex-Im Bank, and the UK Export Credit Guarantee Department (ECGD).

The aims of the Mission were to assess the concerns related to the pipeline after its first year of construction including construction quality of the project, impacts of the project on the local and national environment, concerns of affected communities, IFIs responsiveness to current concerns and the adequacy of the BTC Grievance Mechanism. The Mission witnessed minimal positive development impacts of the project. Conversely, pipeline construction has damaged road infrastructure, as well as caused damage to houses, and resulted in loss of incomes in number of areas.

Of central concern are outstanding issues relating to Pipeline safety through the Borjomi region. Violations of environmental law resulted in the Georgian Government suspending the project in July 2004, and the Georgian Government informed the Mission that issues relating to the safety of the pipe through Borjomi, remain unresolved².

The Mission believe International Financial Institutions (IFIs) involved in the project have not paid due diligence to the Georgian Government's position regarding the environmental and technical safety, as well as security of pipeline. The Mission finds the lack of effective communication between the Georgian Government and the IFC, EBRD and BP unacceptable.

The recommendations of the Dutch Commission for Environmental Impact Assessment (EIA) December 2004 Report should be implemented in the Borjomi Region and works on the project suspended until all conditions are met. IFIs must undertake responsibility for the consequences and impacts of the project.

There is ongoing concern regarding pipeline welding and coating, as revealed in the BTC Co commissioned WorleyParsons report. The Georgian Government believe that BTC Co has failed to provide adequate information and reporting on the welding and coating issues, and have been notified about non-compliance only by NGOs and the media.

BTC Co should ensure that it provides the Government of Georgia with all reports, findings and concerns raised regarding the project during pipeline construction. The Mission

¹ See previous Fact finding mission reports on www.baku.org.uk

² The Georgian Government believe the project is still not compliant with the Environmental Permit, see appendix 2.

recommends that the IFC, EBRD and ECGD commission an independent audit of the technical problems connected with pipe corrosion.

Local impacts such as employment, land compensation and community investment programmes have been subject to much dispute and concern. The lack of job opportunities the project has created for villagers has resulted in much disillusionment about the project, and contradictions and uncertainties regarding land compensation appear to be frequent. The BTC grievance mechanism is ineffective and lacks credibility. Some complaints are not investigated thoroughly and many villagers publicly doubt its effectiveness, or even ignore the existence of the mechanism.

The Mission Recommend BTC Co should closely follow its own RAP (Resettlement Action Plan) and land acquisition guidelines, especially monitoring the behaviour of its own contractors, in order to compensate the land losses occurred and prevent the usage of lands without prior compensation. An independent committee on dispute resolution should be created (overseeing the grievance mechanism). BTC Co should implement its stated commitment to pay court fees for people with unresolved grievances.

Despite the fact that the CAO has made clear recommendations not only regarding specific cases, but also regarding systemic failures of the project, BTC Co appears reluctant to implement these recommendations.

The Mission believes that IFIs financing the BTC project, particularly the IFC Ombudsmen, have an inherent obligation to address the complaints inadequately dealt with by BTC Co own grievance mechanism.

The Fact Finding Mission and Its Remit

The third international Fact-Finding Mission (FFM) was undertaken in Georgia on October 9-12th 2004, by five national and international non-governmental organisations (NGOs) to assess the Baku-Tbilisi-Ceyhan Oil pipeline construction progress. The Mission consisted of representatives from Green Alternative (Georgia), CEE Bankwatch Network (Poland), Friends of the Earth (England, Wales & N. Ireland), National Ecological Centre of Ukraine and Les Amis de la Terre (France). The All visits have taken place since 2002³.

This report provides an overview of the findings and makes recommendations to BP, the lead operator of the consortium, and to the public and private financial institutions that have financed the project. These public institutions are the private lending arm of the World Bank, the International Financial Institution (IFC), the European Bank for Reconstruction and Development (EBRD), US Ex-Im Bank, and the UK Export Credit Guarantee Department (ECGD).

The aim of the Mission was to investigate concerns raised by affected communities and NGOs relating to the pipeline a year on from the commencement of construction. Concerns include the construction standards of the project, the impact of the project on the environment, the responsiveness of the IFIs to concerns and the BTC Co grievance mechanism.

The Mission visited several settlements along the pipeline route in different regions of Georgia interviewing members of the local population. The Mission met with residents of Rustavi City, and visited Tsalka, Borjomi and Akaltsikhe regions.

Interviews were also carried out with individuals who had submitted complaints to the IFC Ombudsmen office: - Mzia Telauridze and Eka Chakhvelidze, residents of 18/19th Districts in Rustavi City; Otar Khvistani, a bee keeper (IDP from Apkhazia) from Bashkovi Village (Tsalka region); with Mamia Tavartkiladze, self-employed, and Konstantinidis Valeri Petrovich, a policeman, in Tsalka City; Omar Tabatadze, Ketevan Tabatadze, Iura Lomsadze and others from Tsemi village (Borjomi region), and with Vasil Pavlov from Tsikhisjvari village (Borjomi region).

The Mission met also with Kakha Tolordava, communications officer for WWF Caucasus, in Tbilisi; David Giorgadze, and Irakli Songulia from the Association for the Protection of Landowners' Rights, Tbilisi; Rusudan Simonidze, executive director, and George Magradze, a campaigner with the Green Movement of Georgia, also in Tbilisi.



3 See previous Fact finding mission reports on www.baku.org.uk

The Mission also met with Tamar Lebanidze, Minister of Environmental Protection and Natural Resources, and Dr. Giorgi Vashakmadze, Representative of Georgia in Intergovernmental Implementation Commission on Baku-Tbilisi-Ceyhan Main Export Pipeline (MEP) and Baku-Tbilisi-Erzurum Pipeline (SCP), in Tbilisi.

1. Environment

1.1. Violation of Environmental Law in Borjomi Region

In Georgia, the most controversial issue in relation to the project is the pipeline's route through the Borjomi region in western Georgia. This has been one of the most controversial current debates in the country. The Borjomi area is the most environmentally sensitive region in Georgia and many concerns have already been raised about the risks, including the threat to the Borjomi's unique ecosystem, the impacts on tourism, the impacts on the water industry, risks of oil leaks and landslides.

Kakha Tolodava, WWF Caucasus, told the Mission that WWF had significant concerns about a range of issues connected to the project, particularly the implications for the conservation area. Concerns were raised regarding the potential impact on biodiversity, tourism and the risk of landslides.

WWF Caucasus believes that although the Government of Georgia has requested that the highest standards are applied for the project through the Borjomi area in order to prevent the possibility of oil spills, it is not being carried out to international standards. WWF Caucasus believes BTC Co has not implemented a number of requirements stipulated in the environmental permit issued by the Georgian Government, in particular those referring to landslides. BTC Co has no permit to construct the pipeline in the Borjomi area.

Tamar Lebanidze, Georgia's Minister for Environmental Protection & Natural Resources and Dr. Giorgi Vashakmadze, Georgia's representative for the Intergovernmental Implementation Commission for the Baku-Tbilisi-Ceyhan Main Export Pipeline (MEP) and South Caucasus Pipeline (SCP) are clear that they believe the project has failed to comply with national legislation. Dr. Giorgi Vashakmadze complained that:

“BTC CO is claiming these [permit] conditions are not legally enforced prerequisites of the route, but just for reporting. When BTC CO made the Georgian Environmental permit documents public, they failed to disclose the first page of the document which details the fact that the environmental permit can only be given if all the conditions are met”.

According to Mrs. Lebanidze and Dr. Vashakmadze, the Georgian Government has three major concerns:

- The choice of the route through the environmentally sensitive area of Borjomi. Dr. Vashakmadze raised significant concerns that the Georgian people had been given no explanation as to why this route was selected.
- The project's lack of compliance with the environmental conditions.
- The need for a special monitoring system in the Borjomi region with various contingency options for protection and specific conditions for containment to mitigate against any potential spill. Currently mitigation against a potential spill is not, as the Environmental Permit stipulates, 'as close to zero as possible'.

1.2 Violation of Environmental Permit

The Environmental permission for the Georgian part of the BTC pipeline was granted by the Ministry of the Environment of Georgia on the 30th November, 2002. This decision was officially taken based on the Environmental & Social Impact Assessment (ESIA) submitted by the project sponsor to the Ministry of Environment together with additional materials, such as project location maps.

The Georgian Government suspended the pipeline project in July 04 because of the failure of BP to implement the conditions imposed by the environmental permit, especially the condition n°9 for the Borjomi region. The BTC Co made assurances to the Georgian Government regarding the security of the pipeline in the Borjomi area, but an analysis requested by the Security Council and carried out by Jane's Consulting reveals that measures undertaken were inadequate. According to Dr. Vashakmadze, the Georgian Government have not been informed of any action taken by BTC Co in order to address security concerns raised by Jane's Consulting.

Only after the suspension of construction on the pipeline did BTC Co hold discussions with the Georgian Government regarding the need to have an integrated security plan. BTC Co promised the Georgian Government that they would produce an integrated security plan on September 10th. However, the Georgian Government has not yet received the integrated security plan yet.

Following the suspension of work on the pipeline in the Borjomi region for two weeks, BTC Co also agreed to increase the depth of the pipeline from one metre to two. The increased depth is intended to prevent tapping or a terrorist attack on the pipeline. Dr. Vashakmadze, said:

“This is a very complex geopolitical pipeline and there are many opponents – a group of three or four people can cause very serious damage to the pipeline.”

On October 8th 2004 BTC Co signed a protocol on the environmental security agreement and committed to provide a security plan to the Government on October 15th.

Given the potential risk of oil leaks in the Borjomi region, the Mission recommends that the project undergoes an independent assessment of compliance with environmental laws, particularly with regard to the implementation of the Georgian environmental permit. The Mission recommends that construction work is suspended until all conditions are met.

The Georgian Environment Minister informed the Mission that in the Borjomi region the risk of an oil spill should be “as close as possible to zero” and that the “Best Available Technology” should be applied including defensive and multilayered protection.

In order to avoid the risk of a spill in the Borjomi region, which would potentially be an economic disaster for the tourist and water industry, the Mission recommends that BTC Co and the IFC/EBRD must implement all the recommendations of the Dutch Commission for EIAs Dec 2004 Report (See Appendix 3).

1.3. Welding and Coating Concerns

In the light of evidence reported in The Sunday Times (February 15, 2004) questioning the technical safety and integrity of the BTC pipeline, significant concerns have been raised about the welding and coating of the pipeline. The article, based on an internal report produced by BTC CO Pipeline Company in November 2002, outlines the outcomes of an inspection of the pipeline's protective coating in Georgia and Azerbaijan by Derek Mortimore, a BP expert. The report expresses grave concerns about the coating material that had been specified by BP for use on the pipeline.

The product in question, a pipeline coating known as SPC 2888, has no track record on plastic coated pipelines. According to Mortimer, SPC 2888 will not ensure waterproofing and so leaves sections of the pipeline at risk of erosion. Despite this critical conclusion, BP has not replaced the protective material. The first line of the coated pipeline sections was completed in August 2003, and the first cracks were noticed in November the same year. Construction work was interrupted. By that stage, up to 15,000 sections had been laid in Azerbaijan and Georgia.



9th October 2004, Pipeline laid by 18/19th Districts, Rushtavi City

According to the WorleyParsons Desktop Report, carried out for the BTC Co, by early February 2004 at least 26% of joints welded and coated in Georgia were known to have developed cracking problems.⁴ In addition to the cracking, the SPC3888 coating does not stick to the polyethylene outer surface of the pipeline; and therefore peels off. An internal BP report of 18th June 2004 recorded that the plastic coating on the pipeline in Georgia had peeled away from “a large proportion” of the steel pipe.⁵



9th October 2004, Pipeline laid by 18/19th Districts, Rushtavi City

⁴ WorleyParsons, Desktop Study Final Report: Field Joint Coating Review, Redacted Version, 15 July 2004, p.20.

⁵ Ibid, para 119, bullet 1

The Mission spot-checked a number of construction points where cracking problems had been identified. The Mission found that in several areas the pipeline was exposed as a result of cracks in the coating.

A number of communities also expressed concerns regarding the safety of the pipeline. In Rustavi City, residents from the 18/19th districts raised concerns about cracks on welded pipes over the river crossing, as well as other coating problems. **It was reported that BTC Co has attempted to cross the river several times in the last four months and on each attempt, welded pipes have been cracked. It is as yet unclear when and how BTC Co will cross the river.** The local population raised this issue several times with BTC Co, but claim to have not received any clear response.

According to the Georgian Minister of Environment, although BTC Co is obliged to notify the Government of any non compliance relating to the project, the Government has only been notified about pipeline welding problems through the media and NGOs. Dr. Vashakmadze, explained that the Government were not sure how extensive this problem is as Ed Johnson from BP had assured the Government this was a small problem. The Government had requested Jacobs Engineering⁶ to review the problem. The conclusion of the review was that the issue was a “curable problem and BP were sorting it out”. However this conclusion is not based on the original testing, as nothing was received from the company.

The Georgian Government believes that the BTC Co has failed to provide adequate information and reporting on the project. One of the safeguards defined by IFC/EBRD board of directors is to provide capacity to the Georgian Government to monitor the construction and operation of the pipeline. It is therefore essential that the Government should have access to all the relevant documents and reports produced by BTC Co regarding pipeline safety.

BTC Co should ensure it provides the Georgian Government with all reports, findings and problems that the company experienced during the pipeline construction.

The Mission recommends that the IFC, EBRD and ECGD commission an independent audit of the technical problems connected with pipe corrosion.

1.4 Impacts on the Local Environment

Several concerns were raised by villagers and officials about the impacts of the project on the local environment, including water, dust and noise pollution due to the intense truck traffic.

1.4.1 Water Pollution

In Tsemi village in the Borjomi region, villagers complained about pollution of drinking water as a result of the pipeline construction. According to a local resident, Jura Lomsadze, this pollution was “why the tourists did not come this year”. In this village which is famous for intense tourism activity, the tourist season has allegedly been completely lost due to the effect of pipeline construction on water quality. Tourism has a significant potential impact on economic development.

⁶ JACOBS Engineering Group is technical advisor for the Georgian Government hired by the World Bank



Water Truck delivering Water to Tsemi Village, Borjomi, 12th Oct 2004

According to another villager in Tsemi, the water has been polluted since May. As compensation, BTC Co sends a container of water to the village every second day; but it does not deliver to every affected household. The villagers do not know where this water comes from, and are concerned the container and the pipe for water they see are dirty.

Villagers in Tsemi have no running water, so drink brook water; but villagers claim that this water source is “very little and far away from the village” [500 m]. Villagers told the Mission that the amount of water delivered by BTC Co is not enough for everyone, so each household must go to collect water for their house every day. The villagers have had journalists coming from France and Germany to assess their water and these tests concluded the water was contaminated. **Villagers complained to the Mission that nobody from the BTC Co had explained to them what was going on with the water pollution.**



Villagers of Tsemi gather to inform the Mission of their concerns relating to the BTC Project.

1.4.2. Dust & Noise Pollution

In a number of villages in the Akhaltsikhe and Tetrtskaro region, BTC Co vehicles use roads through villages that create significant dust and noise pollution. Noise pollution is a particular problem as construction work traffic travels through these roads at night as well as during the day, seven days a week. In the village of Tsikhisjvari in the Borjomi region, BTC Co trucks travel across land owned by Mr. Vasil Pavlov's (see Section 2) resulting in disturbing levels of noise pollution.

“The trucks sometimes come at 6 in the morning till 10 in the evening. They wake the baby.”

In the village of Agara in the Akhaltsikhe region, some village housing is located between the train line and the road. Villagers complained that construction work had resulted in increased traffic, dust and noise. Children have also been prevented from playing outside because of the increased traffic.

Villagers have been so concerned about this disruption to their community that they organised a human blockade to oppose the traffic. Villagers report that:

“it is only after blocking the road that the company started watering the roads [to prevent dust pollution]. On dry days the road is watered by the company twice a day, but it dries out in 15 minutes, and then the dust returns”.

Villagers estimate one to two hundred trucks drive through the village each day and believe they should receive compensation for this. A number of villages in the Akhaltskhe region have been blockaded to put pressure on BTC Co to water the roads, temporarily preventing dust.



The School and playground in Agara village that residents claim BTC Co trucks are using as a car park.

“Before construction started they told us we were going to get compensation for air pollution caused by the construction traffic. This is why we are going to block the road to get this compensation.”

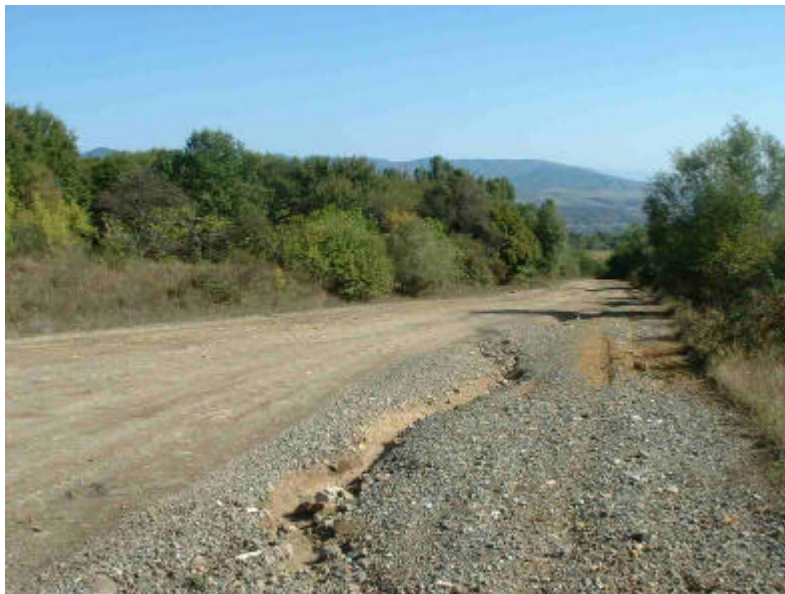
Residents are especially worried that intensive traffic negatively affects children health

“There is a school here and the school yard is used for the BTC Co cars as a parking lot. The company cars often use that road during the day, which means that the children playing in the yard are breathing in the dust as it is so close to the road. Of course children are breathing all this in and it affects their health; we don’t know if there are any health impacts now because of the dust, but we think later on they may be sick.”

Damage to property as a result of the vibrations caused by the increase in heavy traffic was also raised as a concern by villagers (See Section 5.1)

1.4.3 Lack of Compliance with Transport Management Plan

The mission was informed that in some cases, project contractors have violated the transport management plan routes in order to have shorter journey times. For example, project documents specify that contractor traffic should use the route from Tbilisi to Tetrtskaro via Marneuli, yet the road used by the BTC Co trucks between Tbilisi and Tetrtskaro is not the one specified in project documents by the company. BTC Co traffic using the direct road from Tbilisi to Tetrtskaro has resulted in significant damage to this throughway road. The road currently used by BTC Co trucks in Tetrtskaro region crosses more villages than the route specified in the project plan, increasing the number of villages affected by transport pollution. **The Mission recommends that the BTC Co and its subcontractors should follow its management and transport plans.**



Dramatic increases in traffic flow by BTC trucks have resulted in significant damage to roads.

2. Land Compensation

Land compensation is an unresolved concern for many villagers, particularly in relation to land obtained by BTC Co for pipeline construction. The Mission was informed of a range of concerns, including:

- The use of land plots without compensation.
- Inappropriate compensation for land plots and crops.
- Non-compensated orphan lands⁷.
- Non-compensation of lands used by sub-contractors

The Association for Protection of Landowners Rights (APLR) informed the Mission that approximately 30 per cent of land purchased by BTC Co is under dispute. APLR, subcontracted by BTC CO, acknowledges that many of these disputes are associated with the land inventory. According to the APLR, the non-existence of a land registry in Georgia and the primary land inventory conducted by Government of Georgia, exacerbate the problems associated with land compensation.

Mr. Pavlov, a resident of Tsikhisjvari (Borjomi region), claims to have met with representatives from the BTC Co several times over the last two years but has not received compensation for the fact that the company is using his hayfield as an alternative road:

“There was a group of people from the company; they measured the land and said this is my land; but I don’t know who they were. I feel ashamed I am causing so much trouble. I just want justice. I feel hurt because BTC Co people came to my house and said the company would compensate me; and now nothing has happened. The company said they can do what they want; you can complain but the company will carry its work anyway”.

According to Mr. Pavlov, this compensation is two years overdue, he has lost his patience, is angry and says that: *“one day I will block the road to protest.”*

Villagers in Sakuneti, Akhaltsikhe, told the Mission, that the pipeline will cross land set aside for the construction of housing for future generations.



Residents of Sakuneti Village. The Mission were informed that community land set aside for future generations has not been adequately compensated.

⁷ Orphan Land is a section of a land parcel cut off that cannot be accessed or cannot be fully worked on account of the project.

“We had a piece of land left aside for our children to build houses, but now the pipeline will cross it and who will be compensated? Our children will not be able to build houses there and company representatives said that they have overspent project money and are afraid this village will not receive money because there is no more money left.”

“This land was meant for future generations to build houses on and is now used for the pipeline route. It is fifteen acres so we could have built thirty houses there, but now there is a pipeline there, so we cannot build any house anymore. Eight plots are crossed by the pipeline and the rest are so close they are useless for the villagers to build houses on because of the restrictions imposed by the company.”

Another concern raised by villagers in Sakuneti is that plots have been compensated as agricultural lands rather than housing land which is worth more. Although villagers claim to have raised these issues with the company in public meetings, they have not received any official response, and therefore believe BTC Co is refusing to acknowledge that they are eligible for compensation. .

The people of Sakuneti believe the company inaccurately categorized lands in the village. For example, instead of receiving the official compensation for their watering lands (compensation for 1 ha of such land is 31714 GEL), this land was identified, and compensated as non-watering land (1 ha 20 400 GEL). The Mission was also informed that residents received different amounts of compensation for the same plots. One villager said

‘I got 15 Lari per bush but two people got 50 and 75 Lari per bush - the same type of bush!’

Residents from Sakuneti Village also told the factfinding mission that they believe they have been inadequately compensated for community-owned land. Village representatives claimed that although BTC Co has occupied six hectares of community land, they have only been compensated for two hectares. In response to this inadequate compensation, community representatives have requested the intervention of the Department of Land Management to confirm the community ownership of the six hectares of land. Villagers are generally disappointed with BTC Co regarding land compensation. One community member refused ‘inadequate’ compensation for land occupied by BTC Co.

In a number of villages in the Akhaltsike region, the Mission was informed that construction was being carried out in different areas of land from those where construction had been proposed. Where the BTC Co had stated the route was planned, land owners received compensation, but where the route is actually being laid, land owners have not received any compensation. This problem was raised by a number of land owners. Some landowners said they were surprised to find BTC Co workers constructing the pipeline on their land and destroying crops, bushes and trees.

A villager from Akhaltsikhe described the change of the proposal:

“There was an original plan to take one route and BTC Co now have changed it; they made inventory on one route and compensated; then they choose another route and for this there was no inventory and no compensation.”

The APLR confirms the claims of villagers saying

“The most problematic issues started when the construction company Spie-Petrofac appeared. Some land compensation had been paid before construction started, but we know of many cases of illegitimate land use and changing of the route. Spie does not follow the route decided by BP.”

APLR said they were flooded with complaints. **In total, APLR have received 1600 complaints regarding land compensation grievances. Forty per cent of grievances relate to encroachment by SPJV, the French Construction Company .** *“for APLR this indicates that there is a lack of coordination between BP and the JP person in the field. APLR believes that BP is concerned about social responsibility but the construction company is no;, it is not in their interes;, they are more focused on and interested in meeting deadlines.”*

In February 2004, the BTC Pipeline Company initiated legal proceedings against 32 landowners with the intention of receiving authorization for the Right Of Way. In spite of the fact that the company stated in its claim that it will pay appropriate compensation to the landowners, in compliance with the terms of the *Guide to Land Acquisition and Compensation in Georgia for BTC and South Caucasus Pipeline*, and also the fact that the court agreed to the company’s claim, thus far Rustavi landowners have not received compensation.

Mission Recommendation: BTC Co should closely follow its own Resettlement Action Plan and land acquisition guidelines, especially monitoring the behaviour of its own contractors, in order to compensate the land losses occurred. All disputes between the company and affected people should be solved through the independent dispute resolution mechanism.



Residents of Rustavi City 17/18th District raise their concerns with the Mission

2.1 Ambiguity about the Route

BP maps all show the pipeline crossing the river by Rustavi at different points. The construction company has ignored the maps provided by the BTC Co and is using neighbouring land that has not been compensated.

Maps distributed by BTC Co in the summer of 2002, indicated that where the route crosses Rustavi sub-districts, the pipeline would be laid at least 10-20km away from the closest buildings. The ESIA and supplementary documents (including BTC Co maps or RAP) that were issued for public consultation made no reference to the pipeline actually being laid around 250-300 meters from some buildings at some places in the region.



Pipeline next to Rustavi Districts 17/18th

2.2 Ancillary Damage during Construction

A number of villages visited had suffered ancillary damage as a result of the construction works and/or associated traffic.

In Tsalka, roads and sewage systems have been damaged during the pipeline construction. According to a member of the village:

“Sewage is a big concern. The new sewage system built by BTC Co is very close to the water pipes, just above them. It poses a threat to our drinking water if they mix. Several people fell sick and we suspect that mixed drinking water with sewage was the cause.”

Residents from Tsalka also raised concerns about damage to the road from the project. The factfinding mission was told that although villagers had been assured by representatives from the BTC Co that the road would be repaired within a week, the villagers claim the road had still not been repaired three months later.



Villagers had been assured by representatives of the BTC Co that road damage caused by BTC traffic would be repaired.

There was evidence of flooding in three houses (and on associated land) in the village of Tsalka . The victims hold the construction workers' camp responsible for the flooding. The factfinding mission was told that there were three floods between May and June 2004, affecting some residents in the village. Ednar Abuladze 's basement was flooded, destroying food stores (see photo p23). Mamia Tavartkiladze, a landowner from Tsalka, showed the mission the remains of his 43 beehives which were destroyed and his fruit trees which were damaged by the flood. Mr Tavartkiladze said the flooding occurred as drainage channels had been destroyed by BTC Co building works, resulting in the drainage system becoming ineffective. Mr Tavartkiladze said that the company had said they would repair the drainage channels, but haven't.

Mr Tavartkiladze and a local police officer Valeri Konstantinidis both said that the main village street had been destroyed by BTC Co trucks, but had not been repaired. The company has also closed a street that villagers used to allow it to build the workers' camp. They said that although people from Tsalka sent a petition to the company about this street closure, no action has been taken by the company. Villagers complained they now have to walk round the workers' camp, losing a significant amount of time.



Edna Abuladze shows the Mission evidence of the flooding in his basement.



The remains of Mamia Tavartkiladze's flooded beehives.

In Sakuneti in the Akhaltsikhe region, residents said that the BTC Co had damaged the irrigation system, causing problems for the entire water supply of the village. Although the company restored the supply of drinking water, this took two or three days. A resident said:

“The company destroyed our irrigation system. The channel which they made for the pipeline crosses our irrigation system. They promised to repair it, but we don't want them to repair it, but to

give us pipes so that we can repair it ourselves. The company said they would not give us pipes; that they would fix it, that was three or four months ago”.

Villagers said they wanted to repair the irrigation system themselves, as they believe the company will only make temporary repairs.

3. Failure of BTC Co Grievance Mechanism

The BTC Co’s grievance mechanism represents one of the main safeguards for the project according to a number of IFC and EBRD documents. However, the failure of grievance mechanisms in Georgia has been highlighted by the affected communities who have held a number of peaceful rallies, road blockades and stopped construction work. The factfinding mission’s assessment of the implementation of the grievance mechanism is based on interviews with affected communities and with a BTC Co subcontractor, APLR.

An affected person can submit a complaint either to the BTC Co or to a SPJV community liaison person or through APLR’s offices. APLR has been hired by the BTC Co to provide a channel for registering grievances with the BTC Coteam across all seven affected regions of Georgia. APLR has around 150 members of staff and 25 people in the field registering and assessing complaints.

Although APLR receive a range of grievances related to the project, APLR is only mandated to deal with grievances related to land compensation. According to APLR, of the 1,400 complaints received in relation to the project (as of October 2004), about half relate to ancillary damage. APLR said that many of these cases had been fed back to BTC Co (especially in Borjomi, Gardabani and Rustavii regions) but no response had been received from the company.

APLR has set up a hotline, grievance boxes (post-boxes), regional offices (including two located along the pipeline route) and mobile teams to travel to villagers. APLR also provides information by holding public meetings and producing publications for affected communities publicising the grievance mechanism, its function and usage. The APLR is not involved in decision-making and the power to resolve disputes rests with the BTC Co team. However, if the landowner is dissatisfied with BTC Co’s proposed resolution, APLR will log the grievance as ‘open’.

APLR acknowledges that the grievance mechanism is not independent and said that they have tried, unsuccessfully, to push for an independent appeals mechanism. As a last resort, citizens have the right to apply to the courts. In reality however, according to APLR, court cases are highly complicated, expensive and take a very long time. Many villagers have complained that they find the court application process too complex and expensive⁸. APLR reported that the BTC Co had verbally agreed to pay official state fees to process claims, however this has not happened.

BTC Co committed, in the RAP, to create an independent grievance mechanism. The IFC CAO office underlined the necessity for an independent complaint mechanism several times in their evaluation of the project⁹.

⁸ The Court requires a fee from complainants of approximately three to five per cent of the requested compensation, this is often much more than the complainant can afford.

⁹ <http://www.cao-ombudsman.org/pdfs/Final%20Revised%20Assessment%20Report%2008-12-04.pdf>

3.2 Ineffectiveness and Lack of Credibility of Grievance Mechanism

Many villagers view the grievance mechanism as extremely complex and ineffective. In Bashkovi, Otar Khvistani claimed that the ineffectiveness of the grievance mechanism is one of the major concerns the village have with the project. Mr Khvistani said that construction work on the project had resulted in the loss of 38 per cent of his bee hives¹⁰. Mr Khvistani said that although he had complained under the grievance mechanism, the exercise was 'pointless' and he has now complained to the IFC Ombudsmen.

Mamia Tavartkiladze and Valeri Konstantinidis from Tsalka, said that three houses (including their own) had been flooded as a result of the construction of the workers' camp next to the village. Mr Tavartkiladze and Mr Konstantinidis said that flooding had, at one point, resulted in housing being flooded with up to a metre of water. The flooding also destroyed 43 bee hives, and damage to fruit trees.



Honey is an important source of income for many in Georgia, and the indirect damage to hives the BTC project has caused, has had detrimental effects on many.

After the first flood (which was just 20 cm), Mr Tavartkiladze complained to SPJV about the problem, and SPJV duly took responsibility for the flood. However, Mr Tavartkiladze was informed by the SPJV representative that complaints could only be received in French or English. Georgian law states all documentation is required in Georgian. This case has been referred to the CAO.

Mr Tavartkiladze said that after the second flood in his village he went to register a further complaint. He was told by a SPJV representative that "*you bring the same application the second time!*" and the company did not recognise the complaint. Mr Tavartkiladze said that following the second flood, the BTC Co officer responsible changed, and following two more floods, the new chief denied any responsibility and refused compensation. Mr Tavartkiladze and Mr Konstantinidis believe that SPJV denied responsibility for the damage because the salary of SPJV's Community Liaison Officer is linked to the number of complaints they receive.

¹⁰ Mr Khvistani informed the Mission that thirty four out of the ninety bee hives he owned had been destroyed due to pipeline construction works.



Mr Tavartkiladze stands at the edge of his land, next to BTC Co generators. The Mission measured the noise level at the spot above to average ninety db (10th Oct 2004)

Ineffective grievance procedures were also highlighted by residents in Tsalka in relation to the damage to the main road and the noise pollution created by of the company's five generators at the construction camp. Although SPJV responded to the noise pollution complaint, and duly measured the noise, SPJV concluded that noise levels were at an "acceptable limit". The factfinding mission registered an average of 90 db, with a maximum of up to 100 db, at the time of the visit (Sunday 10th Oct 2004).

Mr. Pavlov, who lives in Tsikhisjvari, in the Borjomi region, complained that although the BTC Co have met with him "many times" he has still not received adequate compensation. BTC Co informed Mr Pavlov that he is not eligible for compensation as he has already received 1633 GEL in compensation for a 785 square metre piece of land that he owned which fell within 44m of the route. However, Mr Pavlov is seeking compensation for the road that the company has built across his hay field. While Mr. Pavlov claims to have submitted all required documentation (including title deeds) to the company, BTC Co claims that he holds no title for this piece of land so compensation cannot be paid. Mr Pavlov said;

"If this is not my land then whose land is it? If I am not right and they are right, why don't they prove it? If there is another owner, I will be happy to step out and pass this to him; but this is my land"

In Rustavi, a women from the 18/19th District told the Mission:

"We have had three meetings with BP Ed Johnson BTC project manager. He admitted there have been lots of problems and promised everything will be okay. But nothing has been done. If nobody takes our problems seriously we will stop construction work or we will damage the construction works. If BP causes problems for us, we will cause problems for them."

In Tsemi, villagers said they did not know about the grievance mechanisms until they were told about it by Green Alternative. The biggest problem in the village appeared to be the lack of access to information. A villager said :

“BP has not given us any proper information. Maybe one day they will repair everything and bring the TV stations to show how good they are; but we have already lost everything we had to lose”.

According to Mr. David Giorgadze and Mr. Irakli Songulia, from APLR

“There is a lot of mistrust between the BTC Co, the local people, APLR and the government. In the regions local peoples have a strong perception that nobody cares about them. Even regarding APLR, the people say “it’s their job, but nobody cares about us”.

IFC CAO notes in its July 2004 report systemic dysfunction in the performance of the project-initiated grievance mechanism and the community liaison officers. The CAO believe that IFC’s interaction with BTC Co and BP *“could have been more forceful in ensuring that information disclosure and community liaison deficiencies were remedied at an early stage”*¹¹. The CAO also raised concerns as to how effective BP’s assessment of SPIV had been, specifically regarding the company’s capacity and its management of community liaison.

The Mission notes that many villagers doubt the effectiveness of the BTC Co grievance mechanism. It is concerned that many grievances have not been thoroughly investigated and recommends that all complaints are investigated with due diligence, with more resources from BP where appropriate, and with an obligation to ensure all the complainants have received a clear explanation of the result.

Furthermore, the Mission believes there is an urgent need to establish an independent working group/commission to unite stakeholders and community groups in order to resolve grievances. This body would intervene when the existing BTC Co grievance mechanism fails to adequately resolve disputes, and would allow an alternative source of remedy to legal action. BTC Co should pay court fees if people chose this method of dispute resolution.

4. Inadequate implementation of IFC CAO Recommendations

Mzia Telauridze and Eka Chakhvelidze from Rustavi City expressed their dissatisfaction with the implementation of the IFC Ombudsmen Report by the BTC Co. Although the report recognised the systemic failure of the company in project implementation including problems relating to public participation, community liaison officers, and the existing grievance mechanisms, very little appears to have been done in order to ensure its recommendations are implemented. Residents from the 18/19th District in Rustavi said that their main concerns were over project safety – particularly the risk of a gas explosion. The residents interviewed by the factfinding mission claimed they had received *“No concrete answers to concrete questions”*.

¹¹ Available at [www.cao-ombudsman.org/pdfs/ BTC-Final%20Assessment%20Report%2010-04-04.pdf](http://www.cao-ombudsman.org/pdfs/BTC-Final%20Assessment%20Report%2010-04-04.pdf)



Women from Rustavi 18/19th District fear for their safety living so close to the pipeline and want to be relocated.

The CAO report recommended that the BTC Co should provide clear information to the Rustavi community and arrange frequent community meetings in order to answer all the community's concerns. However, at the time of writing, these recommendations are yet to be implemented. This has resulted in significant disappointment among the community and increased mistrust of BTC Co. The residents said they believed that the local community liaison officer had neglected the importance of implementing the CAO recommendations, arguing that they are not mandatory and therefore unnecessary.

In the village of Bashkovi, Otar Khvistani told the factfinding mission that he had lost 38 per cent of his honey production because of the pipeline construction. Mr Khvasani said that the nearby flower fields which provided a feeding ground for the bees had been destroyed during BTC Co construction work, leading to the bees starving to death. Mr Khvistani wrote a complaint to the IFC's CAO because of a perceived total inefficiency of the local compliance mechanism. The CAO suggested BTC Co send an expert to evaluate the case. A BTC Co bee expert visited Mr Khvistani with the BTC CLO around the beginning of September 2004. Mr Khvistani said that these representatives did not conduct any assessment of the evidence (such as examine the bee hives or their former feeding grounds), but simply told Mr Khvistani that he would not get any compensation. No further explanation was given.

The Mission is concerned that Mr Khvistani will not get fair compensation.

Mr Pavlov, a resident of Tsikhisjvari, filed a complaint on May 21st 2004 demanding compensation for the use of an access route through his private land. Mr Pavlov said that the opening of the route resulted in a significant loss of his income. Mr Pavlov complained to the Mission that BTC Co had been unresponsive. The CAO has recommended BTC Co undertake an aerial survey of the area around the pipeline route to ensure verification of Mr Pavlov's land claim. Mr. Pavlov is unaware of any such action being carried out by, or on behalf of, BTC Co.

The significant number of affected people that have submitted complaints to the IFC CAO office highlights the failure of BTC Co's grievance mechanisms¹². The Mission met with many people who have no trust in the BTC Co and in a number of cases, affected people have refused to meet with company representatives.

¹² Seventeen cases have been registered with the CAO; with a range of signatures (for the Rustavi case 80 residents registered the complaint, in Tetrtskaro around 40, but some cases are concerning individuals).

A number of the CAO's reports underline the necessity to set up an alternative dispute resolution mechanism, at least in Georgia, to address the systematic failure of the BTC Co grievance mechanism.¹³



Mr Khvistani beehives with BTC Pipeline in background. Mr Khvistani has lost 38% of his honey production due to BTC Construction.

Despite the fact that the CAO has made clear recommendations not only regarding specific cases, but also regarding systemic failures of the project, BTC Co appears reluctant to implement these recommendations. The BTC Co's failure to adequately implement CAO/Ombudsmen recommendations indicates an undermining of the role of IFC safeguard procedures to protect rights of local people

The Mission believes that IFIs financing the BTC project, particularly the IFC Ombudsmen, have an inherent obligation to address the complaints inadequately dealt with by BTC Co's own grievance mechanism.

5. Development Impacts of the Project

The Mission witnessed minimal benefits for people on the ground from the project. Conversely, pipeline construction has damaged road infrastructure, as well as caused damage to houses, and resulted in a loss of incomes in a number of areas.

¹³ In July 2004, IFC CAO Assessment report for Rustavi complaint, states ‘5.6 *In addition, BTC Co. should set up an independent appeals process, at least for Georgia. This appeals process should be invoked where the reinforced grievance mechanism fails to produce a mutually satisfactory settlement. It should involve joint problem solving or preventive processes, including the use of a neutral third party in, for example, facilitation, conciliation, and mediation. One proposal, common in many countries, is for each party to voluntarily agree to a binding outcome based on a panel review.*’ In September 2004, the CAO response to complaint from Bashkovi recommended “that BTC work with existing parties to promote the development of an effective and trusted appeals body to resolve these types of complaints locally”, clearly assessing that the current mechanism doesn't solve the problems of affected people.

The Mission recommends that BTC Co should compensate material losses to villagers that have suffered from the construction of the pipeline (damage to houses, water pipes, loss of crops, damaged road infrastructure). According to the RAP, BTC Co estimated that pipeline construction would impact on 3000 Georgian families. If this figure is correct, approximately half of those affected have registered official complaints. As of October 2004, BTC Co had officially received more than 1,600 complaints.

5.1 Housing Value and Damage to Property

In Rustavi, Mzia Telauridze and Eka Chakhvelidze, residents of the 18/19th Districts, claim that the value of their houses has been significantly reduced because of the pipeline. Mzia Telauridze said *“no one wants to live here”*. The noise of the work has also caused homes to vibrate which residents argue has damaged the overall structural condition of the property.

In Agara, Zhuzhuna Lomidze told the factfinding mission

“Nobody explained to us what is going on. Families living next to the railway - their homes have cracked. Twice, people came to take pictures and to investigate what happened to those houses; we sent a letter”.

Mrs Lomidze’s was informed that she is not eligible for compensation as her house was not affected by BP loaded lorries [but trains]. However Mrs Lomidze argues weighted traffic has increased significantly on the railway line due to BTC construction work. Mrs Lomidze said:

“There is one train for passengers from Tbilisi-Vale that has four wagons and there is also another train heavily loaded just for BTC construction. It is really heavily loaded.”



Mrs Lomidze claims intense heavy traffic has resulted in damage to her house. Left: One of Mrs Lomidze recently cracked walls inside her house. Right: Mrs Lomidze indicating damage outside her house by vibration pollution of BTC traffic.

5.2 Threat to Safety

In Rustavi, Mzia Telauridze and Eka Chakhvelidze informed the factfinding mission that although local residents (In the 18/19th Districts) did not initially want to move, as a result of fear for their personal safety, they now are requesting resettlement. Mrs Telauridze and Mrs Chakhvelidze told the Mission that the residents of seven buildings in the district, housing 7-800 people, now want to move because they are afraid of a gas explosion. Mrs Telauridze and Mrs Chakhvelidze said that this fear was based on witnessing BTC Co violate so many stated regulations. Members of the community reported that they had heard about the disaster in Belgium, and they now believed that if something happens to the pipeline, their buildings would definitely be affected.

In Tsemi, residents said that the pipeline runs along a local river for five meters. This river is the main source of water for the village and for two other villages in the region. Residents raised concerns about pipeline leaks and the risk of spill over into the river; as well as the pipeline's exposure to landslides, sabotage and the threat of an earthquake.

In Sakuneti, one villager said:

“There are five km of pipeline which are crossing the village land. We are afraid that if the leak happens then the whole village may disappear. We want to have some security that if there is a leak we will be taken care of.”

5.3 Impact on Tourism, Borjomi region

Villagers in Tsemi told the factfinding mission that they were concerned about the effect the project has had, and may have, on water quality. The villagers also raised concerns regarding the potential impact of an oil spill on hayfields and grazing lands; about pipeline construction vehicles crossing the river and causing erosion that would pollute the water; and potential problems if the pipeline goes near villages with health spas and other tourist facilities. Villagers said they wanted assurances from BTC Co that the water supply will be safe.

Liana Kejerashvili, a local resident, said:

“BTC brought benefits for the government; but local people have nothing! We had such great water here and they brought all these tractors and destroyed it. They have not done anything for us. Their biggest mistake was to cross the Borjomi region! They have destroyed our road, the tourist season has been totally lost, the income source the village had, they destroyed it! The only opportunity we have to earn a living was taken and our water has been ruined since the BTC Co started construction here.”



The water heating system at Tsemi had to be dismantled due to water pollution villagers claim is due to BTC Construction activities.

Tsemi attracts Georgian families with children during the summer holiday season. Most residents of the village rent out their houses. Additionally, three guest houses are rented out from June to August each year. One of these, owned by Jura Lomsadze has a maximum occupancy of one hundred. Mr Lomsadze informed the Mission *“It was full before, but no-one came this year”*. Mr Lomsadze claims to have lost 190 000 lari due to the failed tourist season.

Mr Lomsadze told the factfinding mission:

“The general water for the village became polluted. We have no tourists because of rumours our water is contaminated; some tourists came and saw the water was contaminated, and then the word spread”.

Other hotels/whatever, known as Mziuri and Gantiadi also reportedly had a significant drop in numbers (approximately an 80 per cent drop in clients). Villagers from Tsemi said that the reason for the failed tourist season was due to the water pollution from the pipeline construction. A resident said: *Last year we had 90 per cent of households attracting tourists; this year only 30 per cent.”*

The Mission recommends that the villagers should be compensated for the losses incurred. Furthermore, people living along the pipeline should be given comprehensive information on what to do in case of a spill.

Although the Mission recognises that the most pressing need to ensure project safety in the Borjomi Region is compliance with the Environmental Permit, the Mission also recognises that other mitigatory measures have not been adequately pursued by BTC Co. The Mission recommends that the company puts in place a fully comprehensive monitoring process to mitigate against the risk of spill.

5.4 Limited Job Creation

Villagers in virtually every area visited by the actfinding mission said they were disappointed with the lack of job opportunities resulting from the project.

In Agara in the Borjomi region, a villager reported:

“They started building this pipeline a year and a half ago. Unemployment is a big proble. We can’t find jobs here and only seven people from our village got jobs with the company. Yesterday one of them was fired. They told him there was nothing more for him to do; we don’t know why. No explanation was given to him. Out of 40 applicants in the village, BTC Co organized a lottery. Seven men got jobs, and these jobs were in construction; simple job of simple workers”.

In Bashkovi, Otar Khvistani said that BTC Co employed five people from the village, but many more wanted a job. In Sakeneti, a villager said:

“There are 184 households here; only ten people from our village are working for BTC CO; and those jobs are just as simple workers. Nno-one has an important job there”.

In Tsemi, a woman complained:

“Just a few people from our village were employed. When we came to apply for a job it was like being in cages. The way they organised it was so humiliating! And the pay is really bad. But since we

have no job - it is better to have something than nothing. They pay 150 Lari per month for dishwashers and working conditions are horrible”.

The lack of job creation from the project was a concern raised in every village the Mission visited. The Mission believes that the intense promotion of the project by BTC Co and the Georgian Government has exacerbated community expectations which have not been met. This has resulted in many affected communities feeling extremely disillusioned about the project, and angry.

The Mission recommends that the project commission an evaluation and action plan overview of the share of local employees and local supplies used for the project. The Mission also recognises that IFIs, particularly the IFC and the EBRD are primarily responsible for the coherence of the BTC pipeline as a ‘development’ project¹⁴ and should undertake the necessary steps to support regional development.

5.5 Energy Access and Supply

Energy supply is extremely limited in some of the areas crossed by the pipeline. In all the villages visited, residents complained about shortages, which reduce the development capacity of the villages. Residents in the suburbs of Rustavi reported a very unreliable energy supply. In summer electricity is not available for about three hours a day, and in winter electricity is not available for about 20 hours a day (Residents said that in winter they receive a maximum of four to five hours of electricity a day).

In Tsemi, residents said that in the nearby village of Sadgeri, villagers blocked the road on the 11th of October 2004 in protest at power cuts. Another resident said:

“We have electricity in the village, but it is only available several times a day for a short time and never after seven in the evening”.

In Agara, villagers said that the power supply was very infrequent, normally coming on at midnight for one or two hours for the day, but sometimes there was no electricity at all.

The Mission denounces energy shortages along a pipeline that will bring more than one million barrels of oil and the same of gas every day to the highest energy consumers in the world. The Mission notes that although one of the most common issues raised by affected communities is about energy supply, the project’s Community Investment Programmes does not in any way address local energy demands.

6. Community Investment Programmes

Residents from Bashkovi explained that their two main priorities, in terms of community investment, were repairing water pipes, securing the water supply, and improved roads. Residents said they needed a new link road to connect the village to the main road.

¹⁴ According to the BTC chief executive Michael Townshend “The involvement of both the IFC and EBRD will help ensure that this investment results in real benefits for those most directly affected - from the 450 villages along the pipeline route, to the citizens of Azerbaijan, Georgia and Turkey, We [BTC Co] are especially looking forward to working with both institutions on regional development initiatives and developing plans for civil society involvement in the monitoring of the project. ”
<http://www.unocal.com/uclnews/2003news/111103.htm>

Community Investment Programmes, according to the BTC Co, are:

“intended to bring lasting socio-economic benefits to people living in areas which lie along the pipeline route. Individual projects which comprise this CIP are being undertaken by national and international non-government organisations (NGOs) working together with the BTC Project as financial supporters of the programme, local authorities and communities”¹⁵.

Residents from Bashkovi were consulted about their priorities and a community-based organisation was created with about eight people from the village, including Mr Otar Khvistani. Mr Khvistani told the factfinding mission that the community based organisation decided on the priorities of water and road building, and that this decision was supported by the local government. BTC Co informed the community organisation these works would be done, and that the water supply plan would be implemented in spring 2004. Mr Khvistani said that no work had been carried out as yet and *“nobody in the village is happy with the project”*.

In Sakuneti, one villager reported that:

“Because the pipeline is crossing our land there was a promise to make good things happen in the village. But nothing good has happened, apart from the renovation of the club in the village. The village wanted the club to be renovated but the company only renovated the inside; and they promised to renovate the roads, but nothing has happened”.

The Mission notes that the majority of those interviewed stated that they were satisfied with the intention of CIPs to rehabilitate roads, water supply or irrigation systems. However, the Mission is concerned by residents’ limited knowledge about the planning and implementation of CIP. The Mission recommends increased transparency, information dissemination, and public participation during the execution of CIPs.

7. Public Participation

In Rustavi City, Mzia Telauridze and Eka Chakhvelidze reported that they had not been consulted by BTC Co about the proposed project. Residents said they became aware of construction in front of their houses only when heavy machinery arrived at the site on 24th January 2004.

The IFC CAO ombudsmen report confirmed that the public disclosure process has had serious deficiencies.

“The CAO was presented with contradictory information concerning the timing and nature of disclosure and consultations. BTC Co’s insistence that the pipeline is safe, without fully disclosing or explaining what international pipeline safety standards are required, either in the ESIA or other communications, fueled increasing suspicions on the part of the Complainants. Lack of evidence for verifiable, timely proactive engagement with the Rustavi 18th and 19th sub districts has lead to a breakdown of trust between the Complainants and BTC Co”¹⁶.

¹⁵ BTC Website, *People and the Environment*, accessed 12/2/05

<http://www.caspiandevlopmentandexport.com/ASP/PeopleAndEnvironmentCommunity.asp>

¹⁶ CAO Assessment Report Complaint regarding the Baku-Tbilisi-Ceyhan (BTC) Pipeline Project Rustavi, Georgia July 2004

The CAO report further recommended BP have regular contact with affected communities, yet based on the interviews conducted with residents, this has not happened in Rustavi. The factfinding mission was told that community representatives from Rustavi approached BP regarding concerns over cracked pipes at the river crossing at the end of July 2004. However, no response has been received from BP.

Mzia Telauridze and Eka Chakhvelidze of Rustavi said:

“Nobody is telling us why and how this happens. The CAO report says local people have no technical knowledge. We know this, but we just want to know what is going on when we see a cracked pipe in front of our houses”.

The community frustrations are echoed by WWF Georgia. Kakha Tolodava, communications officer for WWF Caucasus, told the factfinding mission:

“We have been frustrated that BTC CO have had such bad communication during project evaluation, we have not been consulted and have got disillusioned with engaging with BP.”

WWF complained they remain uninformed about the BTC Co’s proposed plans. They were involved in multi stakeholder consultations organised by IFIs, but further talks with BP and the BTC CO suggested that the consultations had been meaningless.

The Mission is concerned that public participation and access to information is inadequate along the route of the pipeline, in all sites it visited. BTC Co should directly communicate with affected communities and civil society organisations in advance, consult with them adequately and take their demands into account properly. Extensive communication should involve not only general information about the project, but also rights and responsibilities.

8. Lack of IFI Responsiveness

A number of villagers reported that although their complaints had been raised with the local IFC Office, they had not received adequate responses. Georgian Government officials also raised concerns about the lack of effective communication with the IFC and EBRD. According to Mrs. Tamara Lebanidze, Environment Minister and Dr. Giorgi Vashakmadze, Representative of Georgia in Intergovernmental Implementation Commission on the Baku-Tblisi-Ceyhan Main Export Pipeline (MEP) and the Baku-Tblisi-Erzurum Pipeline (SCP),

“EBRD were here two or three days ago. We called them to have a meeting (we requested it) and unfortunately they only had a few hours. We learned that they were here several times and did not contact any government representatives. The Caspian Development Panel was here on October 27th – and didn’t arrange to meet us either. They have not answered the letters we have sent them on several occasions addressing specific urgent concerns. We have contacted them again and arranged to meet them while they are here.”

On July 25th 2004, the Security Council of Georgia sent a 22 page letter to the IFC and EBRD regarding the BTC Co non-compliance with article 9 of the Georgian environmental permit, issued on November 2002.

”When BTC Co started ... to lay pipes in the ground in the Borjomi gorge not in accordance with the Environmental Permit Conditions of 2002 and the Conditions of the Pipeline Design Approval of 2002, Georgia had no choice but to order a stoppage of the illegal construction work¹⁷”.

The Security Council also note that:

“BTC project ESIA Georgia, Supplementary Lenders information Pack – Part C” is incorrect and incomplete ...While there are some further studies required by the ESIA approval conditions, the route and project have been approved as per the issuance of the environmental permit...the approval of the ESIA and approval of the route was given, together with and subject to the fulfilment of the mutually agreed “2002 permit Conditions” requesting the BTC Co to undertake change to design, which changes are subject to the Governments approval”.

The Council raised concerns regarding non compliance with condition nine of the Environmental Permit that requires “as close to possible zero risk”. The council underlined that:

“Despite repeated requests to BTC Co to take care of the agreed upon “conditions” BTC Co did not provide a security study analysing the necessary measures to implement the concept of “as close as possible to zero risk”.

Furthermore, the Government of Georgia requested Jane’s Consultancy to examine security issue for Georgia. The conclusion of the review was that:

“a sufficient time for proper response to risk can only be achieved through construction of the oil pipeline at least 3 meters, together with protective constructions, under the ground”

However, there have been no responses either from the IFC or EBRD addressing the Government’s concerns. According to Georgian Government, this is totally unacceptable. The Mission finds the lack of effective communication between the Georgian Government and the IFC, EBRD and BP unacceptable. The Mission believe this indicates exceptionally weak due diligence from the IFIs.

The Mission recommends that immediate steps are taken by all IFIs to address current concerns, including non compliance of the environmental permit, concerns regarding the safety of the pipeline coating, the spillage risks in Borjomi, problems associated with land compensation, and the ineffectiveness of the existing grievance mechanisms.

In the long term, IFIs must undertake responsibility for the consequences and impacts of this project. In order to decrease the negative impacts of the project, IFIs should be involved in monitoring the project, taking responsibility for concerns raised, and helping the Government and people of Georgia to benefit from the BTC Project.

¹⁷ See appendix 1

Glossary

APLR	Association for Protection of Landowners Rights
BAT	Best Available Technology
CAO	Compliance Advisor Ombudsmen
CIP	Community Investment Programme
EBRD	European Bank for Reconstruction and Development
ECGD	Export Credit Guarantee Department (UK)
ESIA	Environmental and Social Impact Assessment
IDP	Internally Displaced Person
IFC	International Finance Corporation, Private Sector Arm of the World Bank Group
IFI	International Financial Institution
NGO	Non Governmental Organisation
RAP	Resettlement Action Plan
SPJV	Spie-Petrofac construction company carrying out pipeline works

Currency:

1 Euro – 2.3 GEL