

# 1 INTRODUCTION

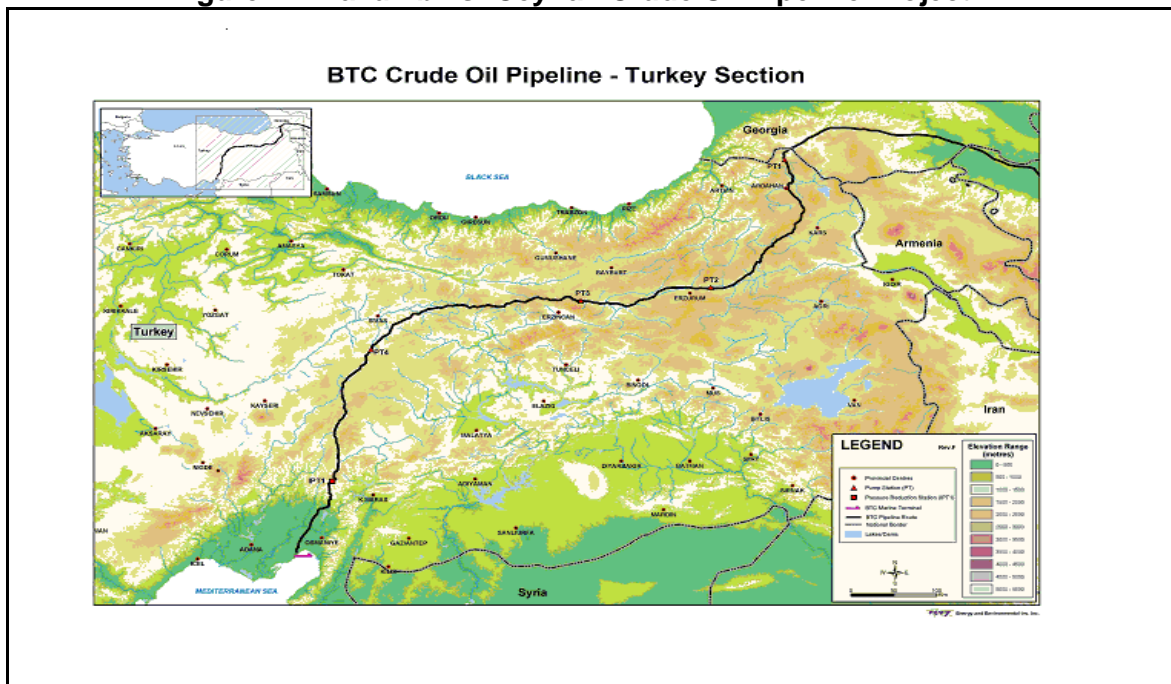
## 1.1 BACKGROUND

The Resettlement Action Plan (RAP) describes the framework and procedures that the Project will follow for the acquisition and compensation of land and assets, both permanent and temporary, for the Turkish section of the Baku-Tbilisi-Ceyhan (BTC) Project. The RAP describes the Project's land acquisition and compensation principles and procedures and progress made up to September 2002.

## 1.2 BRIEF DESCRIPTION OF THE PROJECT

The BTC Project has been designed to transport crude oil from the Caspian Sea region via Azerbaijan, Georgia and Turkey to the crude oil storage and export terminal to be constructed at Ceyhan on the Mediterranean coast of Turkey. The pipeline route is depicted in Figure 1.1.

**Figure 1.1 Baku-Tbilisi-Ceyhan Crude Oil Pipeline Project**



The BTC Pipeline is about 1,760 km in length, originates in Azerbaijan near Baku, and passes through Georgia and Turkey to connect to the northeastern coast of the Mediterranean Sea near Ceyhan. The pipeline is designed for a maximum annual throughput of 50 million tonnes and will be in continuous operation except for regularly scheduled maintenance.

Within Turkey, the pipeline is 1,076 km in length, as the map below illustrates, and its 28-metre corridor passes through 10 provinces. From north to south those provinces are: Ardahan, Kars, Erzurum, Gumushane, Erzincan, Sivas, Kayseri, Kahramanmaraş, Osmaniye and Adana. The northernmost section of the corridor covers the 397 km of the pipeline in Ardahan, Kars, Erzurum, and Gumushane provinces.

### **1.3 BENEFITS OF THE PROJECT**

In addition to its significance for global energy markets, the Project is of great importance for both the participant oil producing countries and for those facilitating the transport of crude oil through the pipeline. Benefits of the Project for Turkey include:

- Crude oil will be transported to refineries and final markets more quickly than if shipped via the Bosphorous, thereby reducing transportation costs, reducing prices consumers pay, and enhancing the efficient utilisation of ports;
- The pipeline will provide an alternative to transporting large amounts of crude oil through the Turkish Straits, and most importantly, the heavily populated areas of Istanbul on both sides of the Bosphorous. One important component of Project design and implementation will be risk reduction in terms of accidents, environmental pollution and other dangers that can pose hazards to populations living alongside and in the vicinity of the construction corridor;
- Routing the pipeline through Turkey will strengthen the country's role in providing a reliable energy corridor between the Caspian Region and international markets. This will have economic benefits for Turkey, especially from the pipeline transit fee and the availability of lower cost oil. There will also be some modest employment and other economic benefits from the construction and operation of the pipeline;
- Realisation of the Project will provide Turkey with a new long term and strategically secure source of crude oil. Turkey has limited resources of oil and natural gas and is currently significantly dependent on imports for its energy requirements. Furthermore, this dependency is expected to increase as domestic production decreases.
- The Project will also enhance Turkey's strategic position in the geopolitical context of a future east-west energy corridor.

### **1.4 AFFECTED REGIONS AND POPULATION**

Although there are variations within regions, the basic distinguishing economic characteristic of the pipeline route is that the level of economic development increases considerably as one goes from north to south within Turkey. The structure of economic activity, mostly based on agriculture, changes from small scale, non-intensive, low value-added, subsistence farming in the north to larger, intensively cultivated and more market oriented agricultural enterprises in the south. Social indicators mirror the economy; there is higher illiteracy, lower investment in health care, and a greater tendency for out-migration in the north despite government attempts to stimulate more activity through high levels of public funding.

The acquisition of land for the pipeline and associated facilities will impact 293 settlements with a total population of 260 823 (Table 1.1). Of these, about 30 000 will be impacted by the land acquisition activities of the Project. The RAP specifically deals with these 30,000 people. Within the 10 affected provinces, about 10% of the rural people will lose the use of some land temporarily or permanently to the Project. Loss of use of land in urban areas is insubstantial (the Project affects mostly agricultural land and relatively little land in urban areas).

**Table 1.1 Population of Affected Communities by the BTC Project**

Provinces	Number of Rural Villages in Province	Rural Population (2000 census data)	Number of Urban Areas in Province	Urban Population (2000 census data)	Number of Villages Subject to Expropriation	Affected Population (2000 census data)	Directly affected Landowners
Ardahan	243	94,031	6	39,725	28	30,554	1878
Kars	385	182,871	8	142,145	24	13,226	800
Erzurum	1,052	376,838	19	560,551	66	56,009	2355
Erzincan	560	144,635	9	172,206	37	35,628	4209
Gümüşhane	336	109,383	6	77,570	5	1,068	352
Sivas	1,267	333,287	17	421,804	46	22,634	7475
Kayseri	486	328,078	17	732,354	29	12,472	1266
K. Maras	529	466,377	10	536,007	32	63,107	3828
Osmaniye	170	146,788	7	311,994	13	10,089	3177
Adana	547	451,625	14	1,397,853	13	16,036	1194
<b>TOTAL</b>	<b>5,575</b>	<b>2,633,913</b>	<b>113</b>	<b>4,392,209</b>	<b>293</b>	<b>260,823</b>	<b>27983</b>

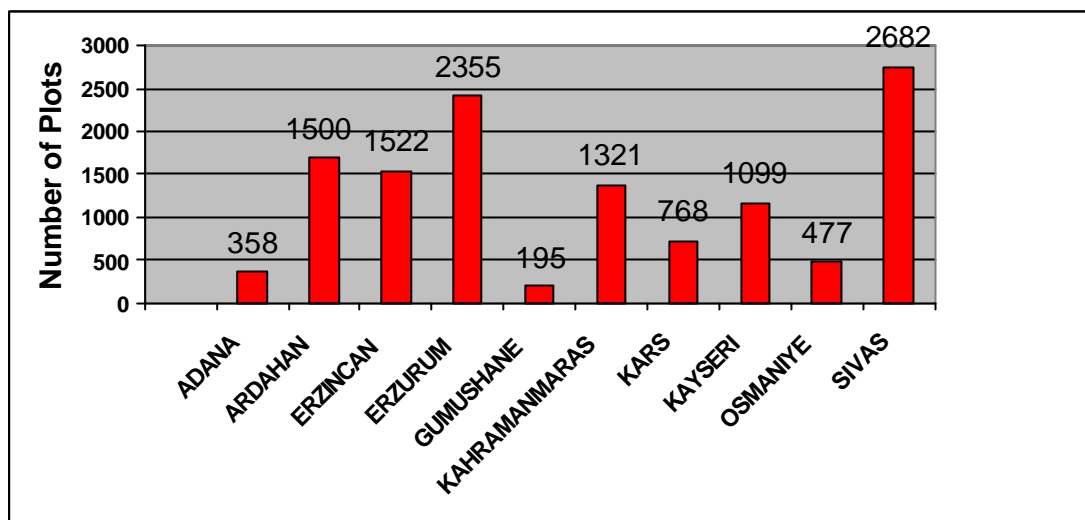
Source: BTC, and State Institute of Statistics 2002

The pipeline corridor passes through a large number of parcels that are unevenly distributed among the ten affected provinces (Figure 1.2). Three provinces, Sivas, Ardahan, and Erzurum contain the majority of impacted areas and require somewhat higher levels of field support in land acquisition implementation and monitoring. Within each province, the Project impacts different numbers of districts; thus, province-wide impacts can either be narrow or widespread.

The proportion of cultivable land that the Project impacts, relative to the total cultivable land available in each province, is extremely small. This is also true for expropriated forest and pasturelands. Both privately and publicly owned lands are affected by the Project. About 12,277 land plots will be temporarily or permanently expropriated; of these 2,169 are unregistered treasury lands, mainly consisting of newly created parcels<sup>1</sup>. The remaining plots include cultivable lands, pastures, forests, as well as uncultivable rocky terrain. Additional features of the land acquisition are shown in Figure 1.2 and Box 1.1.

<sup>1</sup> The newly created parcels are unregistered small pieces of land formed because adjacent parcels are often separated by narrow strips of land (the newly created parcels)

**Figure 1.2: Distribution of Affected Land Plots by Province**



Source: BTC, 2002

**Box 1.1: General Land Acquisition Characteristics of the BTC Project in Turkey**

Length of pipeline	1,076 km
Number of provinces crossed	10
Number of settlements affected	293
Number of affected parcels	12,277
Total affected land for the pipeline	3,105 Ha
Total expropriated land for pipeline and AGI's	938 Ha
Affected forest area	255 Ha
Number of affected people:	
Owners	27,982
Tenants/sharecroppers	1,130
Number of affected households	10,000

## 1.5 BTC PIPELINE COMPANY (BTC CO)

The proposed Project is being developed by Baku-Tibilisi-Ceyhan Pipeline Company (BTC Co.) formed in July 2002. BTC Co.'s shareholders are Azerbaijan (BTC) Limited, Agip (BTC) Limited, BP Pipelines (BTC) Limited, Delta Hess (BTC) Limited, ITOCHU Oil Exploration (BTC) Inc., Statoil BTC Caspian AS, Turkish Petroleum BTC Ltd. and Unocal BTC Pipeline, Ltd. Sales and purchase agreements to acquire stock in BTC Co. have been signed by affiliates of TotalFinaElf and Inpex. BP Exploration (Caspian Sea) Ltd (BP) is coordinating this stage of project development on behalf of BTC Co. BTC Co. is responsible for construction and operation of the proposed pipeline.

The Manager of BTC Co. is BP, which also will be party to a management services agreement to be entered into with BTC Co. providing for BP to oversee the construction of the Project in Turkey on behalf of BTC Co. BOTA<sup>a</sup>, the state-owned Turkish petroleum pipeline company, is responsible for construction of the Turkish section of the BTC Pipeline pursuant to the Lump Sum Turnkey Contract (Turnkey Contract) between BOTA<sup>a</sup> and BTC Co. BOTA<sup>a</sup> will operate the Turkish segment of the BTC Pipeline after construction is completed, pursuant to an

Operating Agreement between BTC Co. and BOTA<sup>a</sup>. BTC Co. is also responsible for the overall monitoring of land acquisition and resettlement. BOTA<sup>a</sup> has been authorised by the Turkish Government to be the Designated State Authority (DSA) for land acquisition, and it is the DSA's responsibility to acquire and grant land to BTC Co.

The total cost of the Project, including all sections in Azerbaijan, Georgia and Turkey, is estimated to be US\$2.9 billion of which US\$1.4 billion is the lump sum amount specified in the Turnkey Contract for construction in Turkey. The Turkish government have guaranteed a further US\$300 million should there be a cost overrun. BTC Co. and its shareholders are responsible for arranging the financing of the Project.

## **1.6 LEGAL FRAMEWORK**

There are three primary agreements which facilitate realisation of the Turkish section of the Project and which govern the way in which the Project is implemented. These are the Intergovernmental Agreement, the Host Government Agreement and the Turnkey Contract. Associated with the Turnkey Contract is a Turkish Treasury Letter guaranteeing certain financial obligations arising under the Turnkey Agreement. These agreements are summarised below, and applicable provisions of Turkish and international law are discussed in detail in Chapter 2.

- The Intergovernmental Agreement (IGA) between the Governments of the Republic of Turkey, Georgia and the Azerbaijan Republic was signed on November 18, 1999 and subsequently ratified and enacted into law by all three countries. The IGA establishes the basis for the transport of petroleum from the Caspian Sea, across the territories of Azerbaijan, Georgia and Turkey, through realisation of an export pipeline, and it confers the twin status of international law and the prevailing domestic law in each country on the legal and commercial terms of the Project.
- The Host Government Agreement (HGA) between the Government of the Republic of Turkey and BTC Co. was signed on October 19, 2000 and novated on August 1, 2002 (analogous agreements have been concluded between BTC Co. and the governments of the Azerbaijan Republic and Georgia). This HGA further establishes the legal basis within Turkey for implementation, operation and decommissioning of the Turkish section of the BTC Pipeline and is an integral part of the IGA.
- The Turnkey Contract between BTC Co. and BOTA<sup>a</sup> was signed on October 19, 2000 and novated on August 1, 2002. This Turnkey Contract establishes the obligations of BOTA<sup>a</sup>, as the designee of the Turkish Government, to design, procure, construct and commission the Turkish section of the BTC Pipeline consistent with the provisions of the HGA.

## **1.7 RESPONSIBILITIES FOR LAND ACQUISITION**

The HGA between the Government of Turkey and BTC Co. instructs the Designated State Authority (DSA) to acquire and grant to BTC Co. all the land rights in Turkey necessary to construct and operate the pipeline and conduct Project activities. Because the Government of Turkey has appointed BOTA<sup>a</sup> as the DSA, BOTA<sup>a</sup> is responsible for the implementation of the land acquisition and resettlement aspects of the Project. BTC Co. has assigned the role of controlling and coordinating the DSA to BOTA<sup>a</sup>'s BTC Project Directorate. BTC Co. will supervise and monitor the activities of the BOTA<sup>a</sup> BTC Project Directorate. Therefore, BTC Co. will indirectly supervise and monitor the activities of the DSA.

Under the Lump Sum Turnkey Contract BOTA<sup>a</sup> is also responsible for Project construction in Turkey, including construction of the pipeline, all permanent above ground installations (AGIs), all temporary AGIs and the Ceyhan Marine Terminal.

## 1.8 LAND ACQUISITION AND RESETTLEMENT ACTION PLAN (RAP) OBJECTIVES

A Resettlement Action Plan (RAP) has been developed for the Project and designed in conformance with the HGAs (for all three transit states), relevant national law and applicable World Bank Group policies. The RAP describes the framework and procedures that the Project will follow for the acquisition and compensation of land and assets for the Turkish section of the Project. This Turkish RAP (produced in English and Turkish) will form part of an overall BTC RAP comprising one overview section and three country specific sections for Azerbaijan, Georgia and Turkey.

The Project primarily involves economic, rather than physical, displacement. It involves the acquisition of permanent and temporary land for ongoing project uses and thus affects people's livelihoods. Therefore, it requires the preparation of a RAP. The relevant concepts are defined in Box 1.2.

The RAP has been established in accordance with good international practice. BTC Co. is also pursuing financing involving a number of international financial institutions and will apply World Bank Operational Directive OD 4.30<sup>2</sup>, IFC guidance on public consultation *Good Practice Manual*, and the IFC publication *Handbook for Preparing a Resettlement Action Plan*.

### Box 1.2 Resettlement Action Plan

“Resettlement is involuntary when it occurs without the informed consent of the displaced persons or if they give their consent without having the power to refuse resettlement. Displacement may be either physical or economic. Physical displacement is the actual physical relocation of people resulting in a loss of shelter, productive assets or access to productive assets (such as land, water, and forests). Economic displacement results from an action that interrupts or eliminates people's access to productive assets without physically relocating the people themselves. IFC's policy applies in either situation.” (*Handbook for Preparing a Resettlement Action Plan, IFC, 2002*).

The construction of the oil pipeline, the pumping stations, construction camps, supply and staging areas, and the access roads all require acquisition of about 3,105 hectares (ha) of land in Turkey, either temporarily or permanently.<sup>3</sup> In order to avoid physical dislocation and to minimise economic dislocation for affected populations, the Project has adopted several measures, including:

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<sup>2</sup> The Project will apply OD 4.30 for the life of the Project, since project discussions started while OD 4.30 was the guiding document for the World Bank Group.

<sup>3</sup> The land acquisition process will be carried out in two phases: (i) acquisition of about 856 hectares for the pipeline and 112 ha which will be needed permanently for project components such as pumping stations and the marine terminal; and (ii) temporary use of about 2,168 ha for the pipeline itself (whose permanent location will be mostly underground) which will be restored to much of its original use, except for the planting of trees and excavation activities that would impact on the pipeline and its safe operations.

- Minimising Project land use, reclaiming land after construction, and reinstating the land, with minimum restrictions following construction, for use by the original land owners and users (Annex 1.1);
- Designing the routing to avoid any physical resettlement and to minimise expropriation both permanently and temporarily;
- Determining compensation values based on extensive data collection and market analysis, and providing compensation as required by Turkish legislation before pipeline construction begins;
- Establishing a process of consultation with the affected populations and with local public and civic organisations maximise understanding of (i) Turkish legislation; (ii) applicable World Bank Group policies on resettlement; and (iii) implementation arrangements for resettlement, expropriation and compensation;
- Incorporating where possible, preferences voiced during the consultations with local populations and government agencies, Non-Governmental Organisations (NGOs) and other stakeholders; and
- Establishing a RAP Fund, administered by BTC Co., to ensure fair compensation to those groups denied compensation under Turkish Expropriation Law

The objective of the RAP is to outline these measures, provide details and show that the Project follows the Turkish legal framework and OD 4.30. An additional objective is to show that BTC Co. will create efficient mechanisms of monitoring compliance within these guidelines, and will allocate sufficient monetary resources to cover the costs of mitigation and monitoring. The details on the implementation arrangements for the RAP Fund have not yet been formulated. The principles of the RAP Fund are specified in Section 5.5.2. Implementation arrangements will be undertaken in a participatory manner, in consultation with the affected communities and, where appropriate in accordance with the preferences people have expressed during the course of the socio-economic survey (Chapter 4).

Affected populations in the Turkish segment of the Project fall into three main categories:

- Private landowners;
- Public landowners; and
- Users of private and/or public lands.

Physical resettlement will be avoided, however the potential for economic displacement will concern a large number of people (nearly 30,000). The total number of cultivable and forest/pasture land parcels in each province is an extremely small percentage of the total number of affected parcels.

The RAP aims to ensure that all affected parties are compensated and assisted in restoring their livelihoods in that:

- Mechanisms for fair compensation for lands and land rights acquired from private owners (whether these lands are formally or customarily owned) are available, as are arrangements for compensating tenant farmers;

- There is an adequate framework to provide compensation to the public sector, especially for the acquisition of Treasury and forest lands;
- The rights of the users of private land are recognised and provided for and such users are compensated for assets and crops; and
- The rights of users of public lands who are not owners of public lands, especially forests and pastures, are not recognised by Turkish legislation which provides for compensation to the relevant public agencies but not to the individual and community users.<sup>4</sup> Therefore, the RAP has made an effort to estimate the losses that may accrue to forest communities as a result of the loss of a narrow strip of pipeline right of way and will design community development programs to compensate for the losses. The loss of income to other users of public lands will also be recognised and compensated.

Major changes were recently made in Turkish Expropriation Law aimed both at protecting the interests of people and shortening the period of dispute over resolution of expropriation and compensation cases, especially by promoting negotiated solutions between people and expropriation agencies. However, the law is so recent that it remains largely unknown among the affected populations, as well as the Turkish public and legal institutions. Consequently, those aspects of previous legislation and implementation procedures that were considered most burdensome and unfair, and which have been changed in the new law, continue to adversely influence the perceptions of potentially affected people.

Important objectives of the RAP include using the new legislation to reach negotiated agreements based on understanding by affected people of their rights under the new law. It is also important to devise mechanisms to deal with differences between existing Turkish law and OD 4.30 as, for example, with regard to individual and community users of public lands. BTC Co. has established and will administer a RAP Fund to deal with these discrepancies. It will respond to outstanding issues of compensation to individuals affected by the Project and to communities for the reduced access of villagers to forests and pastures. The Fund will also be used to restore reduced incomes from fishing activities and other adverse impacts associated with the Ceyhan terminal, should they occur. Implementation arrangements for the Fund will be determined during the first stages of RAP implementation.

## **1.9 PROGRESS TO DATE**

The process of RAP preparation has begun with:

- Launching a census of affected private land owners, including those who cultivate their lands under customary law and those who are not residents of the affected communities;
- Utilising analyses from a survey of a representative sample of potentially affected people who live in communities within a 5km distance of the pipeline and/or other Project facilities to understand better their socio-economic characteristics and vulnerabilities;
- Conducting specific studies on potential losses in pasture and forest lands which are not easy to assess in view of the narrow strip of land being temporarily or permanently acquired;

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<sup>4</sup> For example, the compensation for publicly owned forestlands would go to the Forestry Department for re-forestation and for development programs in forest villages rather than being targeted specifically for Project affected communities or individuals.

- Visiting a significant number of affected communities during preparation of the Environment and Social Impact Assessment (ESIA) for information/discussion on land acquisition and valuation issues. Utilising relevant findings of the ESIA and disclosing the entitlements of the affected people with respect to land and asset acquisition;
- Conducting (i) representative surveys of directly affected resident and absentee owners, information sharing and consultation sharing on the local legal framework and its application; and (ii) consultations with civic organisations on land acquisition issues;
- Evaluating feedback from communities in moving from the basic engineering stage to detailed engineering so that the requests received for route changes result in modification of the alignment to avoid physical displacement of households;
- Preparing a comprehensive Geographical Information System (GIS) for all affected lands and assets. Incorporating in this system detailed information on individual plot ownership characteristics and other legal information, all assets identified and agreed upon with the owner and the community authorities, as well as data on soil and other income/productivity related features of the affected lands;
- Completing, as per the local laws and in accordance with OD 4.30, all relevant information at the county, village and the plot level to allow estimation of net income losses from assets to be expropriated. Preparing individual files for each plot so that the affected people may be informed of the basis of the valuation of the assets in a transparent manner;
- Reviewing the legal framework and procedural issues and designing actions that would address the differences between local policies and OD 4.30; and
- Sending a Guide to Land Acquisition and Compensation (GLAC) (Annex 7.1) to all landowners and users (approx 30,000) with the Notification Letter specified in Chapter 5.

An important part of the RAP is the establishment of a transparent monitoring and evaluation process so that the RAP may be implemented as planned and/or with appropriate modifications following the timely and systematic input of affected groups. To further the process of consultations with affected peoples that have already begun, community feedback will be sought during implementation.

## **1.10 SCOPE OF THE RESETTLEMENT ACTION PLAN**

A comprehensive GIS database was established by BOTA<sup>a</sup> over the past two years with over 3,000 person months of input as the basic tool for the design and implementation of the RAP. Preparation of the RAP and social surveys utilised about 50 person months of local input and 5 person months of international consultant input. The RAP also drew on earlier socio-economic surveys in the area, and the surveys of project affected people undertaken as part of the Environmental Impact Assessment for the Turkey section of the Project.

The RAP is organised into sections as follows:

**Chapter Two** provides a more detailed description of the BTC Project, including a description of the pipeline corridor and the marine terminal, the consideration of alternatives, and measures taken to avoid resettlement and minimise land expropriation;

**Chapter Three** describes Turkey's legislative and legal framework for resettlement, expropriation and compensation and World Bank/IFC policies in these areas, including the IFC's manual of good practices on public consultation and disclosure;

**Chapter Four** deals with the socio-economic characteristics of the populations affected by the project, including a summary of the findings of the social impact assessment and the RAP's socio-economic surveys to date;

**Chapter Five** describes Turkey's land acquisition and compensation procedures and implementation responsibilities, including experience to date with implementation, especially with regard to recent Turkish legislation;

**Chapter Six** outlines the Project's impacts and the mitigation measures for both permanent and temporary expropriations on various categories and uses of land and resources;

**Chapter Seven** describes the public consultation and disclosure process and activities of the RAP, including the provision for grievances and dispute resolution;

**Chapter Eight** outlines the monitoring and evaluation mechanism for the RAP, including the provision for expert monitoring;

**Chapter Nine** details RAP costs and the budget for its implementation; and

**Chapter Ten** presents the schedule for RAP implementation along with the details of implementation responsibilities.

In addition, a number of annexes are provided to support the main text.