



Baku – Tbilisi – Ceyhan Pipeline
Review of Land Acquisition and Compensation Process
Interim Report

Tbilisi, 2003

This report represents the joint effort of the groups working on Baku-Tbilisi-Ceyhan Oil Pipeline issues

The Document is published within the framework of the project “Social Monitoring of the Baku-Tbilisi-Ceyhan Oil Pipeline by Affected Communities”

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***“Each State hereby represents and warrants that
(I) the MEP Project shall not involve the provision of services to the
public at large in its Territory for purposes of satisfying the
general of common needs of the populace,
(II) the MEP Project is not intended or required to operate in
the service of the public benefit or interest in its Territory”***

Agreement Among Georgia, The Azerbaijan Republic and
The Republic of Turkey Relating to the Transportation of Petroleum
Via the Territories of The Azerbaijan Republic, Georgia and the Republic
of Turkey Through the Baku-Tbilisi-Ceyhan Main Export Pipeline
Article II, Paragraph 8

***“The BTC Project is committed to delivering mutual benefits to
communities along the pipeline route and to establishing long-term
relationships with these communities, during both the
construction and operational phases . . .
[We will] compensate for damage to land and property in a
legal, transparent and ethical manner that respects the
interests of those involved”***

Baku-Tbilisi-Ceyhan Project Statement of Social Objectives
BTC Project Environmental and Social Impact Assessment,
Georgia, Draft for Disclosure
Chapter 14. Management and Monitoring

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Executive summary

The construction of the Baku-Tbilisi-Ceyhan Main Oil Export Pipeline is due to start in 2003. According to the preliminary assessment, the pipeline will pump up to 50 million tons of crude oil per year from the expanded Sangachal terminal near Baku (Azerbaijan) through Georgia to a new marine terminal at Ceyhan on the Turkish Mediterranean coast. Oil will be transported by tankers from the Ceyhan terminal to the international markets.

The construction and operation of the pipeline in Georgia is being headed by Baku-Tbilisi-Ceyhan Pipeline Company (BTC Co), established in August 2002. In Georgia the pipeline will cross private and state-owned lands in seven regions: Gardabani, Marneuli, Tetritskaro, Tsalka, Borjomi, Akhaltsikhe and Adigeni, as well as a part of the administrative border of the City of Rustavi.

Based on the Host Country Government Agreement and Georgian law, to gain the Right of Way on land BTC Co has developed three types of agreements:

- Land Acquisition Agreement (between BTC Co and the land owner);
- Agreement on the Granting of the Right of Way for the Pipeline (between BTC Co, local administration and leaser);
- Agreement on the Granting of the Right of Way for the Pipeline (between BTC Co and the local administration).

As it is known, in January 2003, BTC Co started the land acquisition and compensation process in the Akhaltsikhe region, in line with the above agreements. Currently, the land acquisition and compensation process is also underway in the Adigeni and Borjomi regions. In Georgia the pipeline will cross around 3 000 private and leased land plots.

This document reviews the BTC Main Export Pipeline Project land acquisition and compensation process in Georgia. It discusses the problems identified during the land acquisition and compensation process and detected violations related to the land plots that fall into the 44 metre construction corridor.

In Georgia the land acquisition and compensation process is carried out in line with the following documents prepared by the project sponsor: Guide to Land Acquisition and Compensation in Georgia for BTC and South Caucasus Pipeline; and Resettlement Action Plan. The project sponsor has emphasised that the documents have been prepared in compliance with the World Bank Group's Operational Directive 4.30 - Involuntary Resettlement.

Access to information and consultations

It should be noted that the project sponsor distributed the land acquisition and compensation guide to the population along the pipeline quite late, only *after* the inventory/inspection was completed. As a result, landowners and land users had no information about their rights and obligations during the actual process.

As a result of the lack of information (on compensation, restrictions in the protection zone, etc.) the affected inhabitants have been sending a variety of different complaints to BTC Co, but it should also be noted that, unfortunately, most of them are still waiting for responses to their letters. This clearly shows that consultations and so-called mechanisms for complaints and conflict resolution, as set out in the guide, are rather unsatisfactory.

Moreover, with the start of the land acquisition and compensation process by BTC Co, it appears that some of the landowners were not satisfied with the price of the land that the company offered them and that was defined in the Appendix of the guide. The population is still unaware of how the land price was calculated. The information provided on this in the guide and the Resettlement Action Plan is extremely scant.

Furthermore, the local population is getting increasingly concerned with the fact that, based on the Land Purchase Agreement, Baku-Tbilisi-Ceyhan Pipeline Company (Georgia) will become a plenipotentiary owner of the appropriate land. According to the guide, BTC Co has the following obligation: *"Following construction, with the exception of land required for permanent Above Ground Installations, previous owners and users of the land appropriated for project use will be allowed to re-enter and resume the use of the land they previously occupied, subject to the observance of certain safety restrictions. Such rights of reuse will be at no charge to the former owner or user"*. However, it should also be pointed out that this issue is discussed only very briefly in the guide; neither does the Land Purchasing Agreement include provisions about the rights of former landowners to re-enter and resume the use of land being subject to several restrictions.

The Resettlement Action Plan explains that *"the absence of a legal framework within Georgian Statute to permit less than ownership rights which would confer the degree of protection required by BTC Co for safe pipeline operation and maintenance"* is the main reason for purchasing the 44 metre wide construction corridor from private owners affected by the pipeline route. At the same time it is mentioned in the plan that *"alterations to Georgian Law are currently being pursued which would confer the necessary degree of operational control while permitting the ownership and use of the land to be handed back to the original owners"*.

The project sponsor approach is totally unacceptable. What it means, in effect, is that Georgian legislation can be altered at any time during the implementation of the different infrastructural projects, should the project sponsor, for whatever reason, simply not want to comply with the requirements of national legislation. Such alterations would not lead to the desired results. In our opinion, Georgian civil legislation is flexible enough for BTC Co to find a suitable legal regime.

It should also be noted that landowners and land users do not have sufficient information about the meaning of the term "expropriation", and how it applies. This results in situations where landowners are advised by the representatives of the Land Acquisition Team to agree on the offered amount of compensation with argument that "the State will win anyway, no matter where we complain".

Infringement of unregistered land users' interests

As a result of the Host Government Agreement, participants in the Main Export Pipeline (MEP) were granted the "*exclusive and unrestricted*" right regarding state land. At the same time the MEP participants are obliged to pay compensation only for the state land that is used for agricultural purposes within the Construction Corridor, or Permanent Land that could not be used for the relevant purposes because it was "*disabled as a result of project activities*". It should be noted that under both the same agreement and Georgian law, cultivation costs of compensatory land must be paid to the State Department for Land Management of Georgia, while the landowner, i.e. the State, gets compensation for the damage caused by agricultural land take. In accordance with the Resettlement Action Plan, such land will be compensated for three years and the payment will be made to the local representative bodies.

Such a compensation mechanism violates the interests of those unregistered land users who have used state land for agricultural purposes over a long period of time, and even paid taxes on this use but never had a formal rent agreement with the local government. This contradicts one of the fundamental requirements of the World Bank Operational Directive 4.30, which stipulates "*Not having a legal title on the land must not be an obstacle to compensation for such groups*"

The villagers prefer to get compensation from BTC Pipeline Company directly rather than via transfers to the local administrative bodies, as they fear that in the latter case it could be misused.

Public security during the land compensation process

Soon after BTC Co started the land acquisition and compensation process, criminal activities started to appear in those regions along the proposed route of the pipeline. While the names of landowners and land users who got or were supposed to get compensation from the BTC Pipeline Company weren't kept anonymous, a list of landowners and land users was sent to the local governmental bodies and the police. Furthermore, a list of the people that should get compensation has been even published in newspapers.

It should be pointed out that due to the improper preliminary work to secure the rights of the landowners as well as the aforementioned negligence, there are now criminal groups operating along the pipeline route that have knowledge of the exact list of landowners and the timeframe within which they should be receiving compensation from BTC Co. Using threats, the group extorts 10 % of the compensation from landowners either before they go to the bank or after they get the compensation. According to another

source of information, criminal groups extort 20 % of the compensation from landowners. It should also be mentioned that the majority of landowners who have been extorted by criminals are afraid to give evidence and speak out due to the overall insecurity.

In Georgia the land acquisition and compensation is being performed in a very inadequate way that first and foremost negatively impacts on landowners' and land users' interests.

Of all the shortcomings of the land acquisition and compensation process, the Host Government Agreement is the most serious - the interests of the signatories are not evenly served by it. The second reason for the existing difficulties is deficient national land legislation that is clearly evidenced in the case of the land acquisition and compensation process, allowing as it does corrupt activities. Finally, it's impossible not to mention the proponent of BTC Export Pipeline Project, BTC Pipeline Company, and also the contractors of the company and the Georgian authorities, who are obliged to implement the BTC Main Export Pipeline Project successfully and to protect the interests and security of the population. They are carrying out the land acquisition and compensation process unsatisfactorily. The facts provided in this document can be used as evidence of these shortcomings.

CHAPTER 1 BRIEF OVERVIEW OF BTC MAIN EXPORT PIPELINE PROJECT

The legal framework of the Baku-Tbilisi-Ceyhan Main Export Pipeline Project implementation is set out in two main agreements:

- Agreement Among Georgia, The Azerbaijan Republic and The Republic of Turkey Relating to the Transportation of Petroleum Via the Territories of The Azerbaijan Republic, Georgia and the Republic of Turkey Through the Baku-Tbilisi-Ceyhan Main Export Pipeline (Intergovernmental Agreement), signed at the conference in Istanbul on November 18, 1999;
- The Host Government Agreement signed by the Government of Georgia and the Participants of Main Export Pipeline Project that was finalised on April 28, 2000 and represents the Appendix and integral part of the Agreement.

The Intergovernmental Agreement defines the main general obligations of the parties who signed the agreement, while the Host Government Agreement (HGA) is far more specific and regulates the relationship between the host government and the project investors. These agreements were ratified by the Parliament of Georgia on May 31, 2000.

Meanwhile, Presidential edict No. 455 of October 17, 2000 assigns the Georgian International Oil Corporation (GIOC) as the representative of Georgia in the BTC Main Export Pipeline Project¹. The same decree granted to Mr. George Chanturia, president of GIOC and plenipotentiary of the President of Georgia, the right to sign the appendices of the Intergovernmental Agreement on behalf of Georgia.

According to the sponsors of BTC Main Export Pipeline, it will be possible to pump up to one million barrels per day or about 50 million tons of crude oil per year through the constructed pipeline from the expanded terminal of Sangachal (Azerbaijan) via the territory of Georgia to the new marine terminal in Ceyhan, located on Turkey's Mediterranean coast. Oil will be transported to the international markets from the Ceyhan terminal by tankers.

The total length of the BTC Main Export Pipeline across the three states will be 1,750 kilometres. The lengths of the respective sections of the pipeline will be 442 kilometres in Azerbaijan, 248 kilometres in Georgia and 1060 kilometres in Turkey. A 42 inch (1,066.8 mm) diameter pipeline entering Georgia from Azerbaijan will turn into a 46 inch (1,168.4 mm) diameter pipeline and will revert to 42 inches in the territory of Turkey. Design and feasibility studies of the pipeline started in 2000.

The pipeline will cross the following seven regions in Georgia: Gardabani, Marneuli, Tetri tskaro, Tsalka, Borjomi, Akhaltsikhe and Adigeni, as well as a part of the administrative border of the City of Rustavi. According to the project sponsors, construction of the pipeline will begin in spring 2003² and will be completed by the end of 2004. The pipeline will start operation in 2005.

The project design is lead by the group of oil companies known as the BTC owners, where British Petroleum (BP) holds the leading position. The shareholders of the BTC pipeline other than BP are: the State Oil Company of Azerbaijan (SOCAR), Unocal, Statoil, TPAO, Agip, TFE, Itochu, Inpex, Delta Hess and Conoco Philips. In October 2002 Conoco Philips joined the BTC owners, which bought 2.5 % shares from BP.

In August 2002 BTC Pipeline Company (BTC Co) was established. BTC Co will be responsible for the construction and operation of the proposed pipeline in both Georgia and Azerbaijan. For construction works in Georgia the French company Spie Capag and the American company Petrofac were chosen to be the contractors in July, 2002.

CHAPTER 2 LAND ACQUISITION AND COMPENSATION

¹ The Georgian International Oil Corporation (GIOC) was established on the basis of Presidential edict No. 477 of November 11, 1995. The legal status and the structure of the corporation was defined by Presidential edict No. 178 of February 20, 1996. In accordance with the latest, the GIOC was established as a joint-stock company and all the initial shares were transferred to the State.

² A celebration to mark the beginning of the BTC Main Export Pipeline construction in Georgia was held on May 23, 2003 in the region of Tetri tskaro.

According to the Resettlement Action Plan³, BTC Co planned to start the land acquisition and compensation process of relevant land plots from the middle of January 2003 until the middle of April 2003.⁴

Before starting on this project, BTC outlined and published the following documents that were distributed throughout the pipeline-affected settlements:

- Guide to Land Acquisition and Compensation in Georgia for BTC and South Caucasus Pipeline⁵ (November 2002);
- Resettlement Action Plan ⁶(December 2002).

BTC Co started the land acquisition and compensation process at the end of January 2003, from the Akhaltsikhe region.

The BTC Pipeline Company cooperates on land issues with Georgian non-governmental organization, Association for Protection of Landowners Rights⁷. The association provides landowners and users affected by the project with information about the project and its development, takes part in mediation and negotiations between BTC Co and landowners/users and helps BTC CO to register its right to the land in the public register.⁸

CHAPTER 3 GRANTING OF THE LAND RIGHTS AND INFRINGEMENT OF UNREGISTERED LAND USERS' INTERESTS

The Government of Georgia has granted several land rights to the participants of the Main Export Pipeline (MEP) Project through the Host Government Agreement (HGA).

Regarding private land, the MEP participants could get land or Right of Land only by paying a "*reasonable compensation*"⁹ to the appropriate persons (landowners, land users). As for state land, the

³ BTC Co, Resettlement Action Plan: Baku-Tbilisi -Ceyhan Oil Pipeline: Georgia, December 2002.

⁴ To date, the land acquisition and compensation procedure in Georgia is still ongoing.

⁵ BP, Guide to Land Acquisition and Compensation in Georgia for BTC and South Caucasus Pipeline (date of publication is not known).

⁶ It should be noted that for unknown reasons the English word "resettlement" in the title and used throughout the plan is incorrectly translated to Georgian as "settlement".

⁷ "BTC Co will engage a national landowners' rights advocacy NGO to disseminate information and educate affected people about the project, the processes that will be adopted for land acquisition and compensation, and their rights with respect to landownership and leasing. BTC Co and the NGO will be responsible for community preparation ahead of land acquisition, and for notifying and briefing owners and users directly affected by land acquisition. The NGO will also undertake ongoing monitoring of communities affected by the project." Environmental and Social Impact Assessment, Georgia, Draft for Disclosure, Chapter 11. Social Impacts and Mitigation, Subchapter 11.4.9 Liaison with Communities.

⁸ Interview with the Director of the "Association for Protection of Landowners' Rights" Mr. Jaba Ebanoidze, May 16, 2003.

⁹ See Host Government Agreement, Article 4.1 (iii)

participants of MEP were granted the "exclusive and unrestricted" right in accordance with article 4.1 (ii) of the agreement. According to article 1.5 of Appendix 2 of this same agreement, the MEP participants "shall have no obligation to pay to the State Authorities any compensation of any land or Right to Land".

Article 1.5 of Appendix 2 of the HGA obliged MEP participants to pay compensation only for the state land that is used for agricultural purposes within the Construction Corridor,¹⁰ or Permanent Land¹¹ that could not be used for the relevant purposes because it was "disabled as a result of Project activities". According to the same article, the costs for cultivation of compensatory land should be calculated in accordance with the Law of Georgia on Compensation of Compensatory Land Cultivation Costs and Sustained Damages in Case of Allocation of Agricultural Land for Non-Agricultural Purpose.¹² The amount must be transferred to the "proper State Body" which, according to article 13 of the law, is the State Department for Land Management of Georgia. In such case the landowner (i.e. the State) gets compensation for the damage caused by land take. In accordance with the Resettlement Action Plan, such land will be compensated for three years (on the basis of one harvest of hay per year) and the payment will be made to the local representative bodies.

In our opinion, such a compensation mechanism violates the interests of unregistered land users that used state-owned meadows and pasture lands for agricultural purposes over a long period of time, and even paid taxes but never had a formal rent agreement with the local government. Because of the lack of any rent agreement these people are not considered to be legal land users and have no opportunity to receive compensation for the meadows and pastures.

According to the authors of the document, it has been prepared in compliance with the World Bank Operational Directive 4.30; however in terms of the protection of unregistered land users' rights it contradicts one of the fundamental requirements of the World Bank Operational Directive 4.30 which stipulates: "Not having a legal title on the land must not be an obstacle to compensation for such groups".

It should be mentioned that the Resettlement Action Plan for Azerbaijan has established a better mechanism for the protection of unregistered land users' interests. According to the Azerbaijan RAP,¹³ the agreement will be signed between the Land Acquisition Team and unregistered land users. Thus, unregistered land users will automatically acquire the status of the registered users on the basis of this agreement. This same agreement guarantees that unregistered users will be compensated.

¹⁰ According to Article 6, 6.1 of Appendix 2 of HGA: " "Construction Corridor" means an area of land twenty-two (22) metres wide within the Preferred Route Corridor land zone" where MEP participants are granted the exclusive right to control the extent above the surface and to utilise the lower layer of the land.

¹¹ According to paragraph 6.1 of Article 6 of Appendix 2 of the HGA, "Permanent Land" is defined as "the location upon or under which the Facilities exist, from time to time throughout the life of the Project".

¹² Adopted on October 2, 1997.

¹³ Resettlement Action Plan, Part B, Azerbaijan, Compensation Framework and Land Acquisition in Azerbaijan; Chapter 5.2.3.2.

During the compensation process for state-owned meadows and pastures within the construction corridor, various problems have arisen, starting in the Akhaltsikhe and Borjomi regions.

For example, in the village of Sakuneti (Akhaltsikhe region), part of Agara Sakrebulo¹⁴, after the beginning of the land acquisition process the land users of the community meadows and pastures, whose land falls under the 44 metre construction corridor, made compensation claims. These land users have no rental agreement with the local government. The same claims were made by the villagers of Tiseli (Akhaltsikhe region), Sakire and Tadzrisi (Borjomi region).

Opinion poll findings demonstrate that unregistered land users in these villages, as well as in other settlements crossed by the pipeline route, are very confused about the situation. The villagers prefer to get compensation from BTC Pipeline Company directly rather than through transfers via the Sakrebulo, as they fear that in the latter case it will be misused.

CHAPTER 4 COMMUNITY BASED ORGANISATIONS

It turns out that the majority of people in the affected villages hope to get compensation for meadows and pastures through the establishment of Community Based Organizations (CBOs). For instance, in January 2003, the inhabitants of Sakuneti (Akhaltsikhe region) sent a letter to Mr. Johnson, manager of BTC project, requesting that the company transfer compensation for the meadows and pastures to the local CBOs bank account.

Talks about the creation of CBOs have also begun in villages in the Tsalka region, where community meadows and pastures lie within the Baku-Tbilisi-Ceyhan pipeline 44 metre construction corridor.

An overview of the situation confirms that in the majority of cases the idea of creating the CBOs in order to get compensation comes from the representatives of the local authorities as well as from the Georgian International Oil Corporation. However, ultimately this compensation problem surrounding the meadows and pastures could not be solved in this way, as studies showed these lands are still under state ownership and could not stand as CBO property. According to HGA, this means that BTC Co is under no obligation to compensate the CBOs for the land, as they are not owners of the land.

CHAPTER 5 VIOLATIONS IN LAND LEASE

Following on from the setting-up of the CBOs, the land users found out about violations regarding the leasing of the meadows and pastures that had previously not been known. It turns out that the very

¹⁴ Sakrebulo – locally elected administrative body.

meadows and pastures that community members had been asking compensation for had been leased to private landowners in contravention of Georgian law.

Sakuneti village, Akhaltsikhe region

The situation created in Sakuneti, a village in the Akhaltsikhe region, serves as a warning. During the establishment of its CBO, it became clear to the villagers that the chairman of Agara Sakrebulo (under whose auspices Sakuneti belongs) leased those lands himself. These are the lands where the pipeline will pass and people had thus asked for the relevant compensation. This fact was previously unknown to the villagers. Apparently, according to HGA, it is only the Chairman of Agara Sakrebulo who is permitted to claim compensation from BTC Pipeline Company (as the only legal user of the land). To demonstrate their attitude towards this turn of events, on January 22, 2003 the people of the village organised some direct action - they blocked the central highway.

The analyses show that the leasing of these meadows and pastures in Sakuneti village, was carried out in 1999 in violation of Presidential decree No. 466 concerning the "Rule of Leasing of State-Owned Lands for Agricultural purposes", August 2, 1998. This decree requires that the leasing procedure should be carried out transparently and publicly. The local government was obliged to provide the village inhabitants with information about the possibilities of leasing the land. In this case this was not done.

In order to prevent news of this violation being made public, the chairman of Agara Sakrebulo personally offered the establishment of a CBO in the village and promised that he would transfer the expected compensation from BTC Pipeline Company into the organisation's account.

The people of the village were pleased and accepted the Chairman's offer, and the CBO was duly created. However, it should be noted that there is no written commitment on the part of the Sakrebulo chairman which says that he will honor his promise. Therefore there is no legal guarantee that he will fulfil his obligation.

Tiseli village, Akhaltsikhe region

The same legal violation has emerged in Tiseli, a village in the Akhaltsikhe region, where people used meadows and pastures for many years and even paid taxes for using the land¹⁵. The land was rented to the representatives of the local government without any public knowledge of the fact.

Sakire and Tadzrisi villages, Borjomi region

¹⁵ There are documents that confirm payment of taxes.

The practice of leasing community meadows and pastures to private individuals by the local government without public knowledge also took place in the villages of Sakire and Tadzrisi in the Borjomi region. This came to light only after the villagers expressed their desire to get compensation for said land and the establishment of a Community Based Organization was in its preliminary stages.

Akhali Samgori village, Gardabani region

The situation in Akhali Samgori in the Gardabani region should also be mentioned in any discussion of the violation of the community land renting process. According to the information that has been available to the authors, the BTC pipeline will cross the pastures that have been used by people for many years.

In order to find out where any BTC Co compensation for state owned meadows and pastures would be transferred, the population of the village wrote to the local government of Gardabani. On November 7, 2002 the response came that, *"the compensation for the pipeline crossing pastures will be transferred to the local budget of Gardabani Sakrebulo and expediency of the utilisation of the money will be decided together with the population of the village"*.

The people of the village complained about different type of land acquisition violations¹⁶ and claimed that community pastures were rented to private individuals. The people of Akhali Samgori wrote a request to Mr. Levan Mamaladze, plenipotentiary of the President of Georgia in Kvemo Kartli¹⁷, Mr. Nugzar Perashvili, Gamgebeli of Gardabani region and Mr. Guram Kavtaradze, Gamgebeli of Akhali Samgori village. Up to now, however, there has been no response forthcoming.

Disenchanted citizens demonstrated by blocking the central highway on February 14, 2003. The complaint letter has been also sent to the Parliament of Georgia. The deputies¹⁸ visited the village and on April 10, 2003 the issue was discussed in a parliamentary committee hearing. The Fraction of the Parliament is currently investigating the issue.

It should be underlined that Gamgebeli of Akhali Samgori categorically denies renting pastures to private individuals. According to him the pastures are still under state ownership and any BTC Co compensation will be transferred onto the account of the Sakrebulo and will be used for the needs of the village.

Kartagla village, Gardabani region

Problems connected with land compensation issues have also arisen in Kartagla in the Gardabani region. 131 hectares of agricultural land in the village lie on the administrative border with Jandari, a neighbouring village. This area lies within the BTC pipeline 44 metre construction corridor.

¹⁶ *Path of Pipeline, Part Three: Disgust, Distrust and Death Threats*, March 5-11, 2003, Village Voice, www.villagevoice.com

¹⁷ The administrative-territorial unit of Georgia.

¹⁸ From fraction "XXI century".

Despite the local Kartagla government's hopes that they be compensated for this land, it turned out that it had been already leased by private individuals through the local Jandari government. The local government of Kartagla is confident that the Jandari administration had no legal right to do this because this land falls under Kartagla local government jurisdiction.

Andeziti settlement, Borjomi region

The review of the problems regarding the illegal leasing of the lands confirms that the government violated its obligation under article 1.4 of Appendix 2 of HGA. The article stipulates that the parties to the Agreement agreed that on and after the Effective Date and continuing thereafter for a period of fifteen (15) months, no interest in State Land shall be classified as Non-state Land by reason of any leasing or licensing to another conveyance of a non-ownership interest by the state authorities to any person who is not a state authority.

Similar problems emerged in Andeziti in the Borjomi region. It became known that the agricultural land of the State Forest Fund that lies within the BTC pipeline 44 metre construction corridor had been rented to the village for five years by Borjomi-Bakuriani forestry in 2001. The leasing of this land contradicts article 1.4, Appendix 2 of HGA and state authorities violate the agreement when such renting is undertaken.

The people of Andeziti have no access to information regarding the pipeline and its legal framework. They complained about the abolishment of the rent agreement by Borjomi-Bakuriani forestry after the talks on the construction of the pipeline were underway. The reason for the Forestry to abandon the agreement was because it wasn't registered in the public register and was not notarized. However, according to article 593 of the Civil Code of Georgia,¹⁹ this does not serve as a basis for eliminating the leasing agreement.

The people of the settlement that were left without pastures sent a complaint to Mr. George Chanturia, the president of GIOC,²⁰ and Mr. Zaza Jokhadze, Gamgebeli of Borjomi region²¹. The issue is still under investigation.

CHAPTER 6 ACCESS TO INFORMATION

In order to conduct the land acquisition and compensation process, BTC Co prepared the "Guide to Land Acquisition and Compensation in Georgia for BTC and South Caucasus Pipeline"(further - guide). The guide gives a brief description of the land acquisition and compensation process for the construction of the

¹⁹ See Civil Code of Georgia, Book Three – Law of Obligations, Special Part, Title One - Contract Law, Part Two, Chapter 6, Lease of Agricultural Land.

²⁰ April 3, 2003.

²¹ April, 4 2003.

pipeline, as well as mechanisms for calculating compensation. The guide is based on the obligations defined in Appendix 2 of HGA. In particular, as stated by the guide:

- Landowners will be paid compensation which covers the market price of the land and one year's harvest;
- Land users will be paid compensation for the loss of three year's crops that will be lost during construction of the pipeline.

It should be mentioned that the language of the guide describes the land acquisition and compensation process in a very imprecise and incomprehensible way for the reader. This is one of the reasons why the guide does not provide the interested parties with detailed information about their rights and obligations in the ongoing process.

In addition, it should be noted that the guides were distributed to the affected population along the pipeline after the Inventory/Inspection took place. Because of the guide's shortcomings, both the population and the local government had only very vague clues as to the goal of the conducted process (as was proved by subsequent field trips). However, the main issue is that landowners and land users had no information about their rights and obligations during the actual process. It should also be noted that the Resettlement Action Plan (RAP) was published only in January, 2003 and separate presentations on RAP have not been carried out; moreover, BTC Co distributed RAP only to the local authorities.

CHAPTER 7 LAND INVENTORY/INSPECTION

Unfortunately, the land inventory/inspection of those sections that lie within the 44 metre Construction Corridor in all regions affected by the pipeline was not carried out in accordance with best practice.

The land inventory/inspection process held in the Tetrtskaro region can be taken as an example. The inventory was held by the Land Acquisition Team that includes the members of the Association for Protection of Landowner Rights (APLR). During the inventory, landowners and land users were taken by the members of this team to their land plots and photographed. Afterwards landowners and land users signed a document.

The content of the document was unfamiliar to the majority of landowners and land users, with whom the authors of the present document subsequently spoke. According to the interviewees, the Land Acquisition Team didn't give them an opportunity to learn the document (inventory agreement), the excuse being that *"nothing is written in the document that could be of interest to them!"*²².

²² Interviews with the population of Tetri Tskaro, November 18, 2002.

It is worth noting that the Land Acquisition Team copy of the inventory agreement has not been left with any of the landowners or land users; according to the guide this agreement represents the main document for calculating compensation.

The Association Green Alternative sent letters to APLR, Mr. Ed Johnson, BTC project manager, and Mr. Giorgi Chanturia, GIOC president, regarding this issue and the need to leave copies of the inventory agreement with landowners and land users whose land lies within the 44 metre construction corridor.

Alas, a response was received only from APLR; they referred to Green Alternative's claim as merely an *"interesting idea"*. Instead, the letter stated that the copies of the *"offer package"* and signed agreements will be left with landowners and land users. In the meantime, in the Akhaltsikhe region the *"offer package"* given to landowners did not include the copy of the inventory agreement signed by the landowners. It was given to those landowners later, in mid-February, by which time some of them had already signed the compensation agreement.

Another important issue concerning the land inventory/inspection process has been raised in the village of Tsikhisjvari, in the Borjomi region. Some people are completely unclear about how the inventory process was held, where landowners have no clear understanding about the real location of the owned land. And this is why people have grave doubts that the inventory process was carried out fairly²³.

The Gamgebeli of Borjomi region²⁴ also confirmed that the inventory process took place with violations. He states that *"people who had no connection with land ownership are in the list of landowners"*. His statement goes on to mention that the case against the three Chairmen of Sakrebulo is under review at the Public Prosecutor Office on the basis of these accusations.²⁵

Crop compensation

The problems of crop compensation are connected with the land inventory process, e.g. in the Tetrtskaro region the land inventory process was held in October/November 2002, while the land acquisition process in the region is still in its initial stages. This amounts to a long time interval between the land inventory and land acquisition, and for the respective landowners of the land that lies within the 44 metre construction corridor²⁶ who have not received the *"offer package"*, the situation continues to be unjust. They still do not know whether or not to sow wheat as there is no clear indication that they will get compensation for things

²³ See Resolution N2025 of Parliament of Georgia, 28 March, 2003 - "On investigation of activities of particular top-officials regarding the BTC land compensation process in Borjomi region"

²⁴ Mr. Zaza Jokhadze, Gamgebeli of Borjomi Region, was dismissed on May 28, 2003. The formal reason is that the Borjomi administrator had been opposing the pipeline planned to cross the region. Mr. Jokhadze denies that he is against the pipeline project and states that the main reason for his dismissal is his fight against the illegal logging and corruption cases during the BTC land inventory and compensation process.

²⁵ Newspaper "24 Hsaati", No. 146(358), May 30, 2003, "High level criminals beat me: Dismissal from the Gamgebeli position is not a defeat for me", www.24hours.ge

²⁶ who already they sign inventory document

they sew after the inventory. On top of this, they are not confident that they will get compensation from BTC Co for their land.

Field trips by Green Alternative and Georgian Young Lawyers Association proved²⁷ that the confusion stemmed from the fact that the Land Acquisition Team did not conduct adequate consultation with landowners or land users regarding the land inventory process and did not explain that *"the number of affected harvests for landowners will be one, as the owner will be paid for the purchase of the land and compensated only for the standing crop recorded at the time of the inventory"*.²⁸

CHAPTER 8 "REMAINING PLOT" AND "ORPHAN LAND"

The guide prepared by BTC Co distinguishes between so-called "Remained plot" and "Orphan land": "The construction corridor will pass directly through some plots of land, leaving smaller sections of land on either side of the construction corridor that will not be required for use by the project during the construction phase". The guide defines *"Remaining Plot"* as any section of land where it is possible to continue agricultural activities. *"Orphan land"* is defined as any uneconomic area, that *"may be too small to make cultivation economically worthwhile. Similarly, access across the construction corridor may be unreasonably restricted"*. The BTC Co allows for compensation for such "remaining plots", while at the same time stating that *"whether or not an area of land qualifies as 'orphan land' will be determined on a case-by-case basis"*²⁹. It must be mentioned that the guide doesn't define how and who will decide or confirm (landowner/land user or Land Acquisition Team) whether the land is "remaining" or "orphan".

Attention should also be paid to the fact that after the "offer package" has been given to the landowner/land user, the issue of compensation for "remaining plots" is still unresolved. In the Tetrtskaro and Akhaltsikhe regions, for example, landowners have unsuccessfully attempted to find out if they will be compensated for their small plots of land which lie within the construction corridor.

It should also be noted that, based on some unspecified sources of information, some landowners/land users hope that the issue of "remaining" or "orphan" land will finally be solved by the construction contractor of the BTC Co during construction. However, it should be mentioned, that neither the guide nor the Resettlement Action Plan set provisions on the reallocation of such obligation from BTC Co to the construction contractor.

²⁷ Interview with the residents of Tetri tskaro, March 18, 2003

²⁸ "Guide to Land Acquisition and Compensation in Georgia for BTC and South Caucasus Pipeline", Chapter 3 "Compensation Calculation", sub-chapter "Crop Compensation".

²⁹ "Guide to Land Acquisition and Compensation in Georgia for BTC and South Caucasus Pipeline", Chapter" Land Ownership and Use".

CHAPTER 9 500 METRE PIPELINE PROTECTION ZONE

Since October 2002, BTC Co has been approached on several occasions by the people of villages whose land lies within the 500 metre protection zone. The people are looking for an answer on whether or not they will receive compensation. From the guide they are aware that there is a "500 metre protection zone on either side of each [oil and gas??] pipeline" and a number of restrictions are used to be applied.

The people who own the land within the 500 metre protection zone are still in the dark on this issue and the main reason for this is a lack of consultation. The population are not clear on whether or not compensation of any kind is payable for the restrictions within the zone. In order to clarify the situation, inhabitants from the village of Akhali Samgori sent a letter to GIOC and BP on February 8, 2003. To date there has been no response.

CHAPTER 10 LAND PURCHASING PRICE

Furthermore, since the start of the BTC Co land acquisition and compensation process, it appears that some of the landowners have not been satisfied with the price that the company offered them for the land as laid down in the Appendix of the guide.

According to the guide, land price in Georgia will be based on the following information:

- "Certain land sales data from recent transactions in several of the districts through which the pipeline will pass";
- Land prices that were fixed by auditing companies hired by the Project;
- Tables given in Georgian Law on "*Compensation of Compensatory Land Cultivation Costs and Sustained Damage in Case of Allocation of Agricultural Land for Non-Agricultural Purposes*" established in October 2, 1997.

Landowners have doubts about the appropriation of land prices on account of a lack of information about those auditing companies that took part in the price-fixing process. Landowners also refer to the lack of consultation surrounding the land acquisition process.

A further worrying development is witnessed when BTC Co tries to purchase household land at almost the same price level as agricultural land, e.g. in the city of Rustavi the landowners of household land that lies within the 44 metre construction corridor are indignant at the price they have been offered for the land. They cannot begin to understand how BP has determined the tariff given in the guide, ie 1 cub/m = 7.82

Georgian lari for household land in Rustavi. They consider that the land price fixed by BP is a clear sign of "ignorance of the rights and discrimination"³⁰ of landowners.

Landowners of house-building land sections in Rustavi have demanded a significant increase, in line with the real market value, in the offered land price. They sent a letter of request to Mr. Ed Johnson, manager of BTC Pipeline Project, and Mr. George Chanturia, president of GIOC, on April 29, 2003.

CHAPTER 11 LAND ACQUISITION AND COMPENSATION AGREEMENTS

During the land acquisition and compensation process the BTC pipeline company used the following three kinds of documents:

- Agreement on Purchase of Land (between BTC Co and the landowner);
- Agreement on the granting of the Right of Way for the pipeline (between BTC Co, local administration and leaser);
- Agreement on the granting of the Right of Way for the pipeline (between BTC Co and the local administration).

Based on the Land Purchase Agreement (see appendix), Baku-Tbilisi-Ceyhan Pipeline Company (Georgia)³¹ becomes a plenipotentiary owner of the appropriate land. At the same time, according to the guide, BTC Co has the following obligation: *'Following construction, with the exception of land required for permanent Above Ground Installations, previous owners and users of the land appropriated for project use will be allowed to re-enter and resume the use of the land they previously occupied, subject to the observance of certain safety restrictions. Such rights of reuse will be at no charge to the former owner or user'*. Similarly *"the safety restrictions applicable to the 44 metre construction corridor will be included in agreements to be entered into with the owner or user"*³².

It is worth pointing out that landowners do not have detailed information on these points. They are discussed only very briefly in the guide and neither does the Land Purchasing Agreement include articles about the rights of former landowners to use the land with several restrictions. This particular issue is better defined in the "Resettlement Action Plan" (RAP), but the information about the agreement that is provided in this document was not available to landowners - RAP in fact was distributed only to the local government bodies.

³⁰ Written request of the landowners of Rustavi addressed to Mr. Ed Johnson, manager of BTC Pipeline Project, on April 29, 2003.

³¹ BTC Pipeline Company (Georgia) was registered in Vake-Saburtalo district court, Tbilisi, Georgia on September 27, 2002. Registration No. 5/8-138.

³² "Guide to Land Acquisition and Compensation in Georgia for BTC and South Caucasus Pipeline"; Chapter "Land ownership and use", sub-chapter "Resumption of use of private land".

The Resettlement Action Plan explains that *"the absence of a legal framework within Georgian Statute to permit less than ownership rights which would confer the degree of protection required by BTC Co for safe pipeline operation and maintenance"*³³ is the main reason for purchasing the 44 metre wide construction corridor from private owners affected by the pipeline route. At the same time in RAP it is mentioned that *"alterations to Georgian Law are currently being pursued which would confer the necessary degree of operational control while permitting the ownership and use of the land to be handed back to the original owners"*.³⁴

In light of this, the project sponsor approach is totally unacceptable. What it means, in effect, is that Georgian legislation can be altered at any time during the implementation of the different infrastructural projects should the project sponsor, for whatever reason, simply not wish to comply with the requirements of national law. Especially in this case, Georgian civil legislation is flexible enough for BTC Co to find an acceptable legal regime.

This is exemplified in the following case. Instead of lobbying for changes in Georgian law, BTC Co could easily, under the Georgian Civil Code, use hereditary building rights³⁵ to gain land right for land within the 44 metre construction corridor. On the basis of hereditary building rights, the Company could gain 59 year usage rights for the land that lies within the 44 metre construction corridor. According to the Civil Code of Georgia *"a tract of land may be transferred to the use of another person for a fixed period of time in such a manner as to grant him the hereditary and transferable right to erect on or beneath this tract some construction, as well as the right to alienate, inherit, lend or lease such right (right to build)"*³⁶. The only problem in this case was that the period of hereditary building right (59 years) is one year less than the validity period of HGA (60 years)³⁷. However, the Civil Code of Georgia is flexible in this case since it doesn't prohibit the signing of an equivalent agreement between the same parties after the previous agreement expires. In our opinion, use of the hereditary building right would have enabled BTC Pipeline Company to achieve real claims on the project. This is particularly true when we compare with the situation in Azerbaijan where, in order to gain the right to land that lie within the 44 metre construction corridor, BTC Co signed a rent agreement with landowners.³⁸ Viewed in this light, it is not clear why in Georgia's case BTC Co couldn't find a more acceptable means of gaining the right to the land without actually purchasing the land. Of significance here is a statement from the Association for Protection of Landowner Rights³⁹ asserting that land purchasing (and no other means of gaining the right to the land) by BTC Co was a pre-requisite of the Government of Georgia, as well as of GIOC.

³³ "Resettlement Action Plan; Baku-Tbilisi-Ceyhan Pipeline: Georgia" Part 2 "Project Description", Chapter 2.7 "Summary of Land Requirements".

³⁴ "Resettlement Action Plan; Baku-Tbilisi-Ceyhan Pipeline: Georgia" Part 2 "Project Description", Chapter 2.7 "Summary of Land Requirements".

³⁵ In Roman and civil law, known as a "superficies".

³⁶ See the Civil Code of Georgia, Article 233.

³⁷ See Host Country Government Agreement, Article 3.

³⁸ Resettlement Action Plan, Part B Azerbaijan, Compensation Framework and Land Acquisition in Azerbaijan; Chapter 5.4.2 – Private Land Acquisition.

³⁹ Interview with Mr. Jaba Ebanoidze, Director of Association for Protection of Landowner Rights, May 16, 2003.

CHAPTER 12 EXPROPRIATION

In any case of unsuccessful negotiations between a landowner and BTC Pipeline Company, BTC Co is entitled to use the right of expropriation. This right is granted to the company on the basis of article 4.1 (iii) of HGA. The mechanism and obligatory requirements of expropriation on the basis of Article 21, in the constitution of Georgia, is defined by Georgian law in the "Rule for Expropriation of Ownership for Urgent Public Necessity (Eminent Domain Law)", adopted on July 23, 1999. According to this law the right of expropriation is granted on the basis of Presidential decree and law court decision. At the same time, both the constitution of Georgia and the Eminent Domain Law define that when expropriation of property takes place it should be accompanied by suitable compensation.

Interviews have clarified that landowners and land users do not have sufficient information about the meaning of the term "expropriation", nor how it applies. This fact once again illustrates the deficiencies of the guide prepared by the project sponsor. We assume that it was necessary to discuss the expropriation issue in a similar fashion to how it was examined in the Guide to Land Acquisition and Compensation in Turkey.⁴⁰ This enabled an avoidance of the facts, as took place in Tetrtskaro on November 18, 2002.

During the meeting among the Land Acquisition Team and landowners, members of the Team mentioned that if landowners did not agree with the amount offered by the company and did not sign the agreement, their land would be expropriated by the state and they would receive less compensation. Therefore landowners were advised by the Land Acquisition Team to agree to the offered amount. The main argument of the team was that "*the State will win anyway, no matter where they would complain*". All of this amounts to a contravention of the rules of expropriation based on Georgia's Law of Eminent Domain. According to the law, BTC Co is obliged to offer landowners the market price that is suggested by a hired independent expert. In case of any dispute, the parties have a right to appeal to a court of law.

CHAPTER 13 EARNING THE RIGHT OF WAY ON THE STATE LAND

Regarding the right of way on state land, BTC Co developed an "Agreement on the granting of the Right of Way for the pipeline" in order to gain the right on state-owned land. The agreement depends on whether the land is rented or not. If the state land is leased, the agreement is signed by BTC Co, local government and the leaser. In cases where the state land is not leased, agreement is signed by BTC Co and local government.

⁴⁰ BTC Project: Resettlement Action Plan: Turkey: Final Report, Annex 7.1 Guide to Land Acquisition and Compensation, November 2002.

According to the "Resettlement Action Plan", there is anticipation of signing of the "Contract Agreement" between leasers and MEP participants, based on which the leasing relationships between the state and leaser will be suspended for some period of time and appropriate compensation would be given to the leaser.

According to the information provided by the Ministry of Justice of Georgia to Association Green Alternative, this "Contract Agreement" is an Appendix to the Agreement signed by all parties. However, as this Appendix has not been attached to the Agreement sent by the Ministry of Justice to Green Alternative, it is impossible to discuss the content of the Appendix.

Though in both cases the state remains the landowner based on this agreement, it is not permitted to freely dispose of property. In particular, if the state intends "selling/leasing- lineof land", i.e. selling a land plot that is the object of the Agreement, under the Agreement it is obliged to:

- inform BTC Co 30 days in advance about its intention to sell the land and to provide the company with detailed information about the customer;
- ensure that purchasing will be conducted under the terms of the already existing Agreement; and
- provide BTC Co with a copy of the Land Acquisition Agreement during the seven day period after the signing of the Agreement.

It must be mentioned that we assume that it is *not very likely* that anyone will express a desire to buy land after the restrictions that are imposed by the Agreement.

Based on the same Agreement, the state authorities and leasers have the right to grant another person a right to use the land or rent the land during the period of the Agreement but *these rights are limited by being granted* in line with the agreement of "selling/leasing-line of land". Though in this case the state and leaser are obliged to:

- inform BTC Co 30 days in advance about its plan to grant leasing or usage right or any other right, and to provide the company with detailed information about whoever will be granted that right;
- ensure that the granting of the right will be conducted in line with the already existing Agreement; and
- provide BTC Co with a copy of the appropriate agreement during the seven day period after the signing of the agreement.

It should also be mentioned here that there are unlikely to be any leases or other rights to land granted within the scope of these restrictions.

Regarding the agreement between BTC Co, local government and the leaser it also has to be mentioned that the agreement does not contain any clauses which stipulate that after the expiry of the agreement's validity BTC Co will give back the right of land use to the former user.

CHAPTER 14 PROBLEMS ASSOCIATED WITH GETTING COMPENSATION

To conclude, attention will be given to the problems which have emerged during the payment of compensation fees to private owners.

It has already been mentioned that BTC Co started the land acquisition and compensation process throughout the Akhaltsikhe, Adigeni and Borjomi regions in January 2003. Shortly afterwards the payment process also started in the Tsalka region. It soon emerged that the commencement of the compensation process brought with it criminal implications.

The names of landowners and land users that received or were supposed to receive compensation from the BTC Pipeline Company did not remain anonymous. In reality, the names of the people that were due to be compensated become public knowledge throughout all regions. According to available information, the list of the landowners and land users was sent by BTC Co to local governmental bodies and the police. Moreover, the list of people due to be compensated was even published in newspapers, e.g. a list of those landowners for whom the Land Acquisition Agreement wasn't notarized was published in the appendix to the newspaper "Landowner"⁴¹, No. 3 (14), published by the Association for the Protection of Landowner Rights in 2003.

It can be stated that due to the inadequate initial efforts to secure the rights of the landowners as well as the negligence noted above, a criminal group has been set up in Samtskhe-Javakheti that is aware of the exact list of landowners and, what's more, has knowledge of the exact timings when the landowners are to receive their compensation from BTC Co. Using threats, the criminal groups extort 10 % of the compensation fee from landowners either before they go to the bank or after they get the compensation. According to another source of information, criminal groups extort 20 % of the compensation fee from landowners⁴². It should be also mentioned that the majority of landowners that have been extorted by criminals in this way are afraid to give evidence and to speak out due to the prevailing insecurity.

According to the information provided by the villagers of Tiseli in the Akhaltsikhe region, one landowner was robbed of USD 7 000 by this criminal group.

⁴¹ "Landowner" newspaper is circulated among the population settled across the Pipeline Corridor.

⁴² Caucasus Environmental NGO Network (CENN), Daily Digest of 21 April 2003, Protest Actions May Start in Borjomi and Akhaltsikhe Regions, www.cenn.org

Similar events took place in the Tsalka region, where masked and armed robbers used torture against Sonia Tanasova, the Chairmen of the Akhalaki village Sakrebulo. 38 000 lari (equivalent to 19 000 USD), which she got as compensation from BTC Co for the plot of land where storage areas need to be constructed,⁴³ was stolen from her.

The Gvirjishvili family from the village of Atskuri in the Akhaltsikhe region also became victims of these thieves. This aged couple was cruelly attacked by five masked bandits. The reason for this brutal act was that the bandits were hoping to get USD 10 000 as compensation money; while the couple had only USD 1 400 of the compensation fee at home. Local people suspect that the local law machinery is guilty of creating the existing criminal situation in the Akhaltsikhe region.⁴⁴

According to the information provided by the Inter-press agency, one villager from Samtskhe-Javakheti has already died because of such criminal goings-on. The people of the Borjomi and Akhaltsikhe regions have accused local government representatives and criminal groups alike of robbery and vandalism.⁴⁵

CHAPTER 15 FINAL REMARKS

It is clear that the Land Acquisition and Compensation process carried out by BTC Pipeline Company in Georgia has been conducted with very little sensitivity.

First, it jeopardises the interests of landowners and land users. The Host Government Agreement can be identified as the primary reason for this, in view of the fact that its signatories are not evenly served by it.

The second reason for the ongoing difficulties is a lack of robust land legislation in Georgia. This has been clearly evidenced in the case of the land acquisition and compensation problem.

Finally, it is manifestly clear that the proponent of BTC Export Pipeline Project – BTC Pipeline Company - along with the company's contractors and the Georgian authorities carried out the land acquisition and compensation process unsatisfactorily. This conclusion is borne out by the facts provided in this document. These bodies not only are obliged to but must implement BTC Main Export Pipeline Project successfully, while at the same time protecting the interests and security of the population.

⁴³ See newspaper "Kvalindeli dge" – "Fee brought by pipeline is taken by bandits" ; March 21, 2003

⁴⁴ Morning newscast, TV company "Rustavi-2", May 21, 2003, www.rustavi2.com.ge

⁴⁵ Caucasus Environment NGO Network (CENN), Daily Digest of April 21 2003, Protest actions may start in Borjomi and Akhaltsikhe regions, www.cenn.org

APPENDIX⁴⁶

GEORGIA

NOTARIAL ACT

ON PURCHASE OF A GROUND PLOT

date-----2003
(filled by hand)

NOTARY **(first name, surname)**
 (filled by hand)

ADDRESS **(filled in advance)**

⁴⁶ The document is translated and notarized by translation bureau "Poliglot 62".

NOTARIAL ACT ON PURCHASE OF A GROUND PLOT

REGISTRATION NUMBER (filled by hand)

GEORGIA

In 2003 (filled by hand) I, a notary (filled by hand), whose notary office is located (filled by hand) was addressed (filled by hand) by the following adults of the working age:

1. Mr./Mrs, an authorized representative of the Pipeline Company Baku-Tbilisi-Dzheikhan, registered in Georgia, hereinafter referred to as Company and its affiliation, Pipeline Company Baku-Tbilisi-Dzheikhan (Georgia), hereinafter referred to as Buyer is born (date, place of birth) -----
------(filled by hand) lives----- (the address is filled by hand)
profession ----- (filled by hand) number of the identity card: identity
card/passport/document, substituting passport, its number (filled by hand), issued by -----
--(filled by hand).
2. On September, 5, 2001 the company was enlisted into the Company Register of Kaiman Islands under the name CR-112708; Its judicial address: Aglend House, p/b 309; Church South Street, George Town, Grand Kaiman, Kaiman Island, British west Indies.
3. The Buyer who represents the Company and acts on its behalf, is registered in Georgia, Tbilisi by Vake-Saburtalo regional Court on September, 27, 2002. Registered number is 5/8-138; Judicial address: Saburtalo Street. 38, Tbilisi 3800094.
4. Mr./Mrs. (filled by hand) states that he/she is an authorized representative of the Buyer and acts in accordance with the Buyer's Charter.
5. Mr./Mrs. (filled automatically) hereinafter referred to as Seller is born (date and place of birth) --(filled in advance), Lives (filled automatically), Profession (filled in advance), The document substituting the passport, its number (filled in advance)

6. 6 Mr./Mrs. (filled by hand) states that in order to realize the Pipeline Project the Buyer on the behalf of the Company wishes to buy from the Seller the ground plot and the corresponding immovable property on this plot (hereinafter referred to as Plot). In his turn, the Seller states that he wishes to sell the plot under his ownership.
7. The Seller and the Buyer are herein referred to as Parties in the Act.
8. I explained to the Parties that the Buyer acquired the right to own the ground plot after its registration in the Public register for which it is necessary to submit one copy of the given Act not later than 30 (thirty) days since its signing. In case if the Act (hereinafter referred to as Act) is submitted for registration later than 30 days after its signing the Buyer pays the definite sum for each delivered day according to the established rules.
9. The Parties concluded the agreement (hereinafter referred to as contract) that they agreed to sell and to buy the Plot on the following conditions:
 - 1) The Seller sells and the Buyer buys on the behalf of the Company the Plot according to Articles 149, 150 (Item 2), 171 of the Civil Code of Georgia.
 - 2) Cadastre and Registration Data of the Plot:
Registered zone _____ (filled automatically)
Sector _____ (filled automatically)
Number of the quarter _____ (filled automatically)
Area in hectares _____ (filled automatically)
Address _____ (filled automatically)
 - 3) Powers and capabilities of the Buyer and the authorized representatives are confirmed by the following documents:
 - a) Manufacturers' Register issued (filled by hand) by Vake-Saburtalo Regional court of Tbilisi
 - b) Buyer's Charter (a copy) registered by the notary (filled in advance), registration number in Register (filled in advance)
 - c) Warrant by the buyer's representative (filled in advance)
 - 3) The powers of the Buyer are considered to be valid:
The Plot is the property of the Buyer according to the right to ownership, which is verified and confirmed by the registration office of the State Department for Land Management (zone number is filled in advance). The State Department issued the Extract from the Public Register to the Buyer on the land ownership (immovable property) (see Appendix – Cadastre Chart hereinafter referred to as Extract), the registered number of the immovable property (filled automatically), registered number of the application form (filled automatically), date (filled automatically).

- 5) By the application of the Parties the Plot was sold (filled automatically) for-----lari (hereinafter referred to as the Price of the Contract). The price of the Contract includes the cost of all subjects referred to as immovable property. More detailed information is given in the packet of documents on compensation of the Pipeline Company attached to the Contract.
- 6) At the presence of the notary the Buyer paid in full to the seller and in his turn, the seller received from the Buyer the cost of the Contract in full.
- 7) The Seller is obliged to immediately release the Plot after the confirmation of the Act by the notary. In a week after signing of the Contract the Buyer has the right to enter the ownership of the Plot.
- 8) The plot has no judicial drawbacks: the Plot is under no Prohibition
- a) Which is confirmed by the following documents:
- reference (its number is filled in advance)
 - it is confirmed by Item 4 of the above mentioned Act referred to as Extract.
- b) The Plot was not sold to any other person and is not under mortgage; is not under hypothecary prohibition or rented or in any other way possessed by any third person which is confirmed by Item 4 of the above mentioned Extract.
- c) By the statement of the Buyer the Plot is not a subject for dispute and the third party has no right to claim.
- 9) The Buyer states that the Plot is suitable to be used for Buyer's purposes.
- 10) The given Act is composed in 4 (four) copies in the Georgian language which have equal judicial force. One copy of the Act is stored at the Notary Archives while the other copies are given to the Parties.
- 11) The Buyer is obliged to pay the following notaries expenses: royalty to the notary in the amount of-----lari (filled by hand) which is paid in accordance with the law of Georgia on compensation for the performed notaries services in Articles 5, 22, 31, Item 3.
- 12) The list of Documents which are attached to the Contract:
- i. the copy of the Extract from the Public Register together with the Cadastre Chart
 - ii. Buyer's Charter (registered copy)
 - iii. the packet of documents on compensation of the Pipeline Company
 - iv. the Extract from the Manufacturer's Register on Buyer' Registration, issued by Vake-Saburtalo Regional Court in Tbilisi
 - v. Warrant (registered copy)
 - vi. Reference, issued by the notary with the absence of prohibition on the Plot

- vii. the reference of the family members of the buyer, issued by Sakrebulo (City Council)
- viii. Notary Act on the full consent of the Parties.

13) This Contract is the only document which confirms the final consent of the Parties on sale and purchase of the Plot.

14) The Contract comes into force after its signing by the Parties.

I, a notary (filled in advance), have acquainted the Parties with the given Contract. The Parties have read the Contract and stated that the Contract fully and precisely express their will and have signed the Contract at my presence.

I, thereby, confirm the above mentioned by my seal and my signature.

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