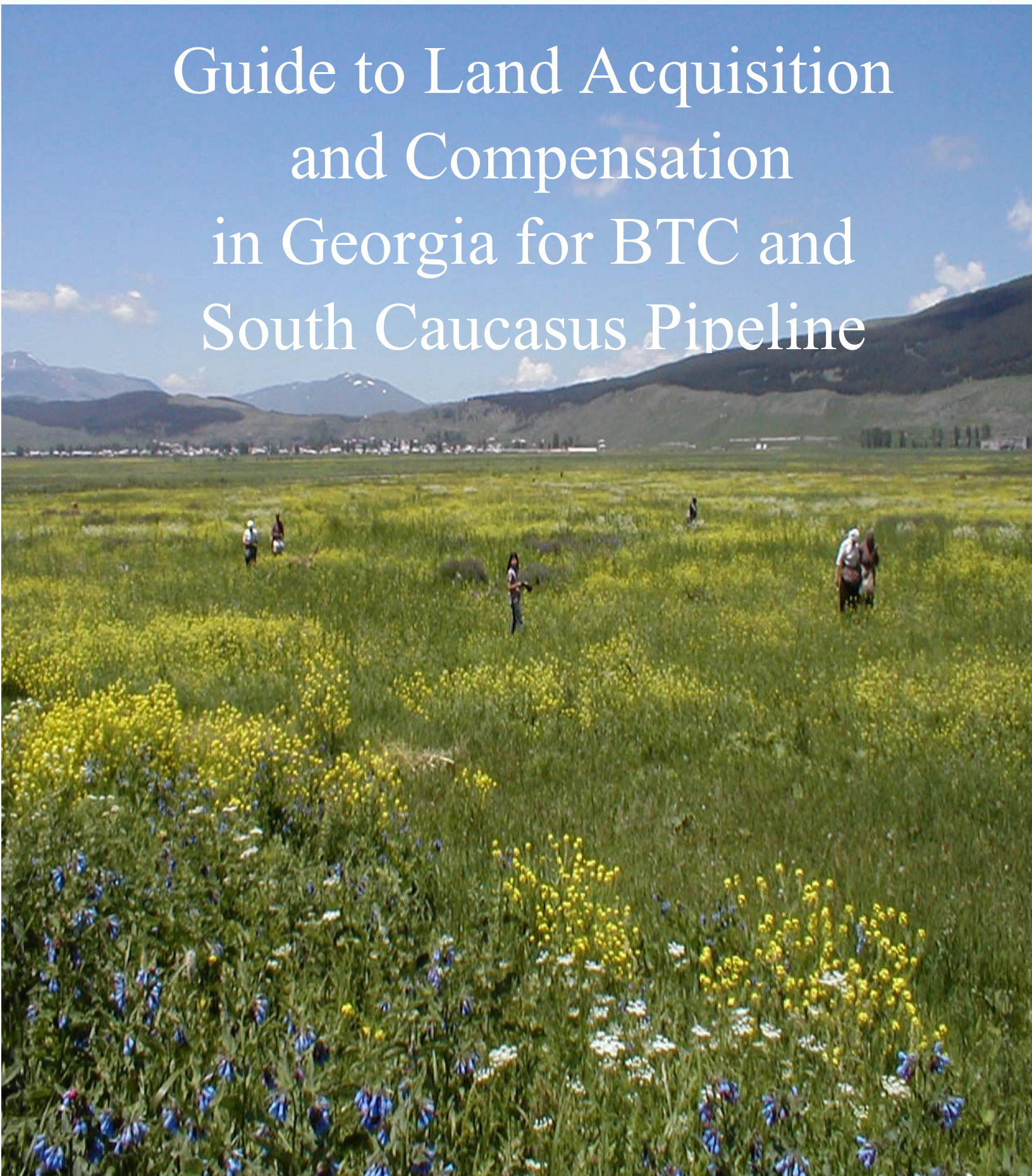




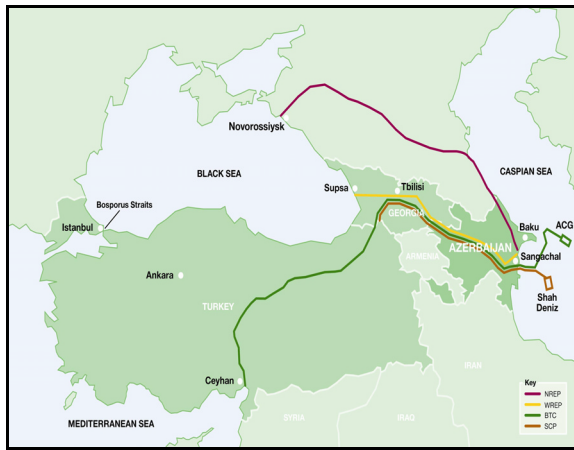
Guide to Land Acquisition and Compensation in Georgia for BTC and South Caucasus Pipeline



INTRODUCTION

Pipeline Background

The Baku-Tbilisi-Ceyhan pipeline (the BTC pipeline) will transport crude oil from Azerbaijan, through Georgia, to Turkey for export to international markets. The BTC pipeline is being built by BTC Co, a company, which is owned by a group of eight companies. BTC Co will implement and own the BTC project. BP has been chosen by BTC Co to be manager of the BTC project. A second pipeline project, known as the South Caucasus Pipeline (the SCP pipeline), will carry natural gas from Azerbaijan through Georgia to Georgian and Turkish markets. As with the BTC project, BP has been chosen by the companies developing the SCP project to be manager of the SCP project. Collectively, the BTC and SCP projects are referred to as the “projects” in this document.



A total of 248 kilometers of the BTC pipeline will be located in Georgia. The SCP pipeline will be constructed in parallel with the BTC pipeline and the two pipelines will collectively require a 44-meter construction corridor across Georgia. Construction of the SCP pipeline will begin after the completion of the BTC pipeline, pending approval of the SCP project, but the compensation and land acquisition processes for both projects will occur simultaneously.

Under this approach, the 44-meter construction corridor will ultimately be split equally between the BTC and the SCP pipelines. A further safety zone, 58 meters in total width and centered on the construction corridor, will be established to

assure that no unsafe practices or activities take place in proximity to the pipelines.

The 44-meter construction corridor will pass through 7 Georgian districts: Gardabani; Marneuli; Tetrtskaro; Tsalka; Borjomi; Akhaltsikhe; and Adigeni and the administrative district of the City of Rustavi. The route has been carefully selected to avoid having a negative impact on the communities living along the corridor, as much as possible, and to eliminate the need to relocate any dwellings.

Project Descriptions

Construction work on the BTC pipeline will begin in early 2003 and is scheduled for completion in early 2005. As noted above, construction of the SCP pipeline is scheduled to begin after completion of the BTC pipeline. It is expected that the total duration of the construction works on both pipelines will be approximately 3 years. The BTC project has hired experienced construction contractors who will be responsible for all construction activities. The BTC project will manage and monitor all work done by the BTC construction contractors.

Before construction activities begin, the route will be surveyed and marked so that the exact route is clear. Construction will take place in sequential steps. The pipelines will be laid underground. The first step will thus be to clear trees and vegetation from the 32-meter wide strip of land needed for construction of the BTC pipeline, then to strip topsoil and level the land to create a working area for the first pipeline. The topsoil and subsoil that is removed will be stored separately to ensure that it can be returned after the pipeline has been constructed, with minimal disruption to the productivity of land.

Two pump stations and one pigging station, as well as 26 valve stations, will be built for the operation and maintenance of the BTC pipeline. These above ground installations (AGIs) will be built at the same time as the pipeline is constructed. Additional AGIs will be constructed for the SCP pipeline when it is constructed.

For both pipeline projects, some temporary facilities will be needed during the construction processes for the storage of materials as well as

for offices and accommodations for the people working on the construction project.

People Affected by Land Acquisition

Two separate surveys were conducted to identify the people who will be directly affected by the projects' land acquisition process. These surveys were conducted in order to assess what kind of impact the projects' land acquisition might have on the livelihoods and incomes of those people directly affected by the land acquisition process.

The results of this research showed that most of the land on which the BTC and SCP pipelines will be constructed is currently used as agricultural land - either cropland or pastureland.

Agriculture represents the source of approximately 60% of the incomes of people affected by the projects. Therefore, disruption to agricultural productivity, without appropriate compensation, would negatively affect such people.

On average, the project will acquire 20-45% of affected land parcels, depending on their location. More than 80% of the people who own or use these plots also raise livestock and largely rely on communal pasturelands for grazing.

LAND REQUIREMENTS AND CHARACTERISTICS OF IMPACT

The projects and the construction contractors will need to acquire land for the construction and installation of the pipelines, as well as for the construction of buildings and facilities, which will be used to operate the pipelines. The BTC projects requirements are outlined in the following chart:

BTC & SCP Project Requirements	Approximate Land Area
44-meters x 248 km for construction corridor	1088 ha
AGI Sites (includes 2 pump stations, 1 pigging station, and 26 valves)	70 ha

Temporary construction facilities (5 construction camp sites and 11 storage yards)	85 ha
Access roads (temporary and permanent)	Being calculated (<3 ha)
Special construction areas (e.g. land needed temporarily for river or rail crossing, etc.)	Being calculated (<10 ha)

LAND OWNERSHIP AND USE

Approximately 78% of the land within the 44-meter construction corridor is currently owned by the State, with the remaining 22% privately owned. There are four main types of land ownership in Georgia, which are shown in the box below:

Main categories of land ownership
<ul style="list-style-type: none"> State-owned land leased to private users through individual arrangements State-owned land in communal use Other State-owned land Private land

Temporary Impacts:

Temporary impacts are those that will occur only during the pipeline construction phase. These include:

- Loss of access to land in the 44-meter construction corridor:**

During the construction of each pipeline, owners and users of the land will not have access to the land in the 44-meter construction corridor. They will therefore not be able to generate income or livelihood from that piece of land during the construction period.

- Potential loss of livelihood if sub-divided land is 'orphan' and uneconomic:**

The construction corridor will pass directly through some plots of land, leaving smaller sections of land on either side of the construction corridor that will not be required for use by the projects during the construction phase. Agricultural activities on these sections of land

can be continued. In some cases, however, the remaining plot may be too small to make cultivation economically worthwhile. Similarly, access across the construction corridor may be unreasonably restricted. These small, uneconomic areas have been named 'orphan land' and will be compensated for by the projects.

After the main 44-meter construction corridor is defined, these areas of 'orphan land' will also be identified. Compensation will be paid to the owners and users based upon the same compensation rates applicable to the area of the land parcel that is within the 44-meter construction corridor. Whether or not an area of land qualifies as 'orphan land' will be determined on a case-by-case basis.

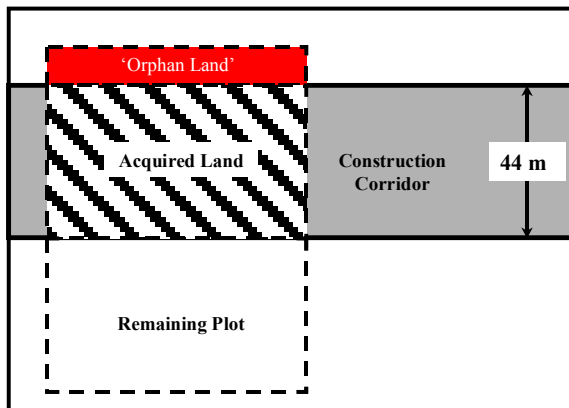


Figure 1 Indicative illustration of 'orphan' land

- **Loss of access to land used for temporary facilities:**

Land required for temporary camp facilities will be acquired by the construction contractor, who will compensate owners and users using identical principles to those that are described in this document.

Permanent Impacts

- **Permanent loss of land:**

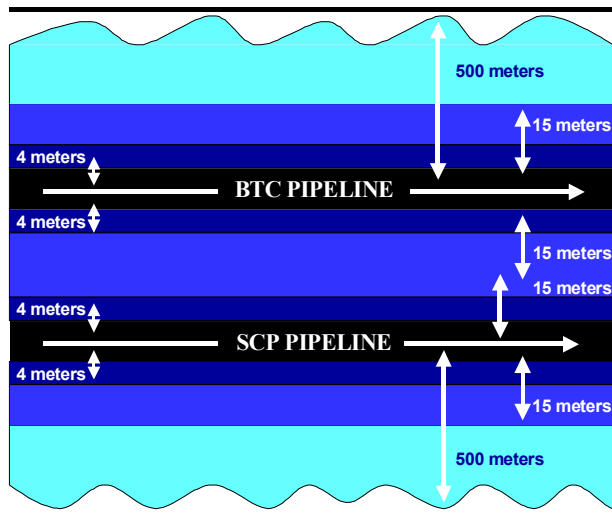
At AGI sites, and where new permanent access roads are required, the owner or user of the land will be permanently excluded from the affected land. In addition to receiving compensation for the standing crops recorded during the inventory/inspection, such owner or user will also receive additional compensation payable to other owners and users, except where suitable

local replacement land is available and the owner or user chooses to move its activities to such replacement land.

- **Resumption of Use of Private Land:**

Following construction, with the exception of land required for permanent AGIs, previous owners and users of the land appropriated for project use will be allowed to re-enter and resume the use of the land they previously occupied, subject to the observance of certain safety restrictions. Such rights of reuse will be at no charge to the former owner or user. The safety restrictions applicable to the 44-meter construction corridor will be included in agreements to be entered into with the owner or user and are not expected to interfere with the majority of the land use practices in place before the construction process began. In respect of the portion of the 58-meter safety zone that is outside of the 44-meter construction corridor, to the extent that these safety restrictions impose a genuine loss not previously compensated for, appropriate compensation will be paid. It is expected that compensation will only be paid for housing allotments in developed urban areas.

Three pipeline protection zones will be used to maintain safety and protect the pipeline structure. A summary of the likely restrictions and the size of these zones are illustrated in Figure 2 below.



- Zone 1: Four meters to either side of each pipeline, is the most restrictive zone and prohibits building construction, tree planting, deep ploughing, use of explosives and other specifically identified activities. As the pipelines are located within the 44m construction corridor owned or controlled by the Projects, these restrictions will be automatically imposed on the land parcel at the end of the construction phase.
- Zone 2: Fifteen meters to either side of each pipeline, prohibits habitable buildings, but allows normal agricultural activities to proceed.
- Zone 3: Five hundred meters to either side of each pipeline which restricts major developments (hospitals, schools, etc) apply and where the Projects wish to be generally involved in planning issues.

Figure 2 Pipeline Protection Zones

ELIGIBILITY AND ENTITLEMENTS

All registered private landowners and tenants will receive compensation for the loss of the use of the land within the 44-meter construction corridor. The projects will compensate users of land in communal use that falls within the 44-meter construction corridor and, as State land, will be granted to the projects by the State.

Private Land

The process of purchasing land from private owners and compensating the owners and users is summarised on pages 6 to 12 of this document.

The compensation that affected people are entitled to receive is explained in the table below.

COMPENSATION FOR PRIVATE LAND	
Type of land	Compensation

Private land/ 44 metres	<ul style="list-style-type: none"> • Purchase price to be paid to registered owners for acquired land using State Land Replacement Fee (SLRF) as basis for value; • Cash compensation for standing crop, regardless of the stage in their growth cycle; • Cash compensation for lost crops on orphaned land, decided on a case-by-case basis; • Return land for use, with restrictions, post construction; • Replace or compensate at full replacement value all non-moveable assets (sheds, etc.)
Private land/ 58 metres (use restrictions)	<ul style="list-style-type: none"> • Cash compensation where the landowner can demonstrate that the restriction imposes a loss.

Table 1: Compensation for Private Land

State Land

The government will provide State-owned land to the projects for project purposes in accordance with the Host Government Agreements (HGAs) between each of the BTC and SCP project entities and the Government of Georgia. Leases on State land required for AGI sites will be terminated. Where State land required for the 44-meter construction corridor is subject to private lease, the projects will enter into a contractual agreement with lessees to suspend their lease in return for compensation. Upon submission of such contractual agreements by the projects, the government will temporarily suspend such leases within the 44-meter construction corridor, for the duration of the construction period. Private lessees will not receive any compensation for land, but will be compensated for any other property loss or damage. Lessees will also be compensated for loss of income resulting from the suspension of their leases, in the amount of three years' crop value for leases not due to expire before the completion of the construction works, and proportionately less for leases that expire within three years. The details of these entitlements are explained in the table below.

COMPENSATION FOR STATE LAND	
Type of land	Compensation

COMPENSATION FOR STATE LAND	
Type of land	Compensation
State land in communal use	<ul style="list-style-type: none"> The projects will compensate users of State land that is in communal use. Such compensation will be based upon one harvest of hay per year unless another basis for valuation can be otherwise demonstrated.
State land leased to individuals	<ul style="list-style-type: none"> Cash compensation to individual users for lost crops on affected land (compensation typically provided for 3 years depending on the duration of the lease contract); Cash compensation for lost crops on orphaned land, decided on a case-by-case basis; Cash compensation for pastureland using one harvest of hay as basis for payment. Return land for use, with restrictions, still governed by lease, post construction.

Table 2: Compensation for State Land

PUBLIC CONSULTATION AND DISCLOSURE

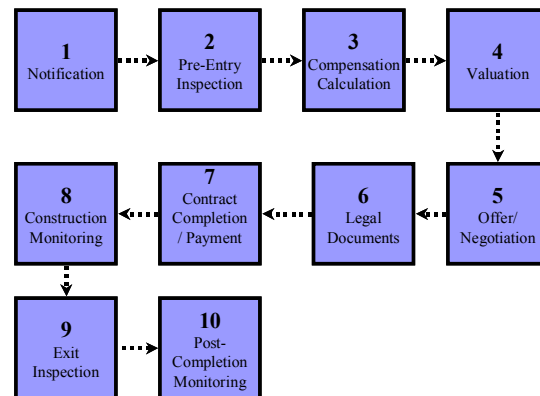
The projects have undertaken public consultation in order to ensure that people living in project-affected communities understand what the projects involve and what effect the projects will have on these communities. This consultation provided people the opportunity to state their opinions. The projects will continue to liaise with the inhabitants of the project-affected communities to enable them to provide input into the projects as they develop. The main aim of this process is to involve people affected by the projects in the planning and implementation of effective measures to reduce the overall level of impact of the pipelines on their livelihoods. This process ensures that the potential impacts of pipeline construction and operation have been thoroughly considered during the planning stages of the project.

LAND ACQUISITION AND COMPENSATION PROCESSES

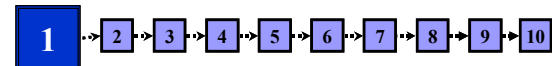
There are ten stages in the land acquisition and compensation process. This process is meant to assure that those registered owners or users of

land who are affected will be paid an appropriate amount for their land, crops, and other assets, and that such owners and users have the opportunity to participate in the decisions which are part of the land acquisition process. These stages are shown in the diagram below and will be completed in this order:

These 10 stages are summarised below.



1 NOTIFICATION



The projects have been working with the non-governmental organisation (NGO) Association for the Protection of Landowner Rights (APLR) to ensure that landowners and users who may be affected by the projects are aware of both the projects and the land acquisition and compensation processes. APLR will continue to visit affected communities to provide landowners and users with information about their legal rights and provide advice on land-related issues.

2 INVENTORY/INSPECTION



Starting in July 2002, a team (including a representative of the Project Land Acquisition Team, a government official, and often a representative of APLR) began visiting all potentially affected landowners and users whose land fell within the 44-meter construction corridor or at AGI sites. The team met with the landowners/users and any other parties invited by the landowner/user to carry out a detailed inventory and inspection of the land and assets

on the affected parcels of land. The purpose of this process is to make a written record of all assets and income generating items that will be affected on each of the plots within the pipeline corridor. The inventory agreement forms the basis for calculating the compensation offer.

Landowners/users were contacted through the village Sakrebulo to arrange a date for the inventory/inspection. The inventory process is scheduled to be substantially complete by the end of October 2002.

Land Inventory

The following details are being recorded for all plots within the 44-meter construction corridor:

- Annual Crops
- Perennial fruit bearing trees / plants
- Livestock and their pasture
- Infrastructure (e.g. fences, buildings, irrigation / drainage, water sources, power supplies, roads)
- Details of asset size, age, type, construction materials etc. will be recorded.

An agricultural expert will be on hand to assist in the identification of flora and fauna.

A copy of the inventory will be signed by the registered landowner/user (or his representative) and independently witnessed immediately upon completion of the survey.

3 COMPENSATION CALCULATION



Based on the agreed inventory, the compensation will be calculated for land, crops and immovable assets, according to the type of impact (whether on private land or leased land, as identified in Tables 1 and 2, on page 5 of this document). The compensation values will be calculated to equal the full replacement cost (including the cost of necessary transactions to replace assets and incomes, such as registration fees, court costs, etc.) of the property.

The fundamental goal is to ensure that people who are affected by the acquisition of land are adequately compensated for their losses and that their livelihoods can be maintained during the construction period.

CROP COMPENSATION

Crop compensation will be based upon the gross market value, which will be equal to the income a farmer would receive by selling his crops from the affected piece of land at market, including all input costs, such as labor, seed, fertilizer, insecticide, transport, transaction costs and taxes.

Landowners will receive full compensation for the standing crops present at the time of inventory, regardless of their stage in the growth cycle. Tenants will receive compensation for lost income over the full period that the projects affect the land. This payment will still include the price of inputs that would have been purchased over the construction period, thus effectively providing a compensatory premium.

The amount of compensation received will depend on the type of annual and perennial crops.



Annual crops

The total compensation due for annual crops will be calculated based upon the market price of the crop, the average yield and the total standing

area of the crop. This will then be multiplied by the number of affected harvests. The number of affected harvests to be compensated for depends on whether the land is owned or leased and on the number of harvests normally occurring over these years.

Each of these elements is explained below:

Crop price data has been received from a local NGO in addition to the Project Land Acquisition Team conducting their own survey. A local auditing firm was then retained to conduct further crop price surveys and determine a final figure for crop prices in each region. The data received from the auditing firm is being used as a basis for the calculations.

Average yield for the list of crops has been provided by the Local Department of Agriculture in each district and Sakrebulo, and is based on the average yield per hectare of each crop over the last 5 years.

Area of the crop will be the area calculated as affected by the 44-meter construction corridor. The **number of affected harvests** for landowners will be **one**, as the owner will be paid for the purchase of the land and compensated only for the standing crop recorded at the time of the inventory. Land users (lessees) will be compensated for the number of harvests that will be affected during the construction periods, which is expected to be **three**, on average.

Perennial plants/trees

Compensation for perennial plants/trees will be made based on the gross market value, which, as explained above, is equal to the income a farmer would make from the plant/tree by selling the crops at market. This includes all input costs.

The yield from perennial plants/trees is dependent on the age of the plant/tree. A special effort is being made to ensure that the age and type of each plant/tree is identified during the inventory/inspection and recorded on the land inventory.

Compensation will be calculated based on the following elements:

- Perennial yield at full maturity;
- Market price of the perennial crop;
- Number of years required for construction (for landowners this will be one standing crop, for land users this will typically be the construction period of three years); and
- Number of years required for a replacement plant/tree to reach the same level of maturity as the affected plant/tree.

The Research Centre of Vine Growing and Wine Making of the Department of Agriculture have provided figures for **perennial plant yield at various stages of maturity**.

As for annual crops, the **market price of the perennial crop** has been determined by a local auditing firm.

The price used to calculate compensation will be the market price at the time of year that the crop is normally harvested. Regional crop price (annual and perennial) information is shown on the additional sheets accompanying this document.

4 LAND VALUATION AND ACQUISITION



The projects have endeavoured to determine a fair land value through several methods and studies.

Firstly, the projects received certain land sales data from recent transactions in several of the districts through which the pipeline will pass, as well as from several additional districts. However, this data is sparse and since land characteristics can be dramatically different from one district to the next, the data is not necessarily characteristic of the land affected by the 44-meter construction corridor.

The projects also hired a local audit firm to assess land values in the project area. This audit considered land prices based on both a market approach and an income based approach. That is, the audit looked at land sales data as well as figures for what income could be made off the land over a certain period.

The projects have also studied the State Land Replacement Fee (SLRF) as the basis for determining land values. The SLRF is a fee that the State currently requires be paid by landowners when applications are made to convert agricultural land to non-agricultural land. This fee is intended to compensate for the loss of agricultural land by covering the cost of converting an equivalent piece of land from non-agricultural land into agricultural land. Although this fee is not a market valuation it provides a way of determining a value that reflects the agricultural quality, use and irrigability of arable and pastureland. There are also regional differences in its value that reflect differences in land quality and type.

Given the lack of reliable data, the projects have decided to use the SLRF as the basis for calculating land compensation. This is because:

- the amount of the SLRF is significantly higher than the land values determined by the other studies discussed above;
- it provides for different prices depending on the type of land (e.g. arable/pastoral and irrigated/non-irrigated); and
- because it is significantly higher than identified market values, the SLRF compensates for minor effects that pipeline restrictions will impose when the landowner is given renewed access to the land again after the construction process.

The actual price offered for land will vary depending on:

- the district,
- whether land is arable or pastureland; and
- whether the land is irrigated or not.

The projects' offer for land in each district for each category of land is shown in an attachment to this guide.

The projects will offer a minimum of 20,400 Georgian Lari per hectare for non-irrigated pasture land.

FOREST-RELATED ACTIVITIES

Privately owned timber will be compensated for at the gross market value. These timber values form an attachment to this guide. After the pipelines have been constructed, safety restrictions will prevent the re-planting of some species of trees within certain distances of the pipelines because of the risk that their roots might damage the pipelines. For private owners, associated loss of income from forest-related activities is reflected in the premium price paid for the land.

Other forest-related activities, such as woodcutting and gathering forest products (e.g. herbs and mushrooms) will also be interrupted by the construction process. Community losses such as these will be assessed and compensation will be calculated on a case-by-case basis.

HOUSING ALLOTMENTS

As with the compensation calculation for agricultural land, the project intends to pay a premium for housing allotments, above what is considered a reasonable value. Housing allotments will therefore be valued at a premium above neighbouring agricultural land to reflect the presence of building rights, in areas where there is local infrastructure. The premium will be up to 15% above the value of neighbouring agricultural land. For small housing allotments of less than 500 square meters, the projects will pay compensation for the entire housing allotment that is intersected by the 44-meter construction corridor in recognition of the fact that pipeline restriction zones may impact the ability of some landowners to build dwellings or other structures on their land. Where the building restrictions extend outside the 44-meter construction corridor significantly affecting any remaining housing allotments, compensation will be considered on a case-by-case basis.

LIVESTOCK COMPENSATION

Livestock-related hardship claims and losses occurring during the construction process will be identified by the Community Liaison Team and assessed on a case by case basis by the Project Land Acquisition Team. Compensation under

these circumstances will be calculated at the replacement cost.

FIXED ASSETS/INFRASTRUCTURE COMPENSATION

The pipeline corridor was carefully routed to avoid major structures wherever possible, and to avoid all houses. Special consideration has also been paid to structures such as irrigation channels. The construction technology used by the construction contractor will help avoid damage to irrigation systems.

Where existing structures are located within the 44-meter construction corridor compensation values will represent the full replacement cost, inclusive of all fees (e.g. construction permits and labor). If the registered owner or user prefers to receive cash compensation for his non-moveable assets, rather than replacement/reconstruction, compensation will still be equivalent to the full replacement costs. Full details of all affected fixed assets and structures will be accurately recorded during the inventory/inspection.

5 OFFER & NEGOTIATION



Once the compensation that is owed to a landowner or user has been calculated, the owner or user will be notified in writing (either in the Georgian or Russian language) of the offer. This will occur at least seven days in advance of a meeting to agree the compensation package.

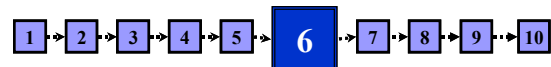
The offer will be based upon the land inventory and the valuation processes described in this summary. Any changes to these procedures or alleged discrepancy in the value of average yields and prices will be considered, where appropriate evidence can be provided by the landowner/user.

The Project Land Acquisition Team, with a member of APLR, will then arrange a meeting at the landowner's/user's home, or other mutually agreed location, to discuss the offer and attempt to reach agreement. If an agreement is reached at this stage, the landowner/user will be given

advice from APLR on how to obtain all the legal documentation they need to complete the transaction. The landowner will also be asked to designate his preferred payment location, from a series of options. Payment will typically be made within one month, subject to the landowner obtaining the legal documentation required for land acquisition to be completed. If an agreement cannot be reached at this stage a second negotiation meeting will be arranged at a later date, in the presence of a notary.

Typically the people present at the *second* negotiation meeting will be: a representative of the Project Land Acquisition Team; the registered landowner/user; a local government representative; a notary; and a representative of APLR. Negotiations will be confidential, but the landowner/user may invite outside advisors or other assistance if desired. Representatives of independent groups may also be present to witness the negotiation. All efforts will be made to reach a mutually acceptable agreement, but in situations where the negotiation cannot be settled at this stage a suitable document will be developed by the notary, which confirms that the Project Land Acquisition Team have negotiated in good faith. There will then be two options: 1) pipeline rerouting around the land parcel, or 2) the exercise of eminent domain to acquire the parcel) for the project team and the landowner/user, which are explained on page 12 of this document.

6 OBTAINING LEGAL DOCUMENTS



Once an agreement has been reached to acquire the land or compensate for losses the seller (landowner) must then organize a series of legal documents.

The first act required is for the landowner to subdivide the land parcel. This is required to enable the projects to acquire only the land in the 44-meter construction corridor and leave the landowner with the remainder of the land parcel. APLR will assist the landowner to carry out this process and will pay all costs incurred (on behalf of the projects) to implement this legal act. APLR will begin this process immediately after

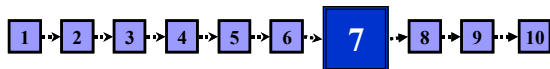
the landowner has agreed to sell the land during the negotiation phase.

The second document required is the consent of the household to sell the land parcel, which is required where the household owns the land parcel, not a single individual. Normally, the respective land registry entry indicates whether the land plot is individually owned, so the head of the household jointly owning the land parcel will be required to obtain the consent of the other members of the household to sell the land parcel. Even where the land parcel is individually owned, the consent of the owner's spouse is nevertheless required. APLR will assist the landowner in obtaining the required notarised document and will pay all costs incurred (on behalf of the projects) in implementing this act.

Suitable personal identification will also be needed, such as passports or identification cards. Again, APLR will work with the landowner to ensure that all documentation is correct.

Once APLR has informed the Project Land Acquisition Team that the landowner has all the documentation required to complete the sale of the land parcel, the landowner will be contacted to receive confirmation of the time and place of closing the transaction and making payment. This will typically be within approximately two weeks of the projects being notified that the documents are complete.

7 CONTRACT COMPLETION / PAYMENT



Both contract completion and payment will happen simultaneously in the bank selected by the projects to handle all land-related transactions. Owners and users will be notified of time and location by the Project Land Acquisition Team.

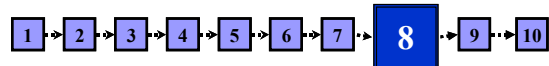
The land parcel will be purchased using a contract for land parcel purchase. This contract will be notarised using a local notary, and all costs associated with this legal process will be paid by the projects.

When the landowner has signed the contract and it is legally complete and notarized, payment will be made in either cash (Georgian Lari), or by bank transfer, as requested by the landowner. Payments made to legal entities will be made by bank transfer only. Landowners are encouraged to use the bank transfer system for security reasons. The landowner will be required to sign a receipt to confirm that full payment has been received..

The landowner will be asked to vacate the land immediately. One week after the payment has been made, the project will have the right to enter upon the land if required.

To be clear, no negotiation will take place in the bank. If the landowner no longer wishes to sell the land for the agreed price, a further meeting will be held at a later date, in the presence of a notary.

8 CONSTRUCTION MONITORING



The projects will have a Community Liaison team in the field during construction. Together with the Land Acquisition Team they will consider all cases of economic or social hardship associated with the projects during the construction phase.

Monitoring and evaluation will take place following the construction phase with the purpose of evaluating how well land and asset acquisition and compensation processes are proceeding, as well as to assess the success of measures to manage impacts on people. This information should enable project-related issues to be identified as early as possible, so that project implementation can be changed to avoid or manage the problems that arise.

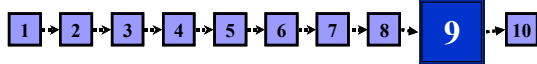
Where land based issues are identified by the Community Liaison team, that were not addressed during the initial land acquisition compensation calculation and negotiation processes, a suitable compensation package will be established based on the same principles and methods outlined in this document. Due to the variety of circumstances for which hardship

payments may be sought, each claim will be considered individually using the philosophy of fair compensation. The process will be clear, open and consistent.

Key issues that will be monitored before and during the construction process:

- Payment of compensation
- Physical progress of land and asset acquisition

9 EXIT INSPECTION



The Project Land Acquisition Team and the construction contractors will carry out an exit inspection with the previous land owner/user of all land that was used during the construction period. The aim of this inspection is to ensure that the land has been left in a suitable state whereby previous agricultural activities may be resumed on the land, subject to certain safety restrictions. The inspection will also confirm that all items negotiated on the basis of reconstruction or replacement are present and satisfactory.

All defects to land and assets should be recorded on a suitable list by the previous landowner/user. Any compensation that is required following the inspection will be calculated according to the procedures described previously in this summary, but current market values will be used at the time of the exit inspection.

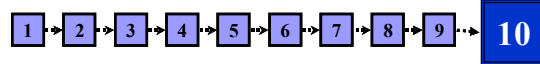
During the exit inspection the landowner/user will also be provided with the following information:

- Oral and written summaries of the restrictions on agricultural and other activities on the land (in addition to the material supplied during the notification process or contained in written agreements); and
- Contact details of the team responsible for the long-term monitoring of the project who will consider subsequent claims e.g. poor crop performance.

Following the exit inspection and the settlement of all claims a document will be signed by the

previous landowner/user to confirm that he is satisfied with the quality of the land.

10 POST-COMPLETION MONITORING



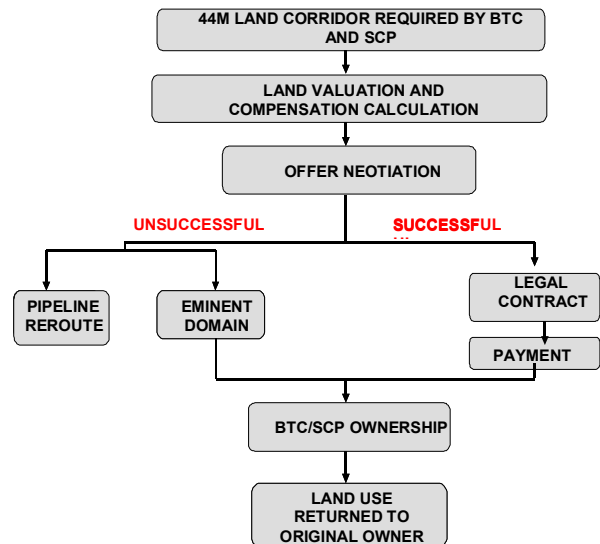
Monitoring of project impacts will continue for a reasonable period after the construction of the pipelines is complete to evaluate the success of reinstatement. This will allow an opportunity for additional compensation claims, replacement or reconstruction activities, not previously foreseen, to be considered on an individual basis.

The following processes will be monitored during and after the construction process is complete:

- Effectiveness of public consultation and participation activities
- The sustainability of income levels after the pipeline is completed.

GRIEVANCE PROCEDURE

If the compensation negotiation process is unsuccessful there are two possible options to be considered, as illustrated in the diagram below:



PIPELINE REROUTE

If no agreement can be reached, and if the engineering design for the pipeline can avoid the affected land parcel completely, then the pipeline maybe rerouted to avoid the parcel and

compensation will no longer be payable to the landowner. If the pipeline route is adjusted, then negotiations will take place with the landowner/user whose land will be affected by the new location of the construction corridor. Pipeline rerouting will be considered by the projects on a case-by-case basis.

If a pipeline reroute is unsuitable, then the projects will initiate the eminent domain process with respect to the necessary land parcels.

EMINENT DOMAIN

The HGAs grant the projects the power of eminent domain, where required. Eminent domain allows the projects to take ownership of property, even if the owner does not wish to sell, in certain situations specified under Georgian law, and in exchange for payment of compensation in an amount as determined by Georgian law.

The projects strongly desire to acquire land through direct negotiations with landowners without resorting to the use of the power of eminent domain. In the event that a mutually acceptable agreement cannot be reached between the projects and the landowner, the projects will seek to acquire land using the power of eminent domain. In such cases, Georgian eminent domain legislation will apply and compensation will be as mandated by the Georgian court system.

DISPUTE RESOLUTION

The projects will try to resolve any grievances related to the projects prior to entering the formal judicial system. An informal grievance procedure will be developed and offered for use, with grievances and disputes associated with the construction and operation of the project being eligible for considered by a non-judicial group, to include representatives of local government, the project team, community-based organisations and NGOs. Of course, this optional grievance procedure will not prevent landowners from exercising their rights under Georgian law.

The grievance procedure for people affected by the project will be described in detail and publicised in each village at the same time as offer documents are being delivered.

SCHEDULE FOR IMPLEMENTATION

