

## OVERVIEW OF PROJECT AFFECTED PEOPLE IN AZERBAIJAN

4	OVERVIEW OF PROJECT AFFECTED POPULATION IN AZERBAIJAN .....	4-3
4.1	Introduction.....	4-3
4.2	Socio-Economic Context in Rural Azerbaijan .....	4-3
4.2.1	Social and Economic Conditions in Azerbaijan 1988-2002 .....	4-3
4.2.2	Changes in the Agricultural Sector in Azerbaijan.....	4-5
4.3	Survey Method and Sampling.....	4-6
4.4	Characteristics of Respondents .....	4-7
4.5	Household Characteristics .....	4-8
4.5.1	Household size and structure.....	4-8
4.5.2	Age structure.....	4-9
4.5.3	Education levels .....	4-10
4.5.4	Length of residence .....	4-10
4.5.5	Housing size and type .....	4-11
4.5.6	Household ownership of consumer goods .....	4-12
4.5.7	Incidence of Poor Households .....	4-12
4.6	Household Income and Expenditure in Azerbaijan.....	4-13
4.6.1	Summary of Household Incomes .....	4-13
4.6.2	Breakdown of Sources of Income .....	4-14
4.6.3	Relative Importance of Sustenance Activities .....	4-17
4.6.4	Summary of Household Expenses.....	4-17
4.7	Land Ownership and Resources .....	19
4.7.1	Land Tenure.....	19
4.7.2	Number of Households Using Plots .....	20
4.7.3	Characteristics of household land holdings .....	20
4.7.4	Appraisal of local land values.....	20
4.7.5	Land Impacts of the BTC Pipeline .....	22
4.8	Agricultural Activities .....	22
4.8.1	Agricultural activities.....	22
4.9	Use of Communal Land and Resources .....	23
4.9.1	Communal Pasture.....	23
4.9.2	Water Resources.....	23
4.9.3	Forests.....	23
4.10	Gender Issues .....	24
4.11	Ethnic Minorities in Azerbaijan .....	25
4.12	Vulnerable Groups in Azerbaijan .....	25
4.13	Attitudes to the Project in Azerbaijan .....	27
4.13.1	Awareness of the BTC Pipeline .....	27
4.13.2	Expected Benefits and Areas of Concern.....	27
4.13.3	Preferences for compensation .....	28
4.13.4	Trusted Parties and Individuals .....	28
4.14	Community Priorities in Azerbaijan .....	29

## LIST OF TABLES

Table 4.1	Average Age of Respondents by Tenure Type .....	4-8
Table 4.2	Highest Educational Attainment of Project Affected People .....	4-10
Table 4.3	Gender Differences in Household Income and Incidence of Poverty .....	4-13
Table 4.4	Average Incomes by District in Azerbaijan .....	4-14
Table 4.5	Summary of Household Annual Incomes .....	4-15
Table 4.6	Household Income Sources.....	4-16
Table 4.7	Summary of Monthly Household Expenditure in Azerbaijan .....	4-18
Table 4.8	Reported Land Sale Prices for Irrigated Land (all districts).....	21
Table 4.9	Reported Land Sale Prices for Grazing Land (all districts) .....	21
Table 4.10	Summary of Land Impacts by District.....	22
Table 4.11	Agricultural Activities Carried Out on Project Affected Plots .....	23

## LIST OF FIGURES

Figure 4.1	Distribution of Respondents by District .....	4-7
Figure 4.2	Highest Educational Attainment of Household Head by Gender .....	4-7
Figure 4.3	Average Household Size By District in Azerbaijan.....	4-8
Figure 4.4	Age Structure of Households in Azerbaijan.....	4-9
Figure 4.5	Age Structure of Project Affected Population in Azerbaijan .....	4-9
Figure 4.6	Place of Origin.....	4-10
Figure 4.7	Reason for Moving to Present Location .....	4-11
Figure 4.8	Average House Size by District.....	4-11
Figure 4.9	Ownership of Household Goods .....	4-12
Figure 4.10	Breakdown of Income Sources by District.....	4-16
Figure 4.11	Proportion of Household Agricultural Production for Own Use.....	4-17
Figure 4.12	Comparison of Annual Household Income and Expenses.....	19
Figure 4.13	Breakdown of Owners and Users.....	19
Figure 4.14	Types of User.....	20
Figure 4.15	Household Use of Communal Water Resources.....	24
Figure 4.16	Source of Information about the Project.....	27
Figure 4.17	Perceived Project Benefits .....	28
Figure 4.18	Concerns about the BTC Project in Azerbaijan.....	28
Figure 4.19	People Respondents Would Turn to For Advice .....	29
Figure 4.20	Community Priorities for Assistance in Azerbaijan.....	30

## **4 OVERVIEW OF PROJECT AFFECTED POPULATION IN AZERBAIJAN**

### **4.1 INTRODUCTION**

Information about the project affected population in Azerbaijan came from three sources:

- A census of all land owners and users within the 44-metre construction corridor and 58-metre restriction of use zone, including records of potentially vulnerable households
- Results of a socio-economic survey of owners and users found on randomly selected land parcels within the 44-metre corridor
- Field interviews with affected people undertaken by the RAP consultants

Fieldwork for the household socio-economic survey was conducted in early May 2002 by local social assessment consultants, Synergetics. A total of 629 household heads were interviewed from 629 land parcels. The basic sampling method and assumptions are summarised in Section 4.3. The survey has been used to establish the baseline conditions of project affected people and for evaluating the probable nature and extent of impacts of the BTC Pipeline project on their standards of living and livelihood.

### **4.2 SOCIO-ECONOMIC CONTEXT IN RURAL AZERBAIJAN**

The last ten years have witnessed profound changes in the social and economic conditions of rural dwellers in Azerbaijan. Following is a very brief introduction to some of the factors contributing to that change. This introduction draws heavily on several recent studies conducted by the World Bank on impacts of agricultural reforms in Central Asia<sup>1</sup> and in particular on a social assessment for the World Bank's Azerbaijan Agricultural Development and Credit Project<sup>2</sup>. The latter assessment included primary data collection about socio-economic conditions in Udjar and Shemkir, both districts traversed by the BTC Pipeline. Reference is also made to results of the BTC Pipeline socio-economic survey and social baseline studies undertaken for the Azerbaijan ESIA.

#### **4.2.1 Social and Economic Conditions in Azerbaijan 1988-2002**

In the early 1990s, a majority of Azeri rural dwellers, both men and women, were salaried employees of state and collective farming enterprises. Some of these employees were agricultural workers directly involved in raising livestock or crop production, but many also had management or specialized technical positions in areas such as education, healthcare, and agricultural research. Through the state enterprises, rural dwellers had relatively good access to basic social services, including retirement pensions. Farms were based on large landholdings managed with high levels of mechanisation and specialist technical input.

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<sup>1</sup> Kudat, A., Peabody, S. and Caglar, K eds. (2000) *Social Assessment and Agricultural Reform in Central Asia and Turkey*, The World Bank, Washington.

<sup>2</sup> Kudat, A., and Ozbilgin, B. (2000) "Azerbaijan Agricultural Development and Credit Project", in *Social Assessment and Agricultural Reform in Central Asia and Turkey*, Pp. 119-172, The World Bank, Washington.

### Azerbaijan - Chronology of Key Events

<b>1991</b>	Azerbaijan adopts a resolution of sovereignty and separates from the former Soviet Union
<b>1991-94</b>	Nagorno-Karabakh conflict escalates leading to influx of 650,000 Azeris from Armenia into Azerbaijan
<b>1995</b>	Referendum establishes a new national constitution that permits private ownership of land
<b>1996</b>	<i>Law on Land Reform</i> (16 July, 1996) introduced and the Government of Azerbaijan commences to privatise about 70 percent of the 1.46 million hectares of land under the control of about 1,800 collective and state farms
<b>1999</b>	As part of decentralization initiatives, local elections were held nationwide in 2,669 municipalities to establish municipal executive authorities to administer community services and infrastructure.
<b>2002</b>	90% of rural dwellers have access to land and engage in agricultural production.

With the demise of Soviet Union, and collapse of the centralised marketing and price fixing system for agricultural goods in the early 1990s, the revenue base that supported the state enterprise farms rapidly diminished. Declaration of sovereignty in 1991 further weakened Azerbaijan's access to its traditional Soviet bloc agricultural markets. In the period of adjustment that followed, as a result of collapsing prices, loss of key markets and the breakdown of collective production systems, Azerbaijan's agricultural production declined rapidly.

The disintegration of the state enterprise farm system forced former employees to become increasingly reliant on subsistence production from their household garden plots to make up for shortfalls, or delays in wages payment. While some agricultural workers had direct experience of working with livestock and on the land, many technical and professional workers had little or no relevant experience. In the space of five or six years, the collective-based wages economy reverted to a peasant economy based on subsistence agriculture with the household as the primary unit of production.

The demise of the agricultural sector, and the breakdown of wage-based collective employment has lead to out-migration amongst professionals and able-bodied workers. These groups have sought employment in the larger cities or in the informal sector in Russia. Typically male, and often the household head, many of these workers have left wives to maintain their families and work the household's agricultural land. In the project area, about 9 percent of households receive remittances from family members living away from the district.

Impacts on rural households during this period included:

- Declining living standards, with 55 percent of the rural population living below the poverty level by 2001 (World Bank, preliminary estimate, 2002)
- Loss of wages employment and a shift to reliance on household-based subsistence farming and barter

- Deterioration of rural infrastructure and access to social services previously maintained by the state and collective enterprises
- Closure of local agricultural processing enterprises with loss of rural employment
- Return to traditional peasant gender roles with reduced opportunities for women
- Out-migration of professional and able-bodied men (in particular) and the young, seeking employment in Baku, or informal employment in Russia.

Since 1996, the Government of Azerbaijan has been implementing reforms directed towards transforming from a centralized command economy to a market-based system. In 1995, a referendum established a new constitution that enabled private ownership of land. In 1996, the Law on Land Reform was implemented and the Government of Azerbaijan proceeded to privatise about 70 percent of the 1.46 million hectares of land under the control of about 1,800 collective and state farms. In the project area, this privatization process has been completed.

The Government of Azerbaijan has also moved to strengthen district and local government with first local elections to establish municipal administrative bodies held in 1999. In practice, the roles and responsibilities of the municipalities and their relation to district administrations are still being defined. Lack of resources has led to widespread reliance of both the public sector and private citizens on informal networks and systems of payment.

#### **4.2.2 Changes in the Agricultural Sector in Azerbaijan**

The agricultural sector accounts for around 25-30 percent of Azerbaijan's Gross Domestic Product. About 50 percent of Azerbaijan's 4.4 million hectares of grazing land are cultivated and the rest is grazed. Along the project corridor, the easternmost districts (Absheron, Garadagh, Agsu, and part of Hajigabul) are predominantly used for winter pasture by livestock enterprises. Western districts have irrigation-based cultivation supporting a diverse mix of crops.

During the transition period, Azerbaijan's agricultural production has fallen by between 12 percent and 25 percent each year. This effect is pronounced in the agricultural output of the western districts affected by the BTC Pipeline. Production levels of all major crops have declined steadily since Azerbaijan's independence in 1991. Reasons for this are many and include:

- Collapse of the Soviet centralised marketing and price fixing system
- Loss of traditional markets for Azerbaijan produce in the former Soviet bloc
- Competition from cheap imports
- Fragmentation of agricultural land as a result of the land privatization process
- Deterioration of farm infrastructure (irrigation infrastructure, farm machinery)
- Insufficient funds for farmers to invest in quality seeds, fertilizer and pesticides
- Lack of farming experience amongst some new private land owners and limited access to technical expertise
- Impediments to accessing markets
- Environmental problems (salinity, soil contamination with agro-chemicals from the Soviet era)

These problems in the rural sector have implications for the BTC Project including:

- In terms of valuing land and crops, agricultural production levels currently being achieved are well below the full potential of the land such as was achieved in the Soviet era

- Relatively simple interventions have the potential to more than restore agricultural production above current levels
- Agriculturally based communities are recently impoverished, therefore the gap between those that benefit from BTC Project and those that don't will be marked and a potential source of intra-community tension

The latter issue will be addressed through a program of community and social investments directed at distributing benefits to households that miss out on compensation, as well as to project affected groups (see Section 6.20).

### 4.3 SURVEY METHOD AND SAMPLING

The BTC Co. socio-economic survey sought to elicit (i) information on the types of land ownership; (ii) characteristics of affected land parcels and assets; (iii) livelihood basis of the affected land owners and users; and (iv) their attitudes to the project and preferences for compensation.

The sample frame for the socio-economic survey consisted of the 4,255<sup>3</sup> state, municipal and privately owned land parcels in the 44 metre BTC Pipeline construction corridor. Land parcels for road, utility, and other oil and gas pipelines were excluded from the sample frame. Parcels were numbered consecutively from east to west, and random numbers were used to select the land parcels to be sampled. All households encountered on each selected parcel were interviewed. The survey was specifically directed to the "household head". Survey teams worked in male and female pairs so that all respondents were interviewed by a person of their own gender. Confidence limits were as follows:

**Sampling frame:** Land parcels identified in the project corridor (N=4,255)

**Sampling technique:** Random selection of plots (random numbers)

**Confidence level:** 95 percent

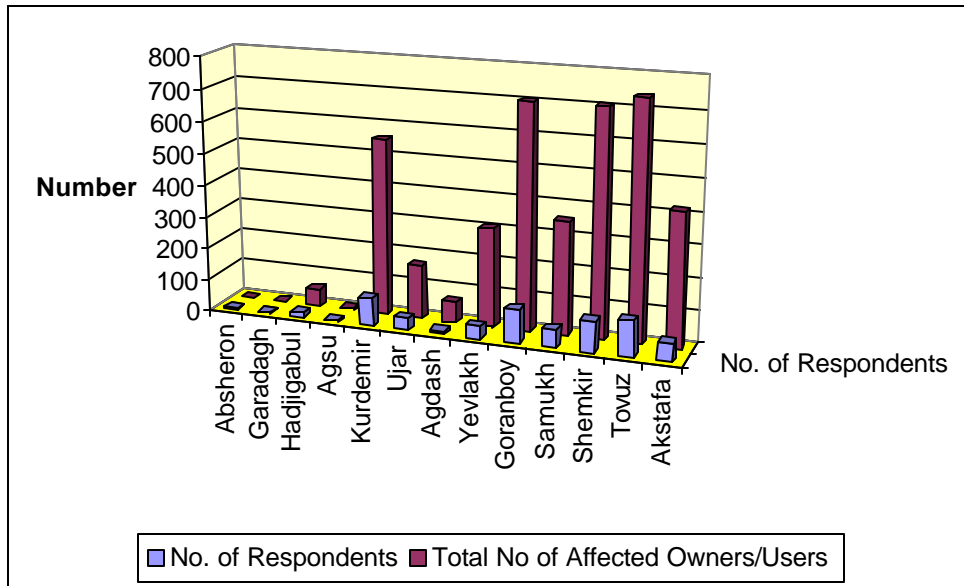
**Confidence Interval:** Better than +/- 5 percent

The number of sampled land parcels in each district compared to the total number of project affected land parcels as revealed by the census is illustrated in Figure 4.1. Twenty-one of the surveyed land parcels were state land leased by state livestock breeding enterprises. In these cases, the director of the livestock enterprise was interviewed as their other occupants, seasonal graziers, were away at their summer pastures. The data for these groups has been disaggregated from other household data in reporting results as numbers of people, livestock, income and expenses for these groups reflect collective production rather than that of individual households.

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<sup>3</sup> This was an early census. Land identification surveys have subsequently been refined. The latest survey (October 2002) identified 4,082 land parcels with owners or users within the 58 metre corridor.

**Figure 4.1** Distribution of Respondents by District

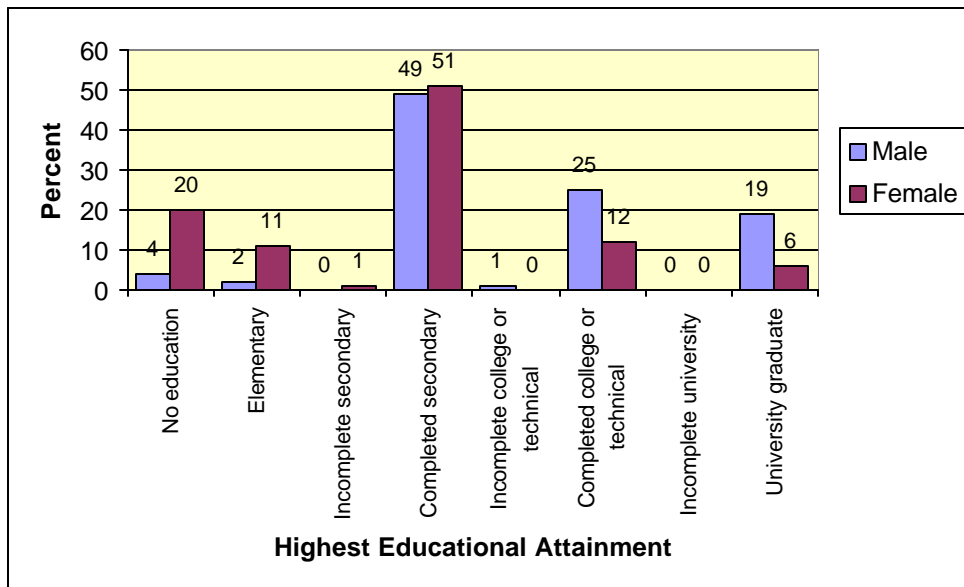


Source: RAP Socio-Economic Survey 2002

## 4.4 CHARACTERISTICS OF RESPONDENTS

Questionnaires were directed to the household head. 81 percent of surveyed household heads were male and 19 percent were female. The majority of respondents (94 percent of men, 69 percent of women) had completed secondary education or higher. Education levels achieved by household heads, disaggregated by gender, are summarised in the following table. Women’s educational attainment falls significantly below that of men beyond secondary schooling.

**Figure 4.2** Highest Educational Attainment of Household Head by Gender



Source: RAP Socio-Economic Survey 2002

There was a higher than national average proportion of technical college and university graduates amongst the survey respondents. 23 percent had a completed college or technical college education (compared to a national average of 14 percent) and 16 percent had completed a university course (national average, 12 percent). Such high educational attainment amongst household heads is not uncommon in former Soviet bloc countries.

The majority of surveyed household heads are married (79 percent) or widowed (20 percent). Women household-heads tend to be significantly older than their male counterparts (see Table 4.1).

**Table 4.1 Average Age of Respondents by Tenure Type**

Tenure Type	Average Age	
	Men	Women
Land owner	49.4	56.4
Leaseholder	50.1	70.7
Other User	53.4	69.3

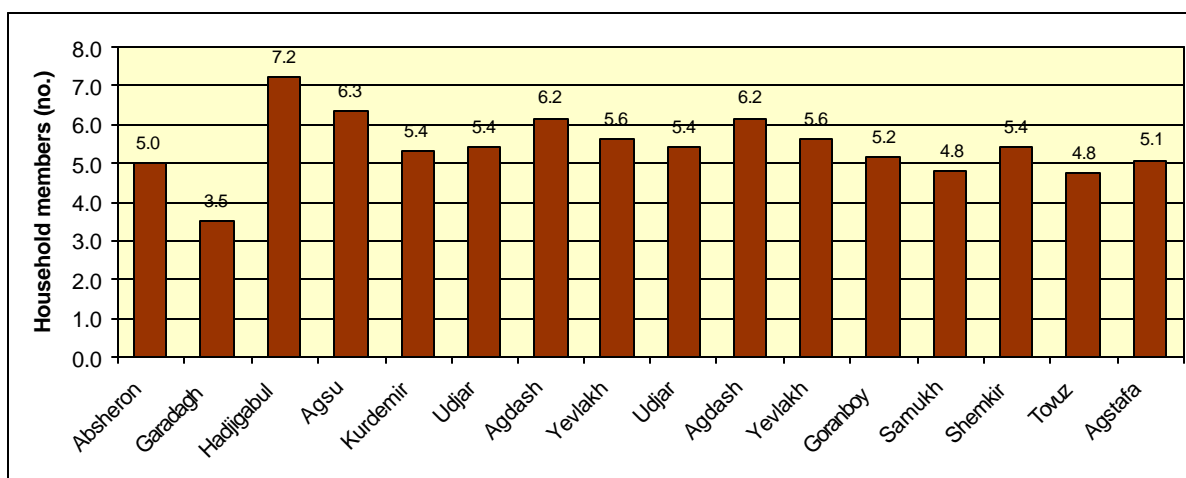
Source: RAP Socio-Economic Survey 2002

## 4.5 HOUSEHOLD CHARACTERISTICS

### 4.5.1 Household size and structure

The socio-economic survey found that the average household size was 5.2. As shown in Figure 4.3, there is considerable variation between districts, with average household size ranging from over 7 members in Hajjigabul to 4.8 in Tovuz. A high proportion of households (11 percent) have more than 7 members.

**Figure 4.3 Average Household Size By District in Azerbaijan**

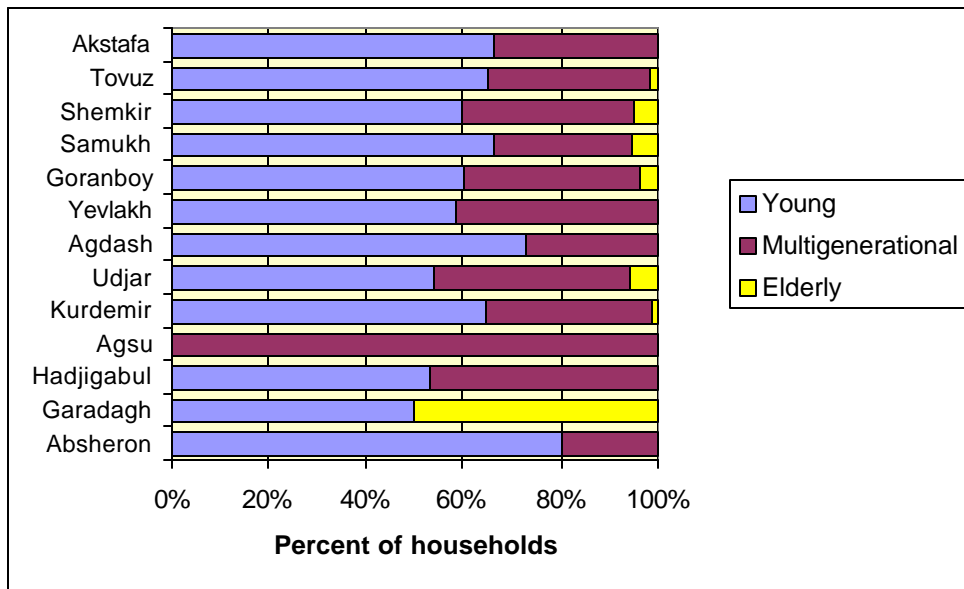


Source: RAP Socio-Economic Survey 2002

To gain a basic understanding of household structure, households were categorized into young families (all members less than 60), multigenerational or extended families (members both older and younger than 60) and elderly (all members older than 60). Young families are the most

common family type in all districts with the exception of Agsu and Garadagh that were based on very small sample sizes (N=3 and 2 respectively).

**Figure 4.4 Age Structure of Households in Azerbaijan**

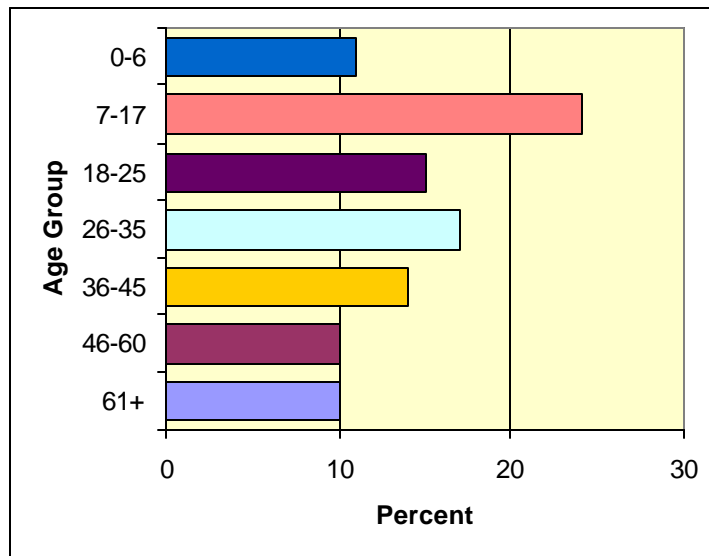


Source: RAP Socio-Economic Survey 2002

### 4.5.2 Age structure

The age distribution of the population of all surveyed household members is shown in Figure 4.5. 49.7 percent of the surveyed population is under 25 (compared to the national average of 47.7 percent). The surveyed population is relatively younger than the national average. 64 percent of the population are of working age (16-65).

**Figure 4.5 Age Structure of Project Affected Population in Azerbaijan**



Source: RAP Socio-Economic Survey, 2002

### 4.5.3 Education levels

Highest education levels attained by all household members are summarized in Table 4.2. These are consistent with national averages.

**Table 4.2 Highest Educational Attainment of Project Affected People**

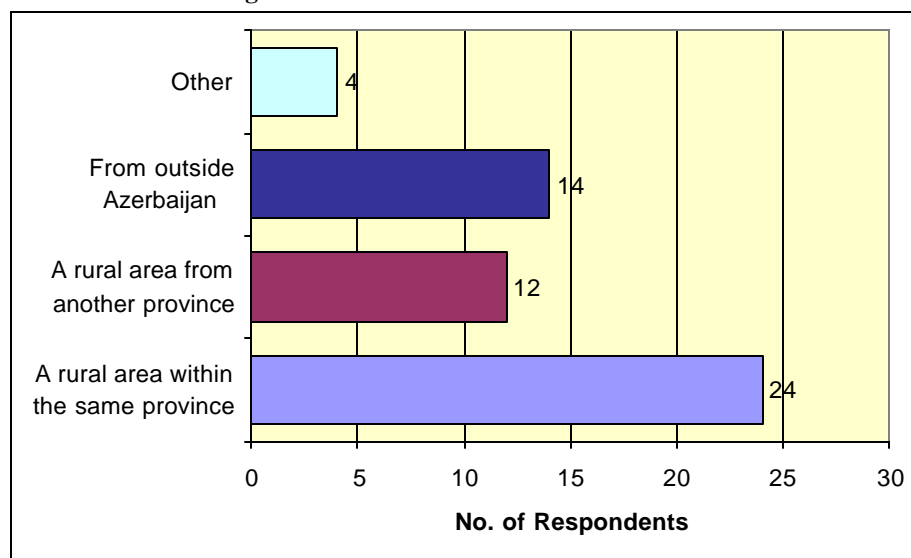
Education level	Number	Percentage
No education	475	14
Elementary	132	4
Uncompleted secondary	674	21
Completed secondary	1367	42
Uncompleted college or technical college	21	1
Completed college/technical college	315	10
Incomplete university	42	1
University	251	8
Total	3,277	101

Source: RAP Socio-Economic Survey 2002 (Percentage does not sum to 100 due rounding)

### 4.5.4 Length of residence

A majority of respondents (91 percent) have always lived in their present location or arrived more than 20 years ago. However, a significant number (9 percent, n=54) have settled in their present community more recently, arriving within the last 20 years. Surveyed households that had arrived from outside of Azerbaijan were comprised predominantly of Meskhetian Turks who settled in their present locations in Azerbaijan after being displaced from Uzbekistan and Kazakhstan in 1988 (see Section 4.12 for discussion of other ethnic groups identified during the census).

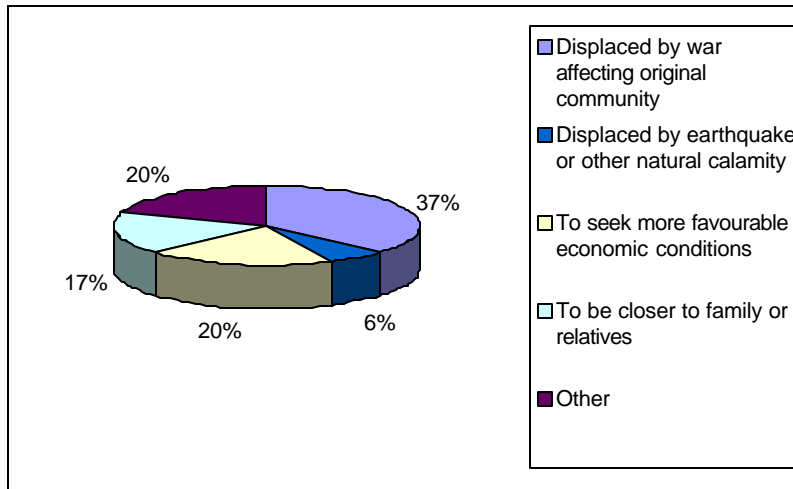
**Figure 4.6 Place of Origin**



Source: RAP Socio-economic survey, 2002

War or military conflict was cited as the most common reason for in-migration. Some of the western districts are perceived as among the more prosperous in rural Azerbaijan so ‘seeking more favourable economic conditions’ was also a common motive given by respondents for settling in their present location.

**Figure 4.7 Reason for Moving to Present Location**

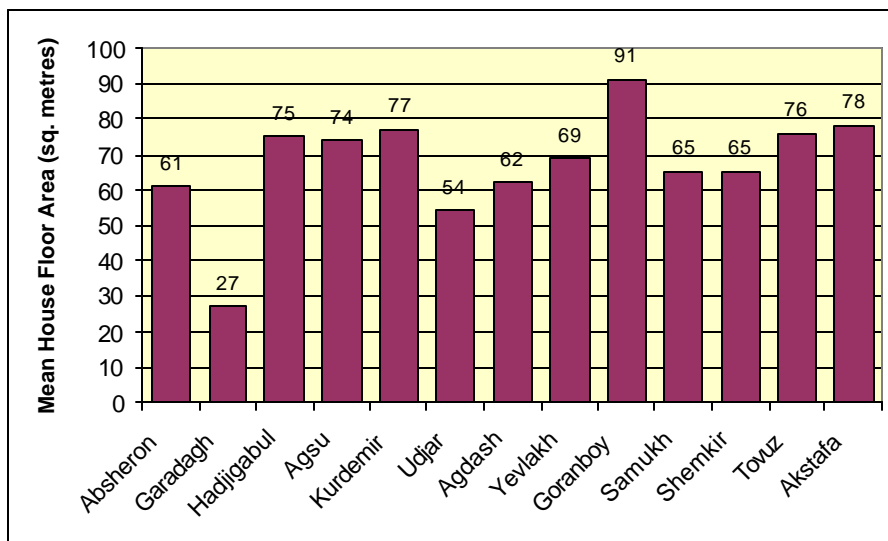


RAP Socio-Economic Survey 2002

#### 4.5.5 Housing size and type

Housing represents most households’ most significant asset, and also provides an indication of relative wealth. Housing along the BTC route ranges from simple mud-walled dwellings used by seasonal graziers, where a family of 5 or 6 may share a dwelling of 20-25 square metres, to much larger and more elaborate concrete framed structures where the affected population lives in towns or larger settlements. A majority (67 percent) of dwellings are comprised of two or three rooms. Very few have an inside toilet (2 percent) or running water (7 percent).

**Figure 4.8 Average House Size by District**



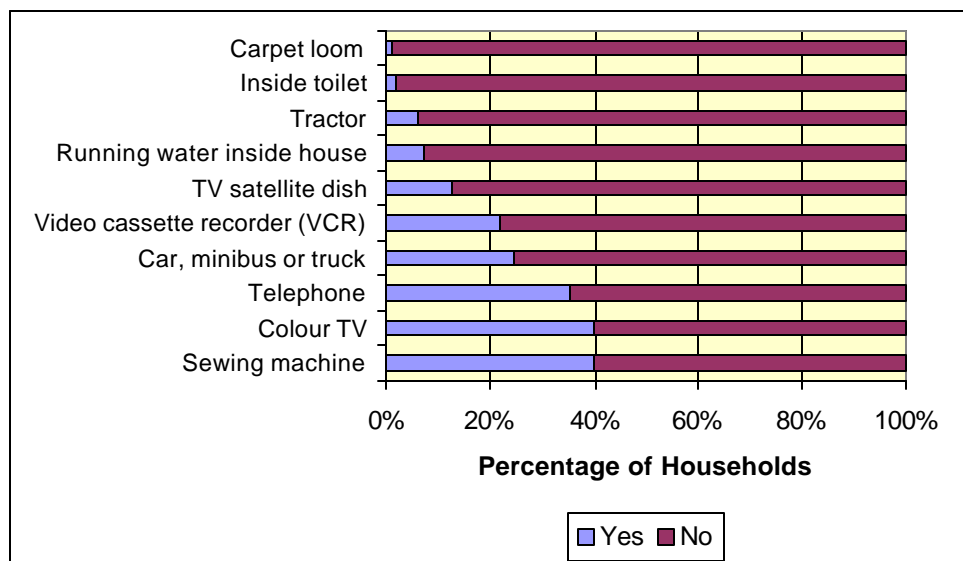
Source: RAP Socio-Economic Survey, 2002

Of surveyed households, 3 percent lived on their project affected land parcel. No houses were located within the 44-metre construction corridor.

#### 4.5.6 Household ownership of consumer goods

Ownership of consumer goods can give an indication of the relative affluence of households. When correlated with household income levels, ownership or non-ownership of particular household goods can provide a quick guide as to the relative socio-economic status (and vulnerability) of a household.

**Figure 4.9 Ownership of Household Goods**



Source: RAP Socio-Economic Survey 2002

Given the high proportion of surveyed households living below the poverty level, ownership of consumer goods appears relatively high. Based on the age of assets observed during field work, and knowledge of the rural economic decline that has occurred during the transition period, it is probable that asset ownership reflects the fact that in the past households enjoyed higher levels of surplus income for spending on consumer goods.

#### 4.5.7 Incidence of Poor Households

Using the definition of poor as purchasing power parity below US\$1/day/capita<sup>4</sup>, 51 percent of surveyed households can be classified as living below the poverty line, though incidence of poverty varies markedly between districts. Hajigabul has the highest number of poor households (71 percent), while Tovuz has least (25 percent). A greater proportion of women headed households (58 percent) are poor compared to male headed households (49 percent). About 22 percent of all surveyed households can be classified as very poor<sup>5</sup>.

<sup>4</sup> For the RAP, this was equated to 146,400 manats per capita per month. The exchange rate at the time of the survey was 4,880 manats to US\$ 1.00.

<sup>5</sup> Have income equal to or less than half the absolute poverty level.

**Table 4.3 Gender Differences in Household Income and Incidence of Poverty**

	<b>Total No. of Households</b>	<b>Households below the poverty level (no.)</b>	<b>Households below the poverty level (%)</b>	<b>Average Annual Per Capita Income of poor households Az. Manat '000</b>
Women headed households	115	67	58	924
Men headed households	493	243	49	953
<b>All households</b>	<b>608</b>	<b>310</b>	<b>51</b>	<b>947</b>

Source: RAP Socio-Economic Survey 2002

## **4.6 HOUSEHOLD INCOME AND EXPENDITURE IN AZERBAIJAN**

### **4.6.1 Summary of Household Incomes**

Average incomes of surveyed households are summarized in Table 4.4. These show marked differences between districts, with a strong correlation between household income and level of crop production. Highest average household and per capita incomes are in Tovuz and Akstafa with around 70 percent of this coming from sale of crops and vegetables. Lowest average household incomes and highest incidence of poor households are in Hajigabul where only 35 percent of household income is crop based. Average annual per capita incomes in Absheron, Hajigabul, Ujar and Samukh are below the absolute poverty level.

The May 2002 socio-economic survey did not capture individual household income data within Absheron and Garadagh Districts as the seasonal herders that live on state collective farms along the pipeline route in these districts were away at their summer pastures. Socio-economic surveys were, however, taken of two groups of seasonal herders living in the vicinity of Sangachal terminal, which is the easternmost point of the BTC Pipeline, in the winter of 2001. The 2001 surveys covered 11 households comprising about 60 people. Six of these households had annual per capita incomes below 480,000 Az Manat per year which places them amongst the very poor. Seasonal graziers have been identified as one of the vulnerable groups to receive particular attention during project implementation.

**Table 4.4 Average Incomes by District in Azerbaijan<sup>6</sup>**

District	No. of households	Households below poverty level) (no.)	Households below poverty level (%)	Av. Annual Household Income (Az. Manat '000s)	Av. Annual Per Capita Income (Az. Manat '000s)
Absheron	-	-	-	-	-
Garadagh	-	-	-	-	-
Hajigabul	7	5	71	8,812	1,466
Agsu	-	-	-	-	-
Kurdemir	86	49	57	13,195	2,920
Ujar	35	25	71	10,066	1,934
Agdash	11	6	55	14,054	2,246
Yevlakh	41	27	66	10,105	1,935
Goranboy	106	60	57	10,010	1,956
Samukh	56	39	70	7,164	1,570
Shamkir	97	50	52	11,596	2,492
Tovuz	112	28	25	29,556	6,496
Akstafa	54	20	37	17,539	5,017
<b>Total</b>	<b>605</b>	<b>-</b>	<b>51</b>	<b>11,752</b>	<b>3,290</b>

Source: RAP Socio-Economic Survey, 2002

## 4.6.2 Breakdown of Sources of Income

Information was collected from households on their income from different sources (see Table 4.5). Table 4.5 presents aggregated data for whole districts, so does not reveal the production and income patterns of specific households. It does however reveal some broad patterns across districts.

On the state livestock enterprise lands in Absheron and Garadagh, households are almost totally reliant on sale of livestock and derivative products (dairy products, wool). Hajigabul households are livestock reliant in the east, but in western parts of the district, principal income is derived from crops. In districts to the west of Hajigabul up to the Georgian border, sale of crops and vegetables makes up the major part of most households' incomes. There is a strong correlation (>0.95) between crops production (cereals, fruit and vegetables) and overall household income level.

Households were assessed according to the number of income sources each had. The majority of households (89 percent) receive income from two or more of the following:

- government allowances (pensions, child allowances);
- agriculture (crops, livestock);
- non-agricultural sources (salary, wages from casual work); or
- remittances from other family members.

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<sup>6</sup> Excludes livestock enterprises. Absolute poverty level assumed at US\$ 1.00 / day or Az. Manats 1,756,800/person/year.

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**Table 4.5 Summary of Household Annual Incomes<sup>7</sup>**

		Wages from temporary work	Salary	Livestock & poultry sales	Sale of butter, cheese, eggs, etc.	Sale of wool	Sale of crops	Sale of vegetables	Fruit sales	Sale of other crops	Remittances from other family members	State pensions	Child allowance	Total HH income	Income per capita
Absheron	Az Manat	0	0	3,000,000	480,000	240,000	0	0	0	0	0	0	0	3,720,000	930,000
	%	0	0	81	13	6	0	0	0	0	0	0	0	100	
Garadagh	Az Manat														
	%														
Hadjigabul	Az Manat	0	200,000	1,029,000	794,000	0	5,257,000	0	314,000	357,000	0	707,000	153,000	8,811,000	1,466,000
	%	0	2	12	9	0	60	0	4	4	0	8	2	100	
Agsu	Az Manat	600,000	900,000	6,000,000	0	0	80,000,000	0	400,000	12,500,000	250,000	1,260,000	108,000	102,018,000	15,364,000
	%	1	1	6	0	0	78	0	0	12	0	1	0	100	
Kurdemir	Az Manat	1,240,000	1,057,000	1,015,000	295,000	188,000	4,189,000	2,860,000	805,000	15,000	529,000	883,000	118,000	13,194,000	2,920,000
	%	9	8	8	2	1	32	22	6	0	4	7	1	100	
Udjar	Az Manat	1,137,000	504,000	893,000	191,000	0	5,629,000	452,000	144,000	149,000	161,000	604,000	145,000	10,009,000	1,934,000
	%	11	5	9	2	0	56	5	1	1	2	6	1	100	
Agdash	Az Manat	782,000	120,000	759,000	600,000	91,000	6,127,000	3,327,000	578,000	227,000	267,000	920,000	255,000	14,053,000	2,246,000
	%	6	1	5	4	1	44	24	4	2	2	7	2	100	
Yevlakh	Az Manat	606,000	556,000	1,082,000	167,000	63,000	4,485,000	1,986,000	91,000	274,000	59,000	616,000	121,000	10,106,000	1,935,000
	%	6	6	11	2	1	44	20	1	3	1	6	1	100	
Goranboy	Az Manat	701,000	865,000	707,000	197,000	42,000	4,190,000	2,143,000	305,000	19,000	165,000	560,000	114,000	10,008,000	1,956,000
	%	7	9	7	2	0	42	21	3	0	2	6	1	100	
Samukh	Az Manat	482,000	668,000	653,000	333,000	41,000	3,273,000	104,000	171,000	188,000	339,000	699,000	214,000	7,165,000	1,570,000
	%	7	9	9	5	1	46	1	2	3	5	10	3	100	
Shemkir	Az Manat	1,346,000	821,000	755,000	138,000	48,000	2,866,000	3,583,000	211,000	175,000	702,000	805,000	146,000	11,596,000	2,492,000
	%	12	7	7	1	0	25	31	2	2	6	7	1	100	
Tovuz	Az Manat	571,000	936,000	303,000	309,000	188,000	11,465,000	14,398,000	196,000	456,000	80,000	522,000	132,000	29,556,000	6,496,000
	%	2	3	1	1	1	39	49	1	2	0	2	0	100	
Agstafa	Az Manat	798,000	716,000	943,000	292,000	148,000	6,482,000	5,935,000	774,000	576,000	223,000	493,000	158,000	17,538,000	5,017,000
	%	5	4	5	2	1	37	34	4	3	1	3	1	100	
<b>Total</b>	<b>Az Manat</b>	<b>8,263,000</b>	<b>7,343,000</b>	<b>17,139,000</b>	<b>3,796,000</b>	<b>1,049,000</b>	<b>133,963,000</b>	<b>34,788,000</b>	<b>3,989,000</b>	<b>14,936,000</b>	<b>2,775,000</b>	<b>8,069,000</b>	<b>1,664,000</b>	<b>237,774,000</b>	<b>3,694,000</b>
	%	3	3	7	2	0	56	15	2	6	1	3	1	100	

<sup>7</sup> Incomes are the means of data gathered for each district, thus present an aggregate view rather than represent the income patterns of specific households or groups.

**Table 4.6 Household Income Sources**

Income Sources	Households (No.)	Households (%)	Average Annual Per Capita Income (Az. Manats)
Households with incomes from pensions only	3	-	1,064,000
Households with incomes from government allowances only (pensions, child allowances)	7	1	697,000
Households with income from non-agricultural sources only (including salaries, wages, remittances, pensions and child allowances)	34	6	575,000
Households with income from agricultural sources only (plus pensions)	104	17	3,910,000
Households with multiple income sources	463	76	-
<b>Total</b>	<b>608</b>	<b>100</b>	

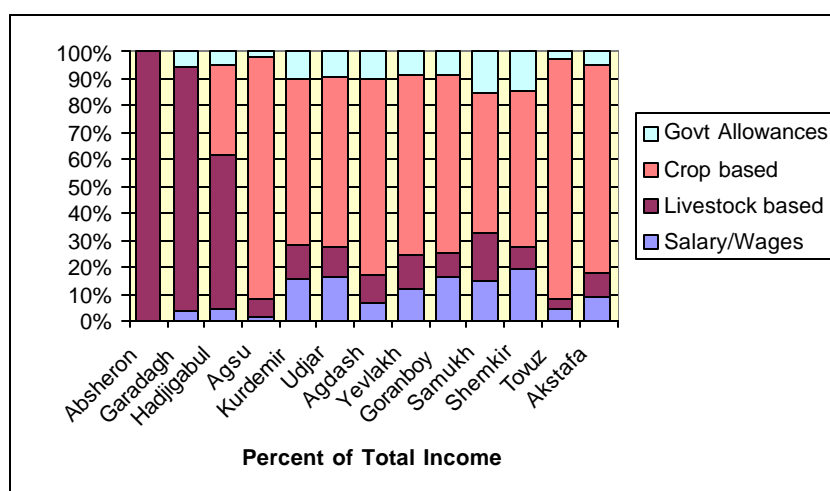
Source: RAP Socio-Economic Survey 2002

There was no significant correlation between the number of household income sources and level of income. Many of the very poorest households derive a very little income from many sources.

Households with incomes from non-agricultural sources (top three rows of the above table) are the poorest of these groups. These groups will benefit from project compensation, as they will effectively receive some cash from their land (which presently yields them nothing), as well as from their existing income sources.

Figure 4.10 illustrates the relative importance of land-based income to project affected households in each district. Those households with greatest reliance on land based income are those potentially most affected by project temporary use of land. Land based income (from livestock, all kinds of crops) makes up 88 percent of the aggregate income of surveyed households.

**Figure 4.10 Breakdown of Income Sources by District**

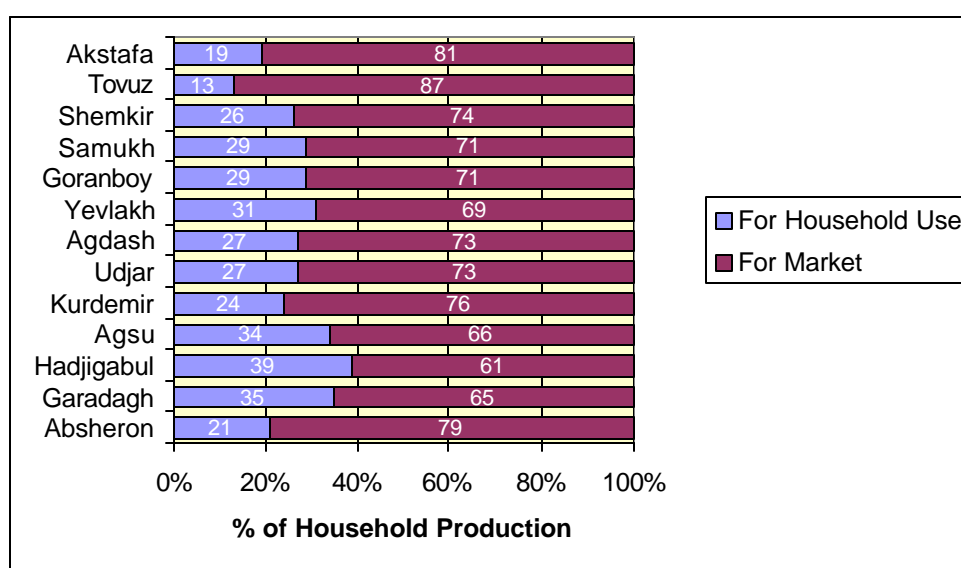


Source: RAP Socio-Economic Survey 2002

### 4.6.3 Relative Importance of Sustenance Activities

The majority of households in the project area retain some component of their agricultural output for their own consumption. In the transition from Soviet era collective farming until privatization of agricultural land, many Azeri households were forced to become self-reliant in terms of food production, growing their own foodstuffs on their garden plot and using any surplus for sale or barter. The socio-economic survey sought a qualitative estimate from each household as to the proportion of their output that they currently retain for their own use. These are summarized in Figure 4.11. Consumption of own produce is highest in the eastern districts of Garadagh, Hajigabul and Agsu, and lowest in western districts of Tovuz and Akstafa.

**Figure 4.11 Proportion of Household Agricultural Production for Own Use**



Source: RAP Socio-Economic Survey 2002

About 5 percent of households consume 100 percent of their agricultural production.

### 4.6.4 Summary of Household Expenses

Household expenses reported in each district are summarized in Table 4.7. Food comprises one-third to one-half of the expenditures of the average household in most districts. Transport, clothing and medical expenses are the other larger expenditure items, though each generally makes up much less than 10 percent of household spending. Seed in the western cropping districts and animal food in livestock breeding areas to the east make up to 10 percent of households expenditures. Data reveals there is little reliance on credit, and limited expenditure on taxes.

Mean monthly household expenditure is Az manat 1,271,000 which is higher than the reported mean monthly income of 980,000 Az. Manat. Such a discrepancy is not uncommon in social assessments of poor, rural communities where costs tend to be recurrent on a monthly basis, while income is seasonal and much less certain. Only three districts show any surplus over a year

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AZERBAIJAN  
FINAL REPORT

**Table 4.7 Summary of Monthly Household Expenditure in Azerbaijan<sup>8</sup>**

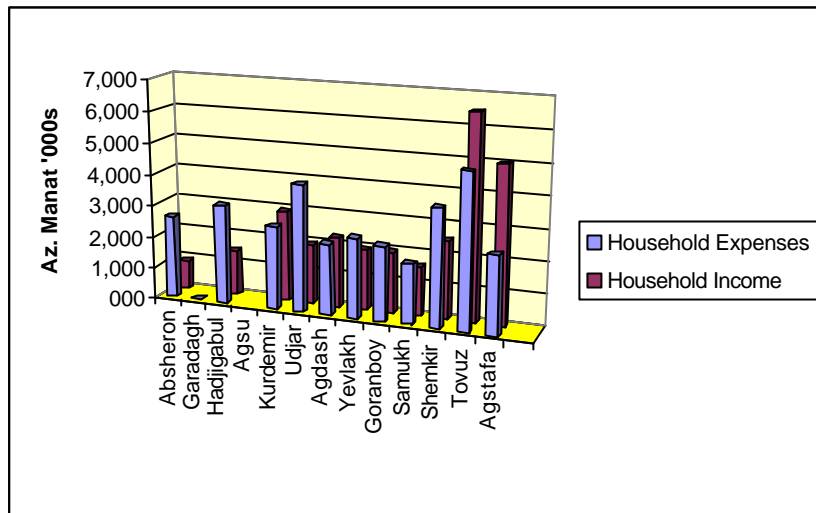
		Fuel & Electricity	Education	Food	Transport	Medical	Household Items	Hired Labour	Seed	Animal Feed	Veterinary Expenses	Irrigation	Land Rental	Clothing	Taxes	Recreation	Credit	Other	Total HH Expenses	
Absheron	Az Manat	60,000	30,000	250,000	20,000	0	0	0	0	500,000	10,000	0	0	10,000	0	0	0	0	0	880,000
	%	7	3	28	2	0	0	0	0	57	1	0	0	1	0	0	0	0	0	100
Garadagh	Az Manat																			
	%																			
Hadjigabul	Az Manat	151,889	34,444	650,556	32,889	12,778	3,333	68,889	76,778	208,000	20,889	61,889	130,411	63,889	1,811	6,111	0	18,333	0	1,542,889
	%	10	2	42	2	1	0	4	5	13	1	4	8	4	0	0	0	1	0	100
Agsu	Az Manat	65,000	10,000	1,000,000	1,375,000	350,000	75,000	110,000	510,000	0	110,000	162,500	142,500	150,000	157,500	415,000	0	0	0	4,632,500
	%	1	0	22	30	8	2	2	11	0	2	4	3	3	3	9	0	0	0	100
Kurdemir	Az Manat	59,047	17,174	400,180	55,942	95,919	11,430	28,785	51,184	118,314	10,407	24,092	15,656	65,343	7,975	20,791	6,163	62,692	0	1,051,093
	%	6	2	38	5	9	1	3	5	11	1	2	1	6	1	2	1	6	0	100
Udjar	Az Manat	26,096	291,200	370,743	45,857	69,223	4,629	37,067	42,768	605,802	5,307	10,412	839	66,714	2,169	144,286	25,014	20,800	0	1,768,926
	%	1	16	21	3	4	0	2	2	34	0	1	0	4	0	8	1	1	0	100
Agdash	Az Manat	45,250	25,750	498,750	48,625	80,875	15,000	82,344	75,980	81,313	18,500	17,575	10,288	118,375	5,313	18,750	0	49,375	0	1,192,061
	%	4	2	42	4	7	1	7	6	7	2	1	1	10	0	2	0	4	0	100
Yevlakh	Az Manat	29,215	36,537	519,207	36,927	37,024	10,927	79,288	59,300	79,035	8,045	11,141	3,266	60,122	5,677	10,976	35,302	22,683	0	1,044,672
	%	3	3	50	4	4	1	8	6	8	1	1	0	6	1	1	3	2	0	100
Goranboy	Az Manat	45,542	23,521	406,226	42,665	63,627	9,392	102,934	91,116	50,464	7,529	46,248	5,027	71,363	5,930	15,962	19,038	43,726	0	1,050,310
	%	4	2	39	4	6	1	10	9	5	1	4	0	7	1	2	2	4	0	100
Samukh	Az Manat	20,018	16,196	382,679	19,116	44,893	2,107	36,374	36,923	70,568	3,759	19,407	950	51,679	1,142	7,946	0	32,411	0	746,169
	%	3	2	51	3	6	0	5	5	9	1	3	0	7	0	1	0	4	0	100
Shemkir	Az Manat	389,222	16,175	461,649	50,093	54,732	2,402	33,356	93,716	104,828	3,278	20,649	7,634	71,649	2,523	20,108	0	78,381	0	1,410,396
	%	28	1	33	4	4	0	2	7	7	0	1	1	5	0	1	0	6	0	100
Tovuz	Az Manat	44,774	48,523	1,021,384	64,897	47,015	8,518	64,071	240,048	66,901	6,963	34,555	7,294	65,745	28,679	32,982	34,959	54,193	0	1,871,503
	%	2	3	55	3	3	0	3	13	4	0	2	0	4	2	2	2	3	0	100
Aqstafa	Az Manat	26,580	25,185	434,074	29,444	51,204	10,093	45,939	93,811	39,028	13,324	22,524	6,315	54,907	2,480	9,630	1,852	38,889	0	905,278
	%	3	3	48	3	6	1	5	10	4	1	2	1	6	0	1	0	4	0	100
<b>Total</b>	<b>Az Manat</b>	<b>962,631</b>	<b>574,707</b>	<b>6,395,448</b>	<b>1,821,455</b>	<b>907,290</b>	<b>152,830</b>	<b>689,046</b>	<b>1,371,626</b>	<b>1,924,252</b>	<b>218,001</b>	<b>430,992</b>	<b>330,179</b>	<b>849,786</b>	<b>221,199</b>	<b>702,542</b>	<b>122,328</b>	<b>421,484</b>	<b>0</b>	<b>18,095,797</b>
	%	5	3	35	10	5	1	4	8	11	1	2	2	5	1	4	1	2	0	100

Source: RAP Socio-Economic Survey, 2002

<sup>8</sup> Expenditures are the means of data gathered for each district, thus represent an aggregate view rather than the income patterns of individual households.

(based on means of income and expenditure). These are Akstafa, Tovuz and Kurdemir. A comparison of annualized household incomes and expenditures is shown in Figure 4.12.

**Figure 4.12 Comparison of Annual Household Income and Expenses**



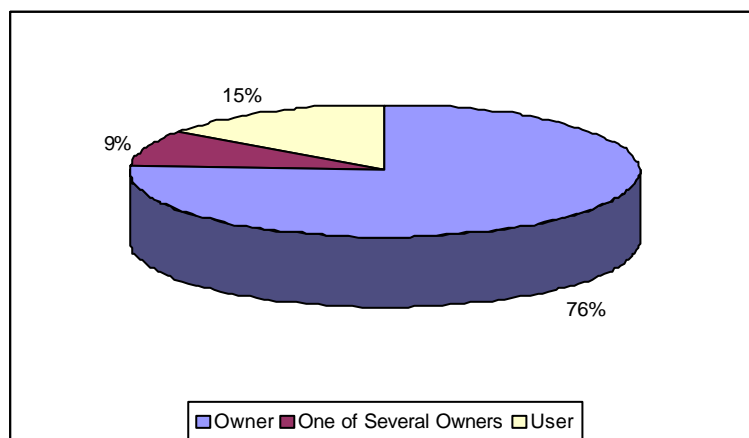
Source: RAP Socio-Economic Survey 2002

## 4.7 LAND OWNERSHIP AND RESOURCES

### 4.7.1 Land Tenure

The breakdown between owners and users is shown in Figure 4.13. 76 percent of survey respondents were the owner of their land parcel and 9 percent were one of several owners. 15 percent were users.

**Figure 4.13 Breakdown of Owners and Users**

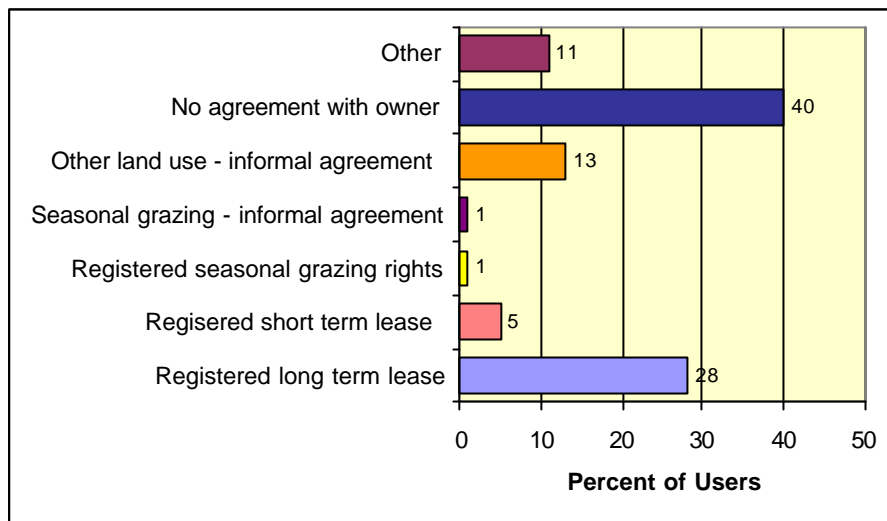


Source: RAP Socio-Economic Survey 2002

Of the users, 33 percent had registered long-term leases or short-term use rights. The remainder had either an informal agreement with the land owner, or no agreement. 40 percent of users (or 6 percent of all sampled households) indicated they were in the latter category<sup>9</sup>.

<sup>9</sup> Since the socio-economic survey was undertaken, the Land Acquisition Team has been proactive in encouraging municipalities and land users to establish agreements to formalize their eligibility for compensation. Nearly all of the

**Figure 4.14 Types of User**



Source: RAP Socio-Economic Survey 2002

### 4.7.2 Number of Households Using Plots

The socio-economic survey indicated that 97 percent of plots sampled in the survey were used by only one family. The balance 3 percent of land parcels were state enterprises, each used collectively by a number of employees and their families for raising livestock or cropping.

During the census of land parcels carried out by the Land Acquisition Team, a number of cases were found where relatives had pooled their land parcels and were working them cooperatively. Along the route, these “family associations” typically consisted of 10-15 related families with adjacent land parcels. None of the affected associations had written agreements and, in all cases, ownership of the land remained vested with individual households. In each case where an association was encountered, discussions were held with the association head and affected landowners to determine their preference for allocating compensation. In all cases, the association heads expressed a strong preference for compensation payments to be directed to the owners of the specifically affected land parcels. It was considered by association heads that this was the fairest basis, and the least likely to cause conflict amongst participating families.

### 4.7.3 Characteristics of household land holdings

Ninety-six percent of project affected households own at least one land plot other than their project affected parcel. Most commonly, this is a garden plot (76 percent) or an irrigated land parcel (92 percent of respondent households).

About 9 percent of respondents (n=54), had more than one land plot affected by the BTC Pipeline.

### 4.7.4 Appraisal of local land values

Information was sought from respondents on their knowledge of land sales and sales prices in their general area. Twenty-three respondents (out of 629) were aware of land being sold in

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land users who were recorded as having no agreement now have a written agreement with the owner of the land they are using. As of October 2002, there remained only six known cases of land users with no written agreement with the land owner of their parcel.

their locality within the last 12 months and of these, only 16 respondents had any idea of sale prices. These are summarized below.

**Table 4.8 Reported Land Sale Prices for Irrigated Land (all districts)**

Land value / ha. (Az. Manat '000s)	No. of respondents reporting sale at this price
60	1
300	1
600	2
1,690	1
1,800	1
2,000	5
3,000	1
4,000	1
5,000	1
10,000	1
13,000	1
<i>Total</i>	<i>16</i>
<i>Mean</i>	<i>Az. Manat 3,128,000 / Ha</i>

Source RAP Socio-Economic Survey (n=16)

Three respondents had information about sales of dry land. This is summarized in Table 4.9.

**Table 4.9 Reported Land Sale Prices for Grazing Land (all districts)**

Land value / ha. (Az. Manat '000s)	No. of Respondents reporting sale at this price
600,000	1
2,000,000	2
<i>Total</i>	<i>3</i>
<i>Mean</i>	<i>1,533,000</i>

Source RAP Socio-Economic Survey (n=3)

In response to questions about how much they would expect to pay for irrigated or dry land 65 percent and 86 percent of respondents respectively, indicated they had “no idea”. This reflects the newness of the privatized land market and the fact that land prices are in a pre-paradigmatic state. The BTC Project is likely to play a pivotal role in establishing expectations about the value of local land.

## 4.7.5 Land Impacts of the BTC Pipeline

Using the BTC GIS database, summaries were prepared of each randomly selected land parcel used for the socio-economic survey together with the area that would be lost for use during the construction period of the project. Results are summarized in Table 4.10. The table shows aggregated or average conditions, so does not reflect the impacts on individual owners. It is also based on a randomly selected sample of lots (representing about 15 percent of lots), not all lots. The table does show the relative land impacts of the project on different districts.

**Table 4.10 Summary of Land Impacts by District**

District	Average Lot Size (Ha)	Average Affected by the 44 metre corridor	Average percentage of block lost
Absheron	1,417	43.9	3
Garadagh	1,418	46.3	3
Hajjigabul	323	11.3	3
Agsu	102	14.16	14
Kurdemir	140	2.15	2
Ujar	1.94	0.61	32
Agdash	3.07	0.78	26
Yevlakh	22	0.87	4
Goranboy	2.19	0.41	19
Samukh	5.9	0.51	9
Shamkir	1.65	0.39	24
Tovuz	1.02	0.39	39
Akstafa	7.38	0.43	6

Source: RAP Socio-Economic Survey 2002, and BTC GIS Database

The table clearly shows the relation between lot size and level of impact. The smaller lots in the high yielding irrigation areas may lose use of relatively larger proportions of their land parcel, and without compensation, would experience relatively greater impacts on income. More specific information about the relative impacts of the project on land parcels is included in the discussion of impacts in Chapter 6.

## 4.8 AGRICULTURAL ACTIVITIES

### 4.8.1 Agricultural activities

Project affected land parcels are used for a broad range of uses, often with more than one use occurring on any one plot. The range of activities referred to by respondents is summarized in Table 4.11. The summary of income sources (Table 4.5) shows the relative incomes derived from various activities in each province.

**Table 4.11 Agricultural Activities Carried Out on Project Affected Plots**

Activity	Number of Responses	Percent of Land Parcels Carrying Out Activity
Cultivation of annual crops	396	63
Growing of vegetables	224	36
Raising of livestock	121	19
Raising of poultry	12	2
Cultivation of hay, fodder crops	69	11
Fruit production	27	4
Vineyards	8	1
Forestry	2	0
Other	55	9
<i>Total</i>	<i>914</i>	-

Source: RAP Socio-Economic Survey (Multiple responses from 608 respondents)

## 4.9 USE OF COMMUNAL LAND AND RESOURCES

### 4.9.1 Communal Pasture

Nearly half of households (40 percent) are reliant on “communal” lands for grazing livestock. Upon probing, communal lands were revealed to consist of both unutilized private land and otherwise unutilized municipal land.

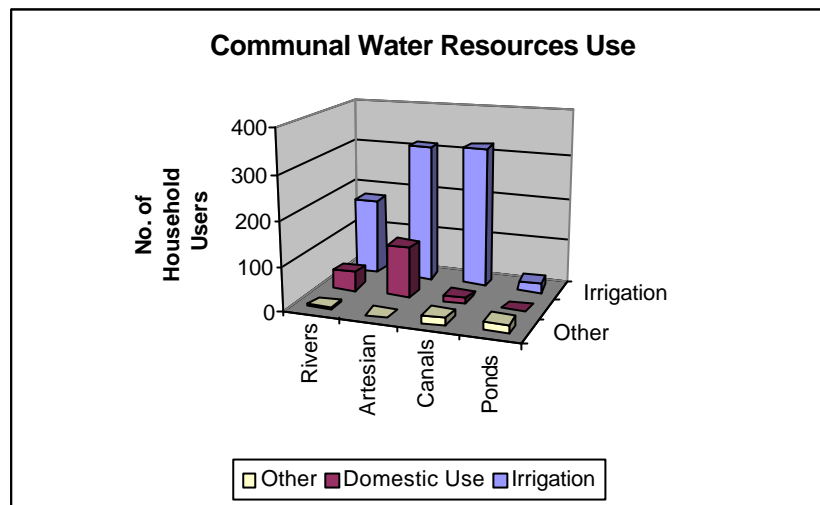
### 4.9.2 Water Resources

A high proportion of households are reliant on some form of communal water resource for irrigation, domestic or other uses (see Figure 4.15). Artesian water and canals were identified as equally important for irrigation (by 50 percent of households). Artesian water was also reported as important for domestic use by nearly 20 percent of surveyed households. Rivers are widely used for irrigation but are also commonly used by households for water supply and washing.

### 4.9.3 Forests

Few people along the Azerbaijan pipeline corridor have access to forests. About 15 households (2 percent) indicated they made use of forests for collecting fuel and 7 households indicated they grazed livestock in forest areas.

Figure 4.15 Household Use of Communal Water Resources



Source: RAP Socio-Economic Survey 2002

## 4.10 GENDER ISSUES

The role of women has significantly changed since the Soviet era. At that time, rural women enjoyed similar opportunities for paid employment as men, both as workers on collective farms and with allied industries, and also in professional and administrative roles. Collectives made provision for childcare and looked after the elderly. With the collapse of large-scale farming and the industries that it supported, employment opportunities for women (and men) have diminished. A return to reliance on household-based subsistence has meant women have had to return to more traditional roles of growing food, caring for children and the elderly, and spending increased time in household maintenance.

Some of the project related concerns that have arisen in discussions with women and other groups are summarised below.

In conservative Moslem, rural societies women still face social resistance to participating in public transactions such as attending public information meetings, dealing with officials, negotiating for compensation and signing of agreements. There are a significant proportion of women-headed households amongst the project affected. The project will incorporate gender sensitive approaches to:

- Disseminating project and compensation information so that it is accessible to both men and women members of households
- Running meetings to discuss compensation, conduct negotiations and sign agreements so as not to disadvantage women land owners and users
- Making compensation accessible to both men and women
- Providing appropriate grievances and complaints procedures
- Ensuring there are women participants in the project monitoring teams and that monitoring data is dis-aggregated by gender, where appropriate

Women are more reliant on roads for shopping, to take produce to and from markets, for roadside sale of goods, and to access health care and community services for family members. Damage to roads, changes in traffic conditions or disruption of access have the potential to directly affect the quality of women's lives through increased trip distances, travel times, and physical discomfort.

Impacts on water resources can also affect women. Few households in the vicinity of the project have running water. Removal of, or blocking of access to wells or pumps can lead to women, typically responsible for collecting water, having to travel much greater distances. They may also result in higher household costs through the need to purchase water supplies. Rivers and other water courses are used for washing clothes and dishes.

Measures to address the potential impacts of the project on roads and water resources are addressed in detail in the *BTC Pipeline ESIA*.

## **4.11 ETHNIC MINORITIES IN AZERBAIJAN**

There are households from three ethnic groups, other than the Azeri majority, affected by project land acquisition. These are as follows:

- Meskhetian Turk (also known as Ahalska Turks) – 31 households
- Kurd – 8 households
- Georgian – 1 household

Meskhetian Turks settled in western districts of Azerbaijan following ethnic unrest in their adopted home states of Uzbekistan and Kazakhstan in late 1988-89. Originally from regions on the Georgian-Turkey border, the Meskhetian Turks were displaced in 1942 and settled in Central Asia. They subsequently moved to Azerbaijan to escape ethnic tensions that occurred in their adopted states in the late 1980s. In Azerbaijan, they have received Azeri citizenship and many were allocated land as part of the privatization process. The 31 households affected by the project include both land owners and registered users of state land. All are in Shamkir District. They have integrated into the local economy and are widely held by their Azeri neighbours to be hardworking and excellent farmers.

A small number of Moslem Kurds entered Azerbaijan from Armenia as a result of unrest in the period 1947-51. There are eight Kurdish households with land affected by the BTC Pipeline. The majority of these are in Samukh District. These Kurds have lived in Azerbaijan for an extended period and have been granted Azeri citizenship. They have integrated into local social, economic and political life. They have equivalent rights to land and compensation as other project affected people.

Consultations with ethnic minority households in Azerbaijan have been thorough and have not revealed any factors that would predispose these households to be more or less disadvantaged than other project affected people. Both the Meskhetian Turk and Kurd households have recognized land rights and equivalent entitlement to compensation as other groups. As naturalised Azeri citizens, they have access to the rights and protections of Azeri law.

## **4.12 VULNERABLE GROUPS IN AZERBAIJAN**

As part of their owner and user census, the Land Acquisition Teams were given some basic criteria for identifying potentially vulnerable people. This information was combined with findings of the socio-economic survey to develop a list of vulnerable people. In many instances, affected vulnerable people have been specifically identified as part of the census. It is accepted, however, that some groups are quite mobile (e.g. informal transhumance graziers, some IDPs) and it is possible that new groups, eligible for assistance, may emerge during the course of land acquisition and construction. Provision has been made to compensate such groups, subject to reasonable verification of their regular use of project affected land.

The principal vulnerable groups specifically identified during RAP planning are as follows:

- IDPs (Internally Displaced People)
- Employees of state livestock enterprises and their families
- Elderly couples or individuals living alone
- Women headed households with absentee husbands who are living permanently away from the household or whom have gone missing
- Informal land users

The 1995-96 World Bank poverty assessment for Azerbaijan found that IDPs, the majority from the Nagorno-Karabakh conflict, were generally not integrated into the local economy and remained heavily reliant on humanitarian assistance. In spite of the government's efforts, they continue to be amongst "the poorest of the poor". Eight IDP households have been identified using land within the 44 metre project corridor and will be entitled to compensation. Others (about 10-12 households) occupy buildings close to land that may, if selected by the contractor, be used for temporary pipe dumps and camp sites. Factors contributing to the vulnerability of IDPs include:

- Tend to be very poor
- Have a limited social safety net because they have been displaced from home communities and family networks
- Don't have formal title to land and are often reliant on informal relationships for their access to land and shelter
- Vulnerable to being displaced where others believe they may stand to benefit from compensation

The construction contractor has been made aware of the various IDP families living within the vicinity of potential camp site and pipe dump areas. Together with the Land Acquisition Team and BTC Co. personnel, the construction contractor will, if necessary, carefully appraise the potential for impacts on IDP families due to of the presence of workers and camp activities as part of the pipe dump and camp site selection process (presently underway). Where impacts are possible, consultations will be held with the affected families to agree any mitigatory measures. Where feasible, and impacts are likely, the contractor will endeavour to find opportunities for paid employment with the project.

The particular circumstances of the other vulnerable groups identified above are discussed in Section 5.2 of this RAP together, with specific project measures to ensure they are not adversely affected by the project.

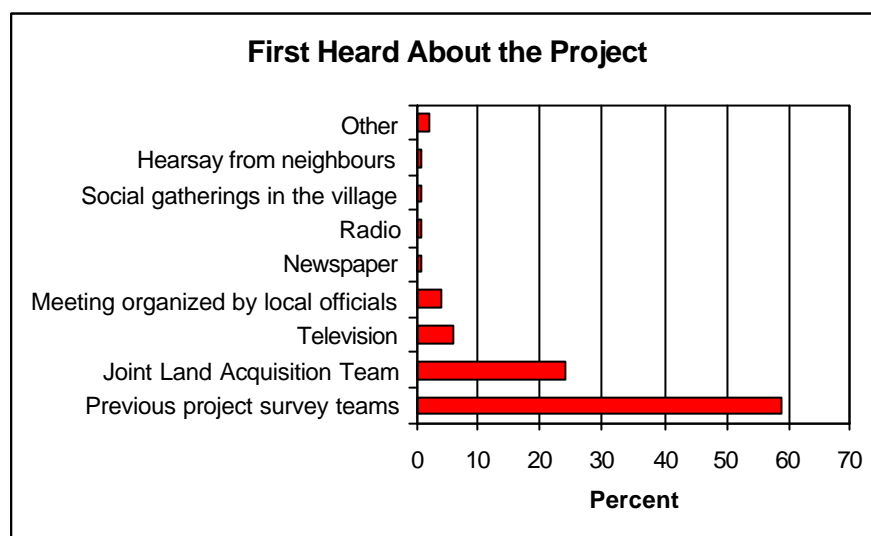
More than half of project affected households are poor and 20 percent of households are very poor. As in any development project, the poor are more at risk than others and have fewer resources for dealing with project-induced hardship. For many such households, cash payment for lost agricultural production in advance, free of the risks of a poor season or fluctuating market prices, may be beneficial. The increased liquidity may also put them more at risk of theft or other pressures to make informal payments in order to maintain their access to land or shelter. Measures to identify cases of hardship early with resources to intervene and provide any necessary additional assistance are described in Chapters 5, 6 and 11.

## 4.13 ATTITUDES TO THE PROJECT IN AZERBAIJAN

### 4.13.1 Awareness of the BTC Pipeline

Awareness of the BTC Pipeline project is high. In May 2002, even before the ESIA ‘road show’, 98 percent of survey respondents were aware of the proposed pipeline project. The majority of people first heard about the project from the survey teams and Land Acquisition Teams involved in identifying the pipeline corridor (see Figure 4.16). Public meetings and news media appear to have played a fairly limited role in disseminating information about the project, at least in the initial phases.

Figure 4.16 Source of Information about the Project



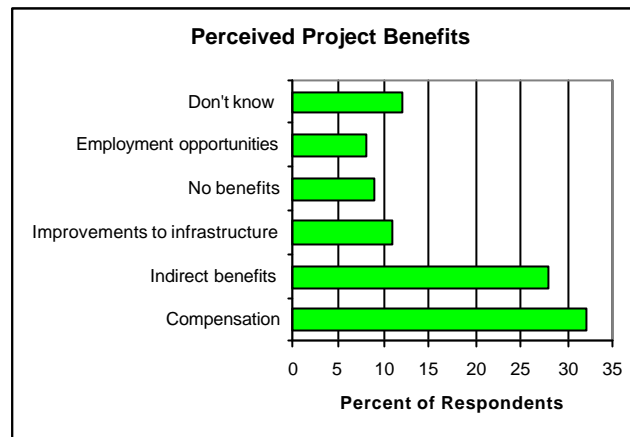
Source: RAP Socio-Economic Survey 2002

87 percent of survey respondents indicated they had been involved in consultation meetings at which the land acquisition process had been explained to them. This is not surprising as, by the time of the socio-economic survey, all but a small number of land parcel owners had signed preliminary Memoranda of Understanding with the Land Acquisition Team. Part of this process had involved an explanation to affected people of the land acquisition and compensation process.

### 4.13.2 Expected Benefits and Areas of Concern

Open-ended questions were included in the socio-economic survey to gather information about how affected people expected to benefit from the project and what were their principal concerns. Early consultation activities had indicated that people had very high expectations about the employment opportunities that the BTC Project would generate. Responses to the survey indicated that BTC Co. efforts to lower expectations had been successful with only 8 percent of respondents indicating that they saw employment as a potential benefit of the project. Cash compensation was seen as the principal benefit together with ‘indirect benefits’ such as ‘improvements to roads’, and injection to the local economy.

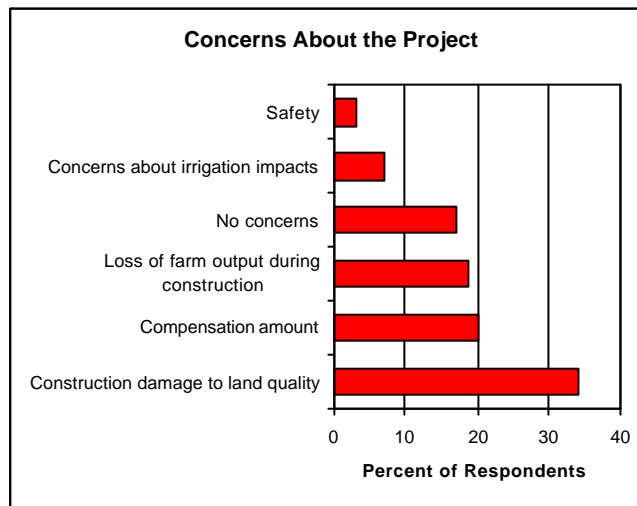
**Figure 4.17 Perceived Project Benefits**



Source: RAP Socio-Economic Survey 2002

Principal concerns expressed by respondents are summarized in the table below. Project responses to these concerns are discussed in more detail in Chapter 7.

**Figure 4.18 Concerns about the BTC Project in Azerbaijan**



Source: RAP Socio-Economic Survey 2002

### 4.13.3 Preferences for compensation

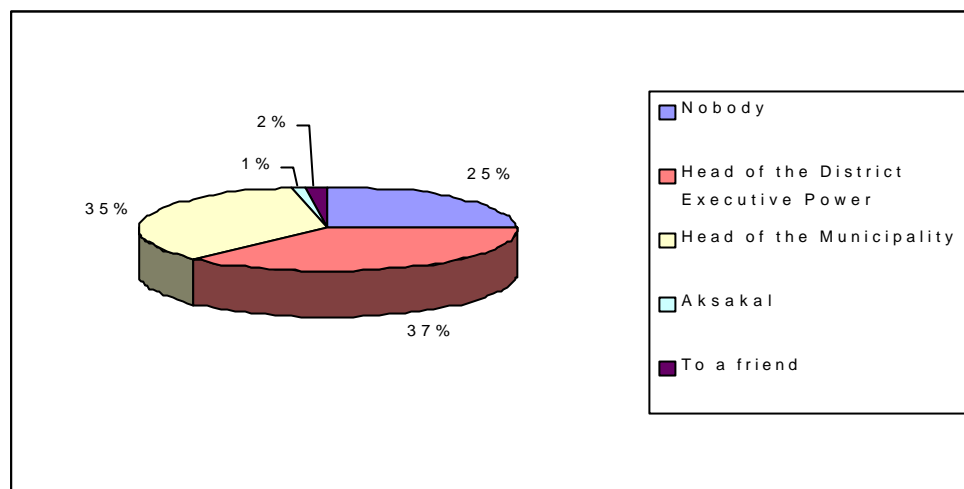
A 'one-off cash payment made directly' to the affected household was the overwhelming preference (96 percent) of survey respondents for compensation payment. This reflects continuing low confidence of rural households in banks and raises questions about how households intend to secure their compensation monies. Other options that respondents were asked to consider included: payment into a bank account, phased annual payments or phased payments into a bank account.

### 4.13.4 Trusted Parties and Individuals

Information was sought about people or institutions that were trusted by respondents as a possible indicator of avenues that could be used for managing grievances and disputes. A significant proportion of survey respondents (25 percent) indicated that there was nobody they

would turn to for advice, outside of their family, if they had a problem. The Head of the Executive Power, and the Head of the Municipality were identified as the people most respondents would approach for advice.

**Figure 4.19 People Respondents Would Turn to For Advice**



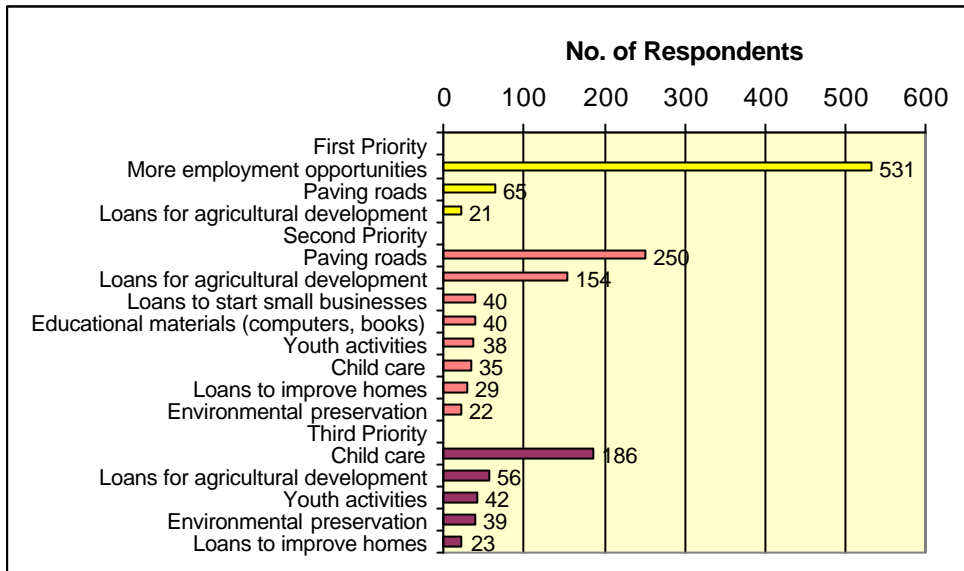
Source: RAP Socio-Economic Survey 2002

#### **4.14 COMMUNITY PRIORITIES IN AZERBAIJAN**

When asked to indicate priorities for improving conditions in their villages, creation of ‘more employment opportunities’ was the highest priority (84 percent of respondents). Secondary priorities were ‘improvements to roads’, ‘access to credit for agricultural development’. Third priority was for childcare. First, second and third priorities of affected people for are summarised in Figure 4.20.

A community investment program (CIP) for the Azerbaijan section of the BTC Pipeline is presently being formulated as part of an overall project community development strategy. The CIP will be community based, using the skills of NGOs to assess the differing needs and capacities of affected communities. Support will be provided to assist communities with needs prioritization, community mobilization, training and capacity building. Programs will be broadly participative seeking representation from older people, youth and vulnerable groups. Specific themes are likely to include income generation, infrastructure and community health.

**Figure 4.20 Community Priorities for Assistance in Azerbaijan**



Source: RAP Socio-Economic Survey