

EXECUTIVE SUMMARY

PROJECT DESCRIPTION

The Baku-Tbilisi-Ceyhan (BTC) Pipeline Project has been designed to transport crude oil from Azerbaijan and Central Asia to international markets in a more economic, safe and environmentally friendly way than shipping crude oil via the Bosphorous. The pipeline is designed for a maximum annual throughput of 50 million tonnes and will be in continuous operation except for regularly scheduled maintenance. The Project is about 1,760 km in length, originates in Azerbaijan near Baku, and passes through Georgia and Turkey to get to the northeastern coast of the Mediterranean Sea near Ceyhan. Within Turkey, the pipeline is approximately 1,076 km in length.

The Baku-Tbilisi-Ceyhan Pipeline Project is owned by the Baku-Tbilisi-Ceyhan Pipeline Company (BTC Co), formed in July 2002. It consists of the following shareholders: 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. BOTA^a, 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^a and BTC Co. BOTA^a will operate the Turkish segment of the BTC Pipeline after construction is completed, pursuant to an Operating Agreement between BTC Co. and BOTA^a. BTC Co. is also responsible for the overall monitoring of land acquisition and resettlement. BOTA^a 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.

RESETTLEMENT ACTION PLAN (RAP)

The RAP has been established as part of BTC Co's commitment to ensure that any economic and physical displacement, whether permanent or temporary, is undertaken in a socially responsible manner and in accordance with good international practice. BTC Co. is also pursuing financing involving a number of international financial institutions, and will apply the following IFC/World Bank policies: World Bank Operational Directive OD 4.30;¹ IFC guidance on public consultation *Good Practice Manual*; and the IFC publication *Handbook for Preparing a Resettlement Action Plan*. The Project's impacts are limited to economic displacement since there will be no physical resettlement. As a result, the RAP presents information on land acquisition (which will be substantial); compensation for other assets; and mitigation for any damage to infrastructure. The RAP also deals with permanent and temporary land acquisition as well as with respective entitlements and procedures. Issues of valuation, RAP organisation, and monitoring and evaluation, including expert monitoring, are also addressed. A time-bound budget and RAP implementation schedule are presented.

¹ 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.

PERMANENT AND TEMPORARY LAND ACQUISITION

The Project will temporarily or permanently acquire 3,105 ha of land. DSA/BOTA^a will acquire the land and transfer in accordance with the Host Government Agreement the right to use the land to BTC Co., both during construction and operation. For certain state owned lands, public authorities will grant the Project rights to use the land. The 3,105 hectares (ha) of land will include those which are burdened by restrictions imposed upon land use subsequent to construction to protect the pipeline and Project activities. Land acquisition will be carried out in accordance with Turkish Expropriation Law, by the process of expropriation. The Project will:

- Permanently acquire: (i) an 8 metre right of way (ROW) along the pipeline route amounting to a total of 838 ha; (ii) 70 hectares for pumping stations and the Ceyhan marine terminal; and (iii) 30 hectares for access roads; and
- Temporarily acquire: (i) a 5 metre band on one side of the ROW and a 15 metre band on the other side for a total of 2,079 ha; (ii) 56 ha for the pumping stations and marine terminal; and (iii) 44 ha for primary construction sites.

After completion of the pipeline, land permanently acquired will be available for use by the original owners at no cost but with certain land restrictions dealing with pipeline safety and security.

The 28-metre corridor passes through some 12,277 parcels, of which 73% are owned privately and 27% are owned by the public sector. An estimated 30,000 persons are affected, excluding those who might be affected through expropriation of forests and pastures² as well as by the limited use restrictions imposed upon fisheries and their activities proximate to the Ceyhan terminal.

RAP IMPLEMENTING ARRANGEMENTS

BTC Co. and the Turkish Government have agreed that BOTA^a, the main Contractor for the Turkish section of the Project, will be the Designated State Authority (DSA) to execute the RAP in Turkey with reference, in particular, to (i) acquiring land either temporarily or permanently and to transfer these rights to the Project; and (ii) coordinating with the Land Affairs and Authority Liaison Department (LAC) of the overall BTC Project Directorate which is responsible, inter alia, for assuring that IFC/World Bank policies are being appropriately implemented and monitored.

BOTA^a created a department within its existing Land Acquisition and Compensation Unit (LACU) to fulfil the role of the DSA. The DSA has established four field offices, contracted out many specialised services such as land and asset identification, and increased its own staff both at headquarters and in field offices sufficient to carry out the RAP. It also formed 14 field teams, each composed of 3 persons, to carry out valuation negotiations on some 5,000 privately owned individual land plots with clear title deeds.

When BOTA^a completes its other functions under the Turnkey Contract to build the Turkish portion of the BTC Pipeline, its role as DSA to implement and monitor the RAP will not have been completed. It is envisioned that a contract will be established between BOTA^a and BTC

² The users of forests and pastures are difficult to estimate. Equally difficult is estimation of the losses from expropriation of specific segments of these areas. The upper limit for these impacts corresponds to the population of directly affected communities in the immediate vicinity of forest and pasturelands.

Co. so that DSA/BOTA^a can continue to exercise remaining RAP responsibilities. An NGO (Rural and Urban Development Foundation) specialising in resettlement, land acquisition and valuation is supporting the work of DSA/BOTA^a.

A key requisite step in IFC/World Bank land and asset acquisition and compensation policies is a framework for public consultation and participation and for establishing a process to redress grievances of affected people. BP on behalf of the BTC Co. and in close cooperation with DSA/BOTA^a's headquarters and field officers, has created a Directorate to handle a broad range of consultations relating to environment, social issues, and land and asset acquisition. A monitoring and evaluation program has been established that involves both internal monitoring by DSA/BOTA^a and BTC Co. as well as expert monitoring.

NOMENCLATURE

In the majority of land acquisition cases in Turkey, procedures are dictated by the Turkish Expropriation Law, and hence the term "expropriation" is used in this Resettlement Action Plan.

POLICY AND LEGISLATIVE 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 Contract and the Turnkey Agreement. Turkey has an extensive policy and legislative framework for the acquisition of and compensation for land and assets. The Turkish Constitution as amended in 2001 includes major provisions to protect the public interest and private owners during the land acquisition process. In particular:

- The local legal framework ensures that the Project gains use of land and begins construction only when the rightful owners/users are fully informed of the need for expropriation; provided opportunities to voice their concerns; have reviewed and challenged the valuation of their affected assets and have received full payment of their entitlement deposited in a national bank in the name of the owner. The detail of this process is clearly explained in Chapter 5. The time required is 45 days in case of agreement and a maximum of 125 days in case of non-agreement.
- Compensation is paid to all owners, whether they have title deed or customary ownership of land;
- Valuation is based on the capitalisation of net income methodology for agricultural land and assets, thus restoring incomes to at least pre-Project levels. The local legal framework also ensures that valuation is carried out for each affected land plot separately, based on field observations and on asset identification in agreement with the affected owner³;
- Valuation of land and assets are carried out for the year within which they will be expropriated. As such, often-disputed inflation adjustments would not be needed. Those owners who contest valuation decisions of both DSA/BOTA^a and the local

³ The expropriation agency is required to make full payment at the latest within 45 days of negotiated or court based decisions and during the same day as the transfer of the ownership or use rights of the land to DSA/BOTA^a.

courts will have their compensation left in interest bearing escrow accounts while the matter is finally resolved;

- Allowances for severance, encumbrance, and use restrictions will be paid; and
- Payment is made for all categories of publicly owned land based on negotiations with owners and with the Departments of Forestry and the Treasury.

There are certain differences between Turkish legislation and IFC/World Bank policies. Specifically, Turkish legislation dictates that:

- Compensation for public lands goes to the public at large and not to people and/or communities that benefit from them. As such, communities that use forests and pastures are not compensated;
- Owners, not tenants,⁴ receive compensation. Compensation for trees, crops, informal irrigation facilities, etc. that tenants may have put on the land is paid to the landowners, not the tenants; and
- Compensation for squatters on public or private land is not allowed.

The Project will put in place adequate measures to bridge the differences with IFC/World Bank policies in the areas mentioned above by creating a RAP Fund that will be administered by BTC Co. This Fund 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. Equally important will be the use of the Fund to restore reduced incomes from fishing activities and other adverse impacts of the construction and operational activities associated with the Ceyhan terminal, should adverse impacts occur. Implementation arrangements for the Fund will be determined during the first stages of RAP implementation.

PROJECT IMPACT AND MITIGATION MEASURES

Disaggregating the impact of the Project on individual families, the extensive surveys performed for the RAP indicate that:

- The impact on family income is marginal, in part because only 6% of affected parcels are subject to permanent expropriation;
- The portion of income permanently lost is a very small proportion of land-based income. This fraction is slightly greater when access to forests and pasture land is included;
- The impact on tenant farmers, who cultivate less than a fifth of the deeded plots, is not visibly different from the impact on land owners; 76% of tenants also own land, but they are leasing additional land to improve their incomes;
- There is no evidence that ethnic and religious groups often considered as vulnerable will be more disadvantaged by the Project. However, the Project recognises the fact that there are issue-based disadvantaged people in areas where the traditional land

⁴It is estimated that tenants work on 18% of parcels affected by the Project. Of the tenants, 76% also own other land.

registration systems prevail; a full discussion on vulnerable and disadvantaged groups is contained in Annex 4.6.

- About 35% of respondents participated in at least one of the informational and disclosure meetings on land and asset acquisition and compensation, but most were not aware of recent legal changes and were concerned due to previous experience or knowledge about past projects involving land acquisition. These concerns focused on underpayment for land and assets; lack of appropriate reinstatement of land temporarily acquired; and delays in compensation payments⁵;
- Peoples' priorities for re-establishing incomes include access to land and equipment, purchasing new livestock and making investments in irrigation and improved livestock;
- Communities extensively use pastures to feed livestock and reliance on commercial feed is minimal. The livelihood of a large number of communities is heavily dependent on livestock; and
- Use of forests is more limited and consists primarily of free use of firewood as allowed by the Department of Forestry.

No residential homes will be damaged by Project activities. Thus, no physical resettlement will occur as a result of the Project. Replacement costs for any building affected by pipeline construction will be paid and the owner will be individually assisted through measures that exceed the international best practice standards. The key impacts of the Project (of which the majority are temporary) on the lives of the households⁶ affected by the Project involve:

- Temporary loss of land for agricultural cultivation, most of which is rain-fed;
- Temporary loss of privately owned grazing lands;
- Temporary reduced livelihoods or productivity losses;
- Loss of man-made structures and infrastructure⁷;
- Temporary reduced access to publicly owned pastures and forests; and
- Temporary damage to community assets and infrastructure⁸.

⁵ To address these issues and create greater familiarity with the legal basis of entitlements, an extensive disclosure process has been launched both in the context of the Environmental and Social Impact Assessment (ESIA) and, subsequently, through the distribution of information on RAP related entitlements. In addition, more targeted information has been sent to absentee owners, customary owners, and to all tenants/sharecroppers.

⁶ Slightly fewer than 20% of owners are absentees; these persons constitute a major challenge with regard to identification and involvement in the process of land and asset acquisition and compensation.

⁷ These consist primarily of a few barns, fences, garden walls, etc. If barns, storage places, etc., are affected, they will be compensated for at replacement value. Fences, walls, etc. will be re-built or repaired subsequent to completion of construction in each specific locality.

⁸ This consists primarily of temporary damage to small irrigation canals. Any damage caused to such infrastructure will be repaired in a timely fashion.

The Project includes the permanent acquisition of 534 hectares for the 8 metre pipeline corridor in Turkey. The original owners will regain use of these lands subject to certain restrictions, such as prohibitions on the construction of buildings and the planting of large trees.

HIGHLIGHTS OF THE RESETTLEMENT ACTION PROGRAMME

The RAP includes a number of actions to ensure that project affected people will be appropriately compensated for any permanent or temporary loss of land and assets including:

- Land within the 8 metre right of way (ROW) will be acquired by the Project with compensation either negotiated or determined by the courts and paid in full to the landowner before Project construction begins. Use of land in the ROW, with the exception of land for permanent facilities, will be returned at no cost to the landowner, with limited use restrictions.
- Access rights to the additional 20 metre ROW will be temporarily acquired during the Project construction period before being returned to the owner with limited use restrictions. For these, compensation will be equivalent to three years of capitalised net income from the specifically affected plots. The compensation levels will be negotiated or determined by the court and paid for the temporary acquisition.
- The long term limited use restrictions are calculated based on the same valuation method as above and will be paid accordingly. These restrictions are within the 28 metre corridor.
- All income generating assets, including trees, will also be compensated for based on capitalised net income considerations.
- Other assets, such as barns, will be compensated for at replacement/market value as determined by the DSA/BOTA^a valuation commission.
- All payments for temporary and/or permanent acquisition of assets will be made in full to a bank account prior to the start of the construction activity on a specific plot. The exception to this will be the payment for crops on the affected plots. Payment for these losses will be made prior to the initiation of construction and may be made directly to the owner/user in cash.
- Valuation of land and assets will be done initially by a commission of experts established within DSA/BOTA^a as a basis for negotiating with owners. In the event of disagreements, the courts will determine compensation levels with Project construction being permitted once the court mandated compensation payment is made into a national bank account.
- Any costs associated with court proceedings will be borne by the Project and not by the project affected people.
- The local laws require that DSA/BOTA^a directly apply to the courts to register the customarily owned land plots affected and to determine their expropriation value. The registration will be confined to the land segment affected by the Project. The determination of valuation by court appointed valuation experts has in the past worked

in favour of the owners. Nevertheless, the customary owners have the right to appeal the court valuation prior to a final decision. If the court appoints valuation commissions twice to respond to the grievance of an owner, its decision will allow the Project to make full payment to the owner and proceed with construction. As in the case of owners with a deed, customary owners would have the right to apply to a higher court for the review of the level of valuation for their lands and assets.

- Compensation for state land, including publicly owned pastures and forests, will be made to the relevant public agencies. When lands owned by the village administrations are acquired, payment will be made directly to the village administrations.
- People who use publicly owned pastures and forests would be compensated by the Project through non-cash investments funded by the RAP Fund. This will be used primarily for income improvements, while cash compensation will aim at income restoration.
- There are ownership disputes between individuals or individuals and the State. The Project is not responsible for the resolution of these disputes. In many cases, the Project is not even entitled to become a party to the proceedings. A typical case is the situation of owners who have not registered their names to the title deed after they have inherited land. According to the Expropriation Law, only the land owners can register their names to the title deed. The law does not give the right to the expropriation agency to register lands on behalf of the land owners. However, the Project will assist the land owners for registration issue by informing them about the legal process. These owners have been notified to do so in order to receive the payments that will be made for their share of the land. Similarly, there are joint owners that dispute their respective shares. These too have been notified to resolve their differences in a timely manner. In all cases of disputed ownership, the Project will conduct a fair valuation of the affected assets and will not initiate construction prior to the deposit of full payment to an appropriate account (often in trust of a court, but in an interest earning account). Those funds will then be distributed in accordance with whatever final resolution of the dispute is achieved.
- Compensation to tenants and squatters will be considered on a case by case basis by the RAP Fund. The compensation arrangements will be determined as follows:
 - Tenants with legal agreements will be compensated directly;
 - Tenants with informal agreements who are not entitled to compensation under Turkish law will be compensated directly by the Project with evidence of tenancy obtained from the owner; should the tenant fail to receive support from the owner, DSA/BOTA^a is obliged to make the payment to the owner. The RAP Fund will nevertheless consider the entitlement of the tenant to compensation;
 - Squatters on publicly and privately owned land are not entitled to compensation under Turkish law. The RAP Fund will consider these situations on an individual basis so as not to encourage illegal occupancy on a larger scale. The entitlements of this group will be limited to assets and crops, and will exclude land. Squatters in forestlands will not be considered for any compensation, however, the RAP Fund will consider compensation claims by users in the forest for crops and assets they may have on the land. Additional compensation

will be indirectly available to squatters in forestlands in communities that may enjoy benefits of the community-based RAP funded programmes; and

- RAP Fund will provide community compensation.

PUBLIC CONSULTATION AND DISCLOSURE

Consultation with the affected populations and other stakeholders is essential to fully understanding Project impacts. Public disclosure is the process BTC Co. has established to permit a wide range of stakeholders to comment on the RAP. The establishment of a process to redress grievances allows BTC Co. to deal with issues proactively and attempts to solve grievances before resorting to the formal legal system.

BTC Co. has consulted widely with a large range of stakeholders using a variety of mechanisms and media since September 2000. The greatest concern at the village level is the possibility that entitlements might not be recognised due to lack of legal title to land and assets. A corollary to this is uncertainty arising from unregistered inherited land. The majority of concerns are dealt with in the new Expropriation Law the provisions of which are being extensively publicised during RAP preparation both to affected people and to other stakeholders and Project staff. These consultations were also important in modifying the pipeline routing. Special efforts were made to contact tenants, absentee landowners and users of common property in designing special mitigation measures for the RAP.

In accordance with IFC/World Bank policies, BTC Co. will ensure that the RAP is made available in a timely fashion through the Info Shop and at selected locations in Turkey in local language prior to the submission of the Project for IFC Board consideration. Public meetings were held for the Environment and Social Impact Assessment throughout June 2001 and July 2002 which included addressing issues of land/asset acquisition and compensation. Throughout this disclosure process, issues that surfaced about the compensation process, land registration and previous BOTA^a expropriation experiences were highlighted by the people and were important in designing the RAP. The RAP specific consultation and disclosure activities are presently continuing and new emphasis has been placed on informing people of their legal rights and entitlements with respect to the Project's land acquisition activities.

A grievance redress framework has been established that includes (i) institutional arrangements; (ii) procedures for recording and processing grievances; (iii) mechanisms for adjudicating grievances and appealing judgements; and (iv) a schedule, with deadlines, for all steps in the grievance resolution process.

MONITORING AND EVALUATION

BTC Co. is ultimately responsible for the adequate monitoring, evaluation and reporting of Project implementation. The monitoring and evaluation (M&E) program for the RAP involves a sophisticated monitoring system designed by DSA/BOTA^a. In addition, BTC Co. has established an internal monitoring system with support from independent third party experts. Monitoring reports will be made available to the public.

The focus of internal monitoring is on:

- Ensuring the timely and effective completion of the land and asset acquisition and compensation disbursement process;

- Creating a real-time monitoring system for all parties involved in Project implementation in all three participant country teams;
- Establishing a participatory M&E mechanism so that affected people and other stakeholders can provide rapid, accurate and objective feedback to support and sustain those aspects of the RAP that are achieving its objectives and to take redesign actions where appropriate; and
- Confirming through both qualitative and quantitative mechanisms⁹ the effectiveness and sustainability of income and livelihood restoration measures for a reasonable period of time into the operational phase of the pipeline.

The most important indicators for RAP monitoring in the near term concern output, process and outcome indicators, since these show whether the planned level of effort is being made to put the RAP into practice and whether early implementation experience is being used to modify RAP features.

The focus of expert monitoring will be on:

- Confirming the quality of internal monitoring and its use as a management tool in comparison with IFC/World Bank policies;
- Providing an expert assessment of RAP implementation; and
- Gathering information for the preparation of the final RAP evaluation and audit.

The internal and expert monitoring teams will work closely, using a real-time Monitoring and Evaluation system. Expert monitoring will be supplemented through field visits conducted twice a year beginning six months after the start of RAP implementation in early 2003. Expert monitoring will continue until 2007 to ensure that income restoration and development initiatives were successful.

CONCLUSION

The RAP for the Turkish section of the BTC Pipeline project consists primarily of an action plan for land acquisition. The Project will not cause physical resettlement both because settlements and dwellings have been avoided in route selection and in the siting of Above Ground Installations (AGIs) and because the magnitude of economic impacts are too small to induce physical displacements. Only a small fraction of the total land holdings of the affected populations will be acquired for the Project, and will be returned to the ex-owners for their re-use. The impacts of the construction activity on incomes will be minimal and fully restored through cash compensation. Despite the use of the land for a short period of time, a life-time payment is made for the 8 meter corridor for 3 years and for the remaining 20 meters. Thus, the compensation will exceed the associated income losses.

⁹ Such as socio-economic baseline data updates.