

COSTS AND BUDGETS

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9 COSTS AND BUDGETS

9.1 LAND ACQUISITION AND RAP BUDGET

Budgets for project land acquisition and RAP costs for the Azerbaijan component of the pipeline and ancillary works are summarised in Table 9.1.

9.2 SOURCE OF FUNDS

BTC Co. will provide the funds necessary for acquiring rights to land from private land owners and users for a 32 metre wide strip of the corridor and AGI sites required for construction of the BTC Pipeline. SCP partners will provide the funds necessary to acquire the additional 12 metre wide strip that makes up the balance of the 44 metre wide pipeline construction corridor. Upon sanctioning, the SCP partners will reimburse BTC Co. for costs associated with an additional 10 metres of the corridor so that each party effectively meets the cost of half of the corridor (a 22 metre wide strip).

BTC Co. will also provide funds for the reinstatement of agricultural land and infrastructure disturbed during BTC Pipeline construction, to be implemented by the construction contractor.

The State will provide the funds necessary for acquiring municipal land (for the BTC Pipeline, though not for the SCP¹), and for notarization and registration costs.

9.3 RESPONSIBILITY FOR COMPENSATION DISBURSEMENT

The State has responsibility for the payment of compensation to project affected people. BTC Co. will verify that that payments are made in full to eligible people and entities.

A one-off cash compensation payment will be made to each eligible landowner or user, based on the preferences expressed by project affected people in the RAP socio-economic survey². This mode of payment was deemed appropriate as the majority of recipients are reasonably educated, familiar with operating in a cash economy, and are in a position to make an informed judgement about the most secure form of payment for their circumstances. As there is widespread distrust of local banks, households commonly retain relatively large amounts of cash. Compensation payments will be disbursed through branches of a reliable commercial bank. Project affected people will be able to open bank accounts, if they so desire.

Several modes of payment will be used depending on the circumstances of the entitled person. These are summarised in Table 9.2.

¹ The SCP HGA differs from the BTC HGA in that it obliges the SCP participants to pay compensation for conversion of use of state forest and agricultural land under particular circumstances described in the SCP HGA. Requisite compensation amounts are included in the budget summarised in Table 9.1.

² In the RAP socio-economic household survey, 96 percent of respondents (n=603) expressed a preference for a one-off cash payment. Other options of payment project affected people were asked to consider were: one-off cash payment into a bank account; staged payment into a bank account; and, compensation paid directly as cash in 12-monthly instalments.

BTC PROJECT RESETTLEMENT ACTION PLAN
AZERBAIJAN
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Table 9.1 Budget for Land Acquisition and RAP Activities in Azerbaijan

Item	Budget (USD '000s)	Comment	Timing	Source of Funds	Channel of Disbursement
A. Compensation					
Compensation for permanent land acquisition (private land)	45	See RAP Sect. 6.5	Mar-Jun '03	BTC Co. & SCP partners	LAT (BTC Co. verification)
Compensation for loss of annual, perennial & tree crop production and use of grazing land	2,070	See RAP Sects. 6.6, 6.9, 6.11, 6.12, 6.14	Mar-Jun '03	BTC Co. & SCP partners	LAT (BTC Co. verification)
Compensation for crop yield reduction	535	See RAP Sect. 6.6	Mar-Jun '03	BTC Co. & SCP partners	LAT (BTC Co. verification)
Compensation for restrictions of use & right of access	9,110	See RAP Sect. 6.7	Mar-Jun '03	BTC Co. & SCP partners	LAT (BTC Co. verification)
Compensation for loss of structures & land attachments	967	See RAP Sect. 6.13	Mar-Jun '03	BTC Co. & SCP partners	LAT (BTC Co. verification)
Other (including make-up to minimum compensation amount, enterprises, etc)	1,600	See RAP Sect. 6.15			
Compensation for temporary access	Included in Construction Contract Sum	See RAP Section 6.8	Mar '03 – May '04	BTC Co.	Construction Contractor
Cost of agricultural land reinstatement	Included in Construction Contract Sum	See RAP Section 6.6	April '03 – May '04	BTC Co.	Construction Contractor
Cost of reinstatement of roads & infrastructure	Included in Construction Contract Sum	See RAP Sects. 6.10, 6.17	April '03 – May '04	BTC Co.	Construction Contractor
B. Land Transfer and Notarization Costs					
Bank fees	200		Mar-Jun '03	BTC Co.	BTC Co.
Notarization and registration	120		October '02 to Dec '05	State	LAT
Other transaction costs	80		Mar-Jun '03	State	LAT
C. Monitoring and Evaluation					
Internal Monitoring	Conducted in-house by BTC E & S Dept. See Item E.			BTC Co.	BTC Co.
External Third Party Monitoring (Azerbaijan)	300	See RAP Chap. 11	2003-2005	BTC Co.	BTC Co.
RAP Completion Audit (Azerbaijan)	50	See RAP Chap. 11		BTC Co.	BTC Co.
D. Community Development (Community Investment Program)					
Community Development over 3 years	6.0 million	See RAP Sect. 6.20		BTC Co.	NGO
E. Administration and Management					
Staff salaries	Administration and Management services for RAP implementation & associated monitoring will be provided by the BTC Co. E & S Dept which will have 10 staff & an annual budget of USD 2.9 million			BTC Co.	BTC Co.
Office & administration					
Transportation					
Consulting					
Training					
F. Contingency					
5 % of Items A - D					1,054
Grand Total					22,131

Note: Grand total excludes operating costs of BTC Co. E & S Department
Abbreviations: LAT: Land Acquisition Team; USD: United States Dollars.

9.4 SCHEDULE FOR PAYMENT

Compensation will be disbursed ahead of construction commencement between March and June 2003. Payments to absentee land owners may extend beyond this period. All payments will be made not less than 30 days ahead of the date when the project affected people are obliged to vacate the land.

9.5 CONTINGENCY PROVISIONS

The budget is funded in United States Dollars so that risks arising from local currency devaluations are minimized. Compensation will be disbursed in Azeri Manats.

A contingency allowance for unforeseen costs of 5 percent has been included in the budget.

Table 9.2 Methods of Compensation Disbursement

Category of Entitled Project Affected Person	Mode of Compensation Payment
Locally resident project affected people	The Land Acquisition Team will establish a disbursement management contract with a reliable local bank. The bank will make cash disbursements through district branches, or temporary or mobile branches where necessary to provide convenient access for affected people. BTC Co. will organise and meet costs of local transportation from villages to bank locations. The bank will confirm the identity of affected person/s, check all documentation is in order, certify payment and obtain a signed receipt. BTC Co. will meet all transaction costs
Vulnerable (elderly, impaired or otherwise unable to travel to bank branch) households	A mobile team will travel to the person's residence and make payment hand-to-hand with the affected person.
In-country absentees (includes seasonal pastoralists, landowners resident in other districts)	The Land Acquisition Team will notify eligible landowners/users by registered mail, by telephone or through next of kin of arrangements for payment. Where applicable, payment will be effected through a bank as for locally resident project affected people. Otherwise, a mobile team comprised of a bank representative and lands team member will travel to the affected person to make hand-to-hand payment.
Overseas absentees	The Land Acquisition Team will advise the absentee landowner of details of his compensation payment by registered mail. The Designated State Authority will deposit the money in a bank account in the entitled owner's name. The bank will retain the monies until such time as the landowner is able to collect the compensation in person, or establishes power of attorney for someone to collect the compensation on the landowner's behalf. The bank will be responsible for confirming the identity of the owner or his or her representative, confirming documentation is in order and certifying payment and obtaining a signed receipt. BTC Co. will meet all transaction costs.
Missing land owners or lessees	The Land Acquisition Team will initiate procedures for the District Courts to appoint an administrator (see Section 5.2.3.4) Court appointed administrator acts on behalf of the missing land owner.

Note: All payments will be conditional on the owner having signed a formal lease or lands sales agreement with the designated State Authority.